

FLIGHTSPARES LIMITED
(Registered Number 718149)

DIRECTORS' REPORT AND ACCOUNTS FOR
THE YEAR ENDED 31 DECEMBER, 1995



FLIGHTSPARES LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited accounts for the year to 31 December, 1995.

ACTIVITIES

The principal activity of the company continues to be stockist of aircraft spares and equipment.

REVIEW OF THE BUSINESS

The company achieved a satisfactory level of profitability during the year.

RESULTS

	£
Profit on ordinary activities for the year before taxation	2,978,879
Taxation	(972,997)
Profit for the year	2,005,882
Dividends - proposed	(1,700,000)
Retained profit in year	305,882
Retained profit brought forward	5,824,278
Retained profit carried forward	6,130,160

DIRECTORS

The directors who served during the year were:-

Mr P J K Haslehurst	(Chairman from 1 October 1994)
Mr S T Sadler	
Mr D B Martin	(Managing Director)
Mr J J Hobbs	
Mr R A Powell	
Mr B Cornett	
Mr W J McKnight	

Mr P J Haslehurst and Mr J J Hobbs retire by rotation and, being eligible, offer themselves for re-election. Mr A A Harding was appointed a director of the company but did not serve during the year.

FLIGHTSPARES LIMITED

REPORT OF THE DIRECTORS
(contd.)

DIRECTORS' INTERESTS

Directors' interests in the share capital of the ultimate holding company, EIS Group PLC, as recorded in the register of directors' interests were:-

	<u>Interest in 25p ordinary shares</u>		<u>Options to acquire 25p ordinary shares</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
Mr D B Martin	-	-	35,350	30,350
Mr S T Sadler	8,000	9,000	-	-
Mr B Cornett	-	-	3,294	2,169
Mr W J McKnight	-	-	1,044	-
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The interests of Mr P J K Haslehurst and Mr J J Hobbs in the share capital of the ultimate holding company are shown in the directors' report of that company. The directors' interests were beneficially owned.

With the exception of the interests disclosed above, no director had any interest in the shares or debentures of any group company at either 31st December 1995 or 31st December 1994.

FIXED ASSETS

The changes in fixed assets during the year are summarised in note 8 to the accounts.

RESEARCH AND DEVELOPMENT

The company is committed to a policy of investment in the future both by acquisition of new capital equipment and by expenditure on product development and improvement.

POLITICAL AND CHARITABLE CONTRIBUTIONS

No charitable or political donations were made during the year.

By order of the board



B Cornett
Secretary

19th April 1996

FLIGHTSPARES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (iv) 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF FLIGHTSPARES LIMITED

We have audited the financial statements on pages 4 to 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described above, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 of the state of the company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG 

Chartered Accountants
Registered Auditors

19th April, 1996

FLIGHTSPARES LIMITED

PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31 DECEMBER 1995

	<u>Notes</u>	<u>1995</u> £	<u>1994</u> £
TURNOVER	2	16,056,247	13,591,899
Cost of sales		(8,839,737)	(8,024,873)
		<hr/>	<hr/>
GROSS PROFIT		7,216,510	5,567,026
Distribution & Selling costs		(2,340,861)	(2,091,014)
Administration costs		(966,653)	(945,113)
Other operating income		-	167,451
		<hr/>	<hr/>
OPERATING PROFIT	3	3,908,996	2,698,350
Interest net	6	(930,117)	(82,454)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,978,879	2,615,896
Taxation on profit on ordinary activities	7	(972,997)	(890,867)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,005,882	1,725,029
Dividend - paid		-	(450,000)
proposed		(1,700,000)	(900,000)
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR	15	305,882	375,029
		<hr/>	<hr/>

There have been no acquisitions or discontinued operations during the period.

The notes on pages 7 to 15 form part of these accounts.

FLIGHTSPARES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the profit or loss for the period.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

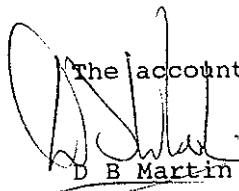
	<u>1995</u>	<u>1994</u>
	£	£
Profit for the financial year	2,005,882	1,725,029
Dividends	(1,700,000)	(1,350,000)
	<hr/>	<hr/>
Opening shareholders' funds	305,882	375,029
	5,916,258	5,541,229
	<hr/>	<hr/>
Closing shareholders' funds	6,222,140	5,916,258
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FLIGHTSPARES LIMITED

BALANCE SHEET AT 31 DECEMBER 1995

	<u>Note</u>	<u>1995</u> £	<u>1994</u> £
FIXED ASSETS			
Tangible assets	8	3,394,724	3,176,181
CURRENT ASSETS			
Stocks		20,784,019	12,474,866
Debtors	10	5,099,562	3,775,739
Cash at bank and in hand		124,530	161,605
		<hr/>	<hr/>
		26,008,111	16,412,210
CREDITORS: amounts falling due within one year	11	(8,427,968)	(5,757,610)
		<hr/>	<hr/>
NET CURRENT ASSETS		17,580,143	10,654,600
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		20,974,867	13,830,781
CREDITORS: amounts falling due after one year	12	(14,412,240)	(7,693,197)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(340,487)	(221,326)
		<hr/>	<hr/>
		6,222,140	5,916,258
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	14	50,000	50,000
Share premium account	15	41,980	41,980
Profit and loss account	15	6,130,160	5,824,278
		<hr/>	<hr/>
		6,222,140	5,916,258
		<hr/>	<hr/>

The accounts were approved by the board of directors on 19th April, 1996.


D B Martin - Director

The notes on pages 7 to 15 form part of these accounts.

FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies which are in accordance with applicable accounting standards have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

The Company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts, because its results are included within the consolidated accounts of the EIS Group P.L.C. The financial statements present information about the undertaking as an individual company and not about it's group.

a) Basis of accounting

The accounts have been prepared under the historical cost convention.

b) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Fixtures, fittings & equipment	10% to 25%
Freehold buildings	2%
Freehold land	Nil

c) Stocks

Stocks are stated at the lower of cost and net realisable value.

d) Research and development

Research and development expenditure is written off against profit in the year in which the expenditure arises.

e) Deferred taxation

Deferred taxation is provided at the future rate of taxation using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

f) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date or where there are matching forward contracts in respect of trading transactions, the rates of exchange specified in the contracts are used. All realised differences are taken to the profit and loss account.

FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS

(contd.)

g) Pensions

The company operates a defined contributions pension scheme for certain employees, and also contributes to selected employee's personal pension schemes.

The Company also contributes to the EIS Group pension scheme which provides benefits based on final pensionable pay. The assets of the Scheme are held separately from those of the group, being invested with insurance companies. Contributions to the Scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. During the year the majority of employees transferred to the EIS Group pension scheme.

h) Cash flow statement

The company has not produced a Cash Flow Statement as it is a wholly owned subsidiary of EIS Group P.L.C., whose accounts include a consolidated Cash Flow Statement.

i) Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is the shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

2. TURNOVER

Turnover represents invoiced sales during the year exclusive of value added tax.

All of the company's turnover and profit on ordinary activities before taxation relate to the company's principal activity.

FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS
(contd.)

2. TURNOVER (Contd.)

The geographic analysis of turnover is as follows:

	<u>1995</u>	<u>1994</u>
	£	£
United Kingdom	6,452,465	5,934,707
Asia, Far East and Australia	2,004,102	1,131,932
North, South & Central America	3,683,835	1,977,852
Europe	2,137,583	2,888,478
Africa	1,582,972	1,314,091
Middle East	195,290	344,839
	<hr/>	<hr/>
	16,056,247	13,591,899
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3. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following items:

	<u>1995</u>	<u>1994</u>
	£	£
Auditors' remuneration - Audit	15,000	15,000
Depreciation	209,325	184,053
Rental income	-	(14,924)
Profit on sale of building	-	(152,527)
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4. DIRECTORS' EMOLUMENTS

	<u>1995</u>	<u>1994</u>
	£	£
For services as directors	291,235	306,134
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The amounts (excluding pension contributions) paid to the chairman and highest paid director were as follows:

	<u>1995</u>	<u>1994</u>
	£	£
Chairman	NIL	55,130
	<hr/>	<hr/>
Highest paid director	86,667	80,766
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FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS

(contd.)

4. DIRECTORS' EMOLUMENTS (Contd.)

The emoluments of the directors fell within the following bands:

	<u>1995</u>	<u>1994</u>
	No.	No.
£ Nil - £ 5,000	3	3
£ 5,001 - £10,000	—	1
£40,001 - £45,000	1	1
£45,001 - £50,000	1	—
£55,001 - £60,000	—	1
£70,001 - £75,000	—	1
£80,001 - £85,000	1	1
£85,001 - £90,000	1	—

5. STAFF COSTS

The average weekly number of employees, including directors, during the year was as follows:

	<u>1995</u>	<u>1994</u>
	No.	No.
Sales, administration and distribution	62	52
Stores	17	16
	<u>79</u>	<u>68</u>

The aggregate payroll costs of these persons were as follows:

	<u>1995</u>	<u>1994</u>
	£	£
Wages and salaries	1,525,825	1,281,557
Social security costs	123,591	97,391
Other pension costs	59,347	57,915
	<u>1,708,763</u>	<u>1,436,863</u>

6. INTEREST

	<u>1995</u>	<u>1994</u>
	£	£
Interest Receivable	64,348	68,489
Interest Payable:		
Inter-group - payable to parent company	(750,000)	—
Bank loans and overdrafts	(214,517)	(135,536)
Hire purchase loans	(26,691)	(15,407)
Capitalised leases	(3,257)	—
Interest (net)	<u>(930,117)</u>	<u>(82,454)</u>

FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS
(contd.)

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1995</u>	<u>1994</u>
	£	£
Based on the profit for the year:		
Corporation tax at 33% (1994:33%)	900,000	930,000
Deferred taxation (credit)/charge	121,633	(50,870)
	<u>1,021,633</u>	<u>879,130</u>
Taxation relating to prior years:		
Corporation tax	(46,164)	11,737
Deferred taxation	(2,472)	-
	<u>972,997</u>	<u>890,867</u>

8. TANGIBLE FIXED ASSETS

	<u>Freehold Land and buildings</u>	<u>Fixtures fittings & equipment</u>	<u>Total</u>
	£	£	£
COST			
At 1 January, 1995	2,933,292	1,505,910	4,439,202
Additions	-	434,927	434,927
Disposals	-	(55,213)	(55,213)
	<u>2,933,292</u>	<u>1,885,624</u>	<u>4,818,916</u>
DEPRECIATION			
At 1 January, 1995	210,883	1,052,138	1,263,021
Charge for the year	49,158	160,167	209,325
Disposals	-	(48,154)	(48,154)
	<u>260,041</u>	<u>1,164,151</u>	<u>1,424,192</u>
NET BOOK VALUE			
At 31 December, 1995	<u>2,673,251</u>	<u>721,473</u>	<u>3,394,724</u>
At 31 December, 1994	<u>2,722,409</u>	<u>453,772</u>	<u>3,176,181</u>

The net book value of fixtures, fittings and equipment includes £272,591 (1994: £81,315) in respect of assets held under hire purchase contracts. Depreciation charged during the year in respect of these assets amounted to £77,894 (1994: £65,052).

Included in the cost of land and buildings is an amount of £221,000 (1994: £221,000) of interest capitalised together with associated amortisation of £20,627 (1994: £20,627), this represents the interest cost associated with the building of the premises at Aviation Way, Southend Airport.

Included within freehold land and buildings is an amount of £412,000 (1994: £412,000) in respect of freehold land which is not depreciated.

FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS
(contd.)

9. INVESTMENTS

		£
Wholly-owned subsidiary undertakings:		
Cost:		
Flightspares International Inc., California, 20,000 shares of \$1 each		11,834
Flightspares International Inc., Florida, 500 shares of \$1 each		360
		12,194
At 31 December 1994 and 1995		12,194
		£
Provisions:		
At 31 December 1994 and 1995		12,194
Net book value:		
At 31 December 1994 and 1995		NIL

The principal activity of Flightspares International Inc., Florida is that of stockists of aircraft spares and equipment. Flightspares International Inc., California is a dormant company. Both subsidiaries are incorporated in the United States of America.

The company has given a \$225,000 (1994: \$275,000) guarantee in favour of its principal subsidiary.

10. DEBTORS

	<u>1995</u>	<u>1994</u>
	£	£
Amounts falling due within one year:		
Trade debtors	3,373,071	2,887,643
Amounts owed by group undertakings	44,433	16,069
Other debtors	60,000	182,727
VAT recoverable	298,812	43,750
Prepayments and accrued income	293,910	99,401
	4,070,226	3,229,590
Amounts falling after more than one year:		
Amounts owed by group undertakings	1,029,336	546,149
	5,099,562	3,775,739

FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS

(contd.)

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1995</u>	<u>1994</u>
	£	£
Bank loans and overdrafts (Note 12)	765,000	165,000
Hire purchase loans	98,606	65,052
Trade creditors	4,265,009	3,254,050
Corporation tax	900,000	930,000
Other taxation and social security	46,967	36,446
Amounts owed to group undertakings	84,384	-
Dividends payable	1,700,000	900,000
Accruals and deferred income	568,002	407,062
	<u>8,427,968</u>	<u>5,757,610</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1995</u>	<u>1994</u>
	£	£
Bank loans between 1 and 2 years	1,530,000	330,000
between 2 and 5 years	330,000	330,000
after 5 years	330,000	495,000
Trade creditors	-	-
Hire purchase loans:		
repayable between 1 and 2 years	189,369	16,263
repayable between 2 and 5 years	163,625	-
Amounts owed to group undertakings	11,869,246	6,521,934
	<u>14,412,240</u>	<u>7,693,197</u>

Included in bank loans is a bank loan repayable by 2007 in quarterly instalments with interest at 9.6% and a bank loan repayable by 1998 in equal instalments with interest at 9.2%. They are secured by a fixed and floating charge over the freehold property and other assets.

13. PROVISION FOR LIABILITIES AND CHARGES

	<u>Amount Provided</u>	
	<u>1995</u>	<u>1994</u>
	£	£
Deferred taxation:		
Accelerated capital allowances	96,094	283,576
Other timing differences	244,393	(62,250)
	<u>340,487</u>	<u>221,326</u>

The amount provided represents the full potential liability for deferred tax.

FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS

(contd.)

13. PROVISION FOR LIABILITIES AND CHARGES (Contd.)

	£
<u>Movement in year</u>	
Balance at 1 January 1995	221,326
Amount charged to profit and loss account for the year	119,161
	<hr/>
Balance at 31 December 1995	340,487
	<hr/>

14. SHARE CAPITAL

	<u>1995 and 1994</u>			
	<u>Authorised</u>		<u>Allotted, called up</u>	
	<u>No.</u>	<u>£</u>	<u>and fully paid</u>	<u>£</u>
			<u>No.</u>	<u>£</u>
Ordinary shares of 10p each	500,000	50,000	500,000	50,000
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15. RESERVES

	<u>Share</u>	<u>Profit and</u>	<u>Total</u>
	<u>premium</u>	<u>loss account</u>	<u>£</u>
	<u>£</u>	<u>£</u>	<u>£</u>
At 1 January 1995	41,980	5,824,278	5,866,258
Retained profit for year	—	305,882	305,882
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At 31 December 1995	41,980	6,130,160	6,172,140
	<hr/>	<hr/>	<hr/>

16. PENSIONS

The company operates a defined contribution pension scheme for certain employees. The pension cost charge for the period represents contributions payable by the company to the funds, the company also contributes to selected employee's pension schemes.

The Company contributes to the EIS Group pension scheme, providing benefits on final pensionable pay. The assets of the scheme are held separately from those of the company being invested with an insurance company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 5th April 1993 and showed that the market value of the scheme's assets were £32.6m and that the actuarial value of those assets represented 144% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The valuation assumed that the investment return would be 1.5% higher than the rate of annual salary increase and that present and future pensions would increase at a rate of 3% per annum.