

FLIGHTSPARES LIMITED  
(Registered Number 718149)

DIRECTORS' REPORT AND ACCOUNTS FOR  
THE YEAR ENDED 31 DECEMBER, 1994



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, 1994.

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	2,615,896
Taxation	(890,867)
Profit for the year	<u>1,725,029</u>
Dividends - paid	(450,000)
- proposed	(900,000)
Retained profit in year	<u>375,029</u>
Retained profit brought forward	<u>5,449,249</u>
Retained profit carried forward	<u><u>5,824,278</u></u>

DIRECTORS

The directors who served during the year were:-

Mr P J K Haslehurst	(Chairman from 1 October 1994)
Mr J J Edwards	(Chairman - retired 30 September 1994)
Mr S T Sadler	
Mr D B Martin	(Managing Director)
Mr J J Hobbs	
Mr R A Powell	(Appointed 3 February 1994)
Mr B Cornett	(Appointed 3 February 1994)
Mr W J McKnight	(Appointed 1 November 1994)

Mr S T Sadler and Mr D B Martin retire by rotation and, being eligible, offer themselves for re-election. Mr R A Powell, Mr B Cornett and Mr W J McKnight being appointed during the year, offer themselves for election.

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>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
Mr D B Martin	-	-	30,350	30,350
Mr S T Sadler	9,000	10,323	-	-
Mr B Cornett	-	-	2,169	-
Mr W J McKnight	-	-	-	-

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 1994 or 31st December 1993.

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.

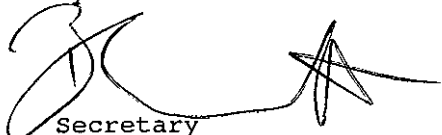
POLITICAL AND CHARITABLE CONTRIBUTIONS

No charitable or political donations were made during the year.

AUDITORS

On the 6 February 1995 our Auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

  
Secretary

13th April 1995

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 result of the company for the year. 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 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

*KPMG*  
Chartered Accountants  
Registered Auditors

13th April, 1995

**FLIGHTSPARES LIMITED**

**PROFIT AND LOSS ACCOUNT FOR  
THE YEAR ENDED 31 DECEMBER 1994**

	<u>Notes</u>	<u>1994</u> £	<u>1993</u> £
TURNOVER	2	13,591,899	8,733,482
Cost of sales		(8,024,873)	(6,051,799)
<b>GROSS PROFIT</b>		<u>5,567,026</u>	<u>2,681,683</u>
Distribution & Selling costs		(2,091,014)	(1,607,890)
Administration costs		(945,113)	(511,535)
Other operating income		167,451	87,685
<b>OPERATING PROFIT</b>	3	<u>2,698,350</u>	<u>649,943</u>
Interest net	6	(82,454)	(132,963)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>2,615,896</u>	<u>516,980</u>
Taxation on profit on ordinary activities	7	(890,867)	(204,859)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>1,725,029</u>	<u>312,121</u>
Dividend - paid		(450,000)	-
proposed		(900,000)	(45,000)
<b>RETAINED PROFIT FOR THE YEAR</b>	15	<u>375,029</u>	<u>267,121</u>

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>1994</u> £	<u>1993</u> £
Profit for the financial year	1,725,029	312,121
Dividends	(1,350,000)	(45,000)
	<hr/>	<hr/>
Opening shareholders' funds	375,029 5,541,229	267,121 5,274,108
	<hr/>	<hr/>
Closing shareholders' funds	5,916,258	5,541,229
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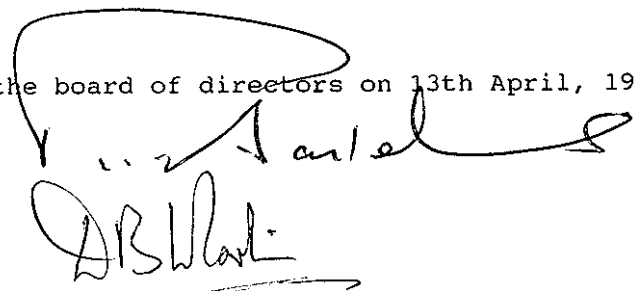
FLIGHTSPARES LIMITED

BALANCE SHEET AT 31 DECEMBER, 1994

	<u>Note</u>	<u>1994</u> £	<u>1993</u> £
<b>FIXED ASSETS</b>			
Tangible assets	8	3,176,181	3,195,535
<b>CURRENT ASSETS</b>			
Stocks		12,474,866	10,750,096
Debtors	10	3,775,739	2,877,912
Cash at bank and in hand		161,605	221,648
		<hr/>	<hr/>
		16,412,210	13,849,656
CREDITORS: amounts falling due within one year	11	(5,757,610)	(3,390,109)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		10,654,600	10,459,547
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		13,830,781	13,655,082
<b>CREDITORS: amounts falling due after one year</b>			
	12	(7,693,197)	(7,841,657)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
	13	(221,326)	(272,196)
		<hr/>	<hr/>
		5,916,258	5,541,229
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	50,000	50,000
Share premium account	15	41,980	41,980
Profit and loss account	15	5,824,278	5,449,249
		<hr/>	<hr/>
		5,916,258	5,541,229
		<hr/>	<hr/>

The accounts were approved by the board of directors on 13th April, 1995.

P J K Haslehurst )  
 ) Directors  
 D B Martin )



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 its 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 pension scheme providing 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. Contributions are charged on the same basis as above.

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) Operating 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.

The geographic analysis of turnover is as follows:

	<u>1994</u>	<u>1993</u>
	£	£
United Kingdom	5,934,707	3,950,399
Asia, Far East and Australia	1,131,932	1,302,927
North, South & Central America	1,977,852	1,263,662
Europe	2,888,478	1,253,891
Africa	1,314,091	932,568
Middle East	344,839	30,035
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	13,591,899	8,733,482
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FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS  
(contd.)

3. OPERATING PROFIT

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

	<u>1994</u>	<u>1993</u>
	£	£
Auditors' remuneration - Audit	15,000	14,400
Depreciation	184,053	221,602
Operating lease charges - Buildings	-	54,382
Release of provision on subsidiary company debt	-	(59,490)
Rental income	(14,924)	(87,685)
Profit on sale of building	152,527	-
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4. DIRECTORS' EMOLUMENTS

	<u>1994</u>	<u>1993</u>
	£	£
For services as directors	306,134	249,122
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The amounts (excluding pension contributions) paid to the chairman and highest paid director were as follows:

	<u>1994</u>	<u>1993</u>
	£	£
Chairman - year to 31 October 1993	Not applicable	75,880
Chairman - period to 30 September 1994	55,130	Not applicable
- period from 1 October 1994	NIL	Not applicable
	<hr/>	<hr/>
Highest paid director	80,766	75,880
	<hr/>	<hr/>

The emoluments of the directors fell within the following bands:

	<u>1994</u>	<u>1993</u>
	No.	No.
£Nil - £5,000	3	3
£ 5,001 - £10,000	1	-
£40,001 - £45,000	1	-
£55,001 - £60,000	1	1
£70,001 - £75,000	1	1
£75,001 - £80,000	-	1
£80,001 - £85,000	1	-
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FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS  
(contd.)

5. STAFF COSTS

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

	<u>1994</u>	<u>1993</u>
	No.	No.
Sales, administration and distribution	52	43
Stores	16	15
	<u>68</u>	<u>58</u>

The aggregate payroll costs of these persons were as follows:

	<u>1994</u>	<u>1993</u>
	£	£
Wages and salaries	1,281,557	1,020,610
Social security costs	97,391	92,812
Other pension costs	57,915	66,900
	<u>1,436,863</u>	<u>1,180,322</u>

6. INTEREST

	<u>1994</u>	<u>1993</u>
	£	£
Interest Receivable	68,489	77,049
Interest Payable:		
Bank loans and overdrafts	(135,536)	(156,657)
Hire purchase loans	(15,407)	(53,274)
Other loans	-	(81)
Interest (net)	<u>(82,454)</u>	<u>(132,963)</u>

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1994</u>	<u>1993</u>
	£	£
Based on the profit for the year:		
Corporation tax at 33% (1993:33%)	930,000	143,000
Deferred taxation (credit)/charge	(50,870)	29,917
	<u>879,130</u>	<u>172,917</u>
Taxation relating to prior years:		
Corporation tax	11,737	1,133
Deferred taxation	-	30,809
	<u>890,867</u>	<u>204,859</u>

FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS  
(contd.)

8. TANGIBLE FIXED ASSETS

	<u>Freehold Land and buildings</u> £	<u>Fixtures fittings &amp; equipment</u> £	<u>Total</u> £
<b>COST</b>			
At 1 January, 1994	3,079,512	1,239,142	4,318,654
Additions	-	285,551	285,551
Disposals	(146,220)	(18,783)	(165,003)
At 31 December, 1994	<u>2,933,292</u>	<u>1,505,910</u>	<u>4,439,202</u>
<b>DEPRECIATION</b>			
At 1 January, 1994	191,985	931,134	1,123,119
Charge for the year	49,158	134,895	184,053
Disposals	(30,260)	(13,891)	(44,151)
At 31 December, 1994	<u>210,883</u>	<u>1,052,138</u>	<u>1,263,021</u>
<b>NET BOOK VALUE</b>			
At 31 December, 1994	<u>2,722,409</u>	<u>453,772</u>	<u>3,176,181</u>
At 31 December, 1993	<u>2,887,527</u>	<u>308,008</u>	<u>3,195,535</u>

The net book value of fixtures, fittings and equipment includes £81,315 (1993: £146,367) in respect of assets held under hire purchase contracts. Depreciation charged during the year in respect of these assets amounted to £65,052 (1993: £47,166).

Included in the cost of land and buildings is an amount of £221,000 (1993: £221,000) of interest capitalised together with associated amortisation of £20,627 (1993: £16,207), 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 (1993: £412,000) in respect of freehold land which is not depreciated.

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
At 31 December 1993 and 1994	<u>12,194</u>

FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS  
(contd.)

9. INVESTMENTS (Contd.)

	£
Provisions:	
At 31 December 1993 and 1994	12,194
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Net book value:	
At 31 December 1993 and 1994	NIL
	<hr/>

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 \$275,000 (1992: \$325,000) guarantee in favour of its principal subsidiary.

10. DEBTORS

	<u>1994</u>	<u>1993</u>
	£	£
Amounts falling due within one year:		
Trade debtors	2,887,643	2,397,590
Amounts owed by group undertakings	16,069	-
Other debtors	182,727	175,452
VAT recoverable	43,750	-
Prepayments and accrued income	99,401	119,224
	<hr/>	<hr/>
	3,229,590	2,692,266
Amounts falling after more than one year:		
Amounts owed by group undertakings	546,149	185,646
	<hr/>	<hr/>
	3,775,739	2,877,912
	<hr/>	<hr/>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1994</u>	<u>1993</u>
	£	£
Bank loans and overdrafts (Note 12)	165,000	165,000
Hire purchase loans	65,052	65,052
Trade creditors	3,254,050	2,617,528
Corporation tax	930,000	195,000
Other taxation and social security	36,446	32,127
Dividends payable	900,000	45,000
Accruals and deferred income	407,062	270,402
	<hr/>	<hr/>
	5,757,610	3,390,109
	<hr/>	<hr/>

FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS  
(contd.)

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

	<u>1994</u>	<u>1993</u>
	£	£
Bank loans between 2 and 5 years	1,155,000	1,320,000
Trade creditors	-	1,575,227
Hire purchase loans:		
repayable between 1 and 2 years	16,263	65,052
repayable between 2 and 5 years	-	16,263
Amounts owed to group undertakings	6,521,934	4,865,115
	<u>7,693,197</u>	<u>7,841,657</u>

The bank loan is repayable by 2007 in quarterly instalments with annual interest at 9.6%. It is secured by a fixed charge over the freehold land and buildings of the company. £495,000 of the loan falls due for repayment after more than five years.

13. PROVISION FOR LIABILITIES AND CHARGES

	<u>Amount Provided</u>	
	<u>1994</u>	<u>1993</u>
	£	£
Deferred taxation:		
Accelerated capital allowances	283,576	56,342
Other timing differences	(62,250)	-
Difference between the tax valuation and the accounting valuation of rotables stock	-	215,854
	<u>221,326</u>	<u>272,196</u>

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

Movement in year

Balance at 1 January 1994	272,196
Amount credited to profit and loss account for the year	(50,870)
Balance at 31 December 1994	<u>221,326</u>

FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS  
(contd.)

14. SHARE CAPITAL

	<u>1994</u>		<u>and 1993</u>	
	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>No.</u>	<u>£</u>	<u>No.</u>	<u>£</u>
Ordinary shares of 10p each	500,000	50,000	500,000	50,000

15. RESERVES

	<u>Share premium</u>	<u>Profit and loss account</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
At 1 January, 1994	41,980	5,449,249	5,491,229
Retained profit for year	-	375,029	375,029
At 31 December, 1994	41,980	5,824,278	5,866,258

16. OPERATING LEASES

The commitments which fall to be paid in the following year under non-cancellable operating leases are:-

	<u>1994</u>	<u>1993</u>
	<u>Land and Buildings</u>	<u>Land and Buildings</u>
	<u>£</u>	<u>£</u>
Operating leases which expire:		
Within one year	-	29,836
Between 1 year and 5 years		
Over 5 years		
	-	29,836

17. PENSIONS

The Company operates a 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 2.5% higher than the rate of annual salary increase and that present and future pensions would increase at a rate of 3% per annum.

FLIGHTSPARES LIMITED

NOTES TO THE ACCOUNTS  
(contd.)

17. PENSIONS (Contd.)

The pension charge for the period was £5,795 (1993: £66,900) and has been determined over the average remaining service lives of the employees. There may be some increase in pension costs in future years as a consequence of the Social Security Act 1990.

During the year many employees transferred to the EIS Group Pension Scheme. Details of this scheme are disclosed in the accounts of EIS Group P.L.C. The pension charge for the period was £52,120. Contributions amounting to £7,490 were payable to the group scheme at the year end and are included within creditors.

18. ULTIMATE HOLDING COMPANY

The ultimate holding company is EIS Group P.L.C., a company incorporated in England. Copies of the group accounts are available from:

The Registrar of Companies  
Companies House  
Crown Way  
Cardiff  
CF4 3HZ