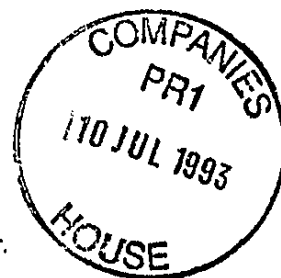


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FLIGHTSPARES LIMITED
(Formerly Flightspares Public Limited Company)

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1992



FLIGHTSPARES LIMITED
(Formerly Flightspares Public Limited Company)

DIRECTORS

J.J. Edwards (Chairman)
S.T. Sadler
P.J.K. Haslehurst
B.H. Wormsley
J.J. Hobbs
D.B. Martin (Appointed 4 March 1992)

SECRETARY

B. Cornett

REGISTERED OFFICE

Aviation Way
Southend-on-Sea
Essex, SS2 6UN

Registered in England and Wales No. 718149

AUDITORS

KPMG Peat Marwick
50 Rainsford Road
Chelmsford
Essex, CM1 2QL

PRINCIPAL SUBSIDIARY COMPANY

Flightspares International Inc.
511 S.E. 32nd Court
Fort Lauderdale, Florida 33316
U.S.A.

FLIGHTSPARES LIMITED
(Formerly Flightspares Public Limited Company)

REPORT OF THE DIRECTORS

The Directors submit their Report together with the accounts for the year ended 31st December, 1992.

RE-REGISTRATION

On 11th April 1992 the company re-registered as a private company under the name of Flightspares Limited.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of stockist of aircraft spares and equipment.

REVIEW OF THE BUSINESS

The company returned to a satisfactory level of profitability during the year.

RESULTS AND DIVIDENDS

The profit for the year amounted to £572,074 (1991: Loss £230,614). An interim £90,000 dividend (1991: Nil) was declared during the year. The directors recommend a final dividend of £200,000 (1991: Nil).

THE DIRECTORS

The directors, who served during the year are listed on page 1. Directors' interests in the share capital of the ultimate parent company, EIS Group P.L.C, 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>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
J.J. Edwards	247,579	247,579	-	-
D.B. Martin	-	-	20,000	-
S.T. Sadler	10,323	10,323	-	-

The interests of Mr. P.J.K. Haslehurst, Dr. B.H. Wormsley and Mr. J.J. Hobbs in the share capital of the ultimate parent company are shown in the directors' report of that company. The directors' interests were beneficially owned.

FIXED ASSETS

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

AUDITORS

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick as auditors is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

B. Cornett
Secretary

6th April, 1993

FLIGHTSPARES LIMITED
(Formerly Flightspares Public Limited Company)

REPORT OF THE AUDITORS, KPMG PEAT MARWICK,
TO THE MEMBERS OF FLIGHTSPARES LIMITED

We have audited the accounts on pages 4 to 13 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st December 1992 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors

Chelmsford
6th April, 1993

FLIGHTSPARES LIMITED
(Formerly Flightspares Public Limited Company)

**PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31ST DECEMBER 1992**

	<u>Notes</u>	<u>12 months to 31st December 1992</u> £	<u>8 months to 31st December 1991</u> £
TURNOVER	2	8,806,764	5,708,982
Cost of sales		6,077,019	4,034,807
Gross profit		2,729,745	1,674,175
Other costs	3	2,120,442	1,712,898
OPERATING PROFIT/(LOSS)	4	609,303	(38,723)
Interest	5	(86,873)	(230,351)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		522,430	(269,074)
Release of provision on subsidiary company debt		215,255	—
Taxation on ordinary activities	6	737,685 (165,611)	(269,074) 38,460
PROFIT/(LOSS) AFTER TAXATION		572,074 (90,000)	(230,614) —
Dividend-paid -proposed		(200,000)	—
RETAINED PROFIT/(LOSS) FOR THE YEAR	15	282,074	(230,614)

The Notes on pages 6 to 13 form part of these accounts

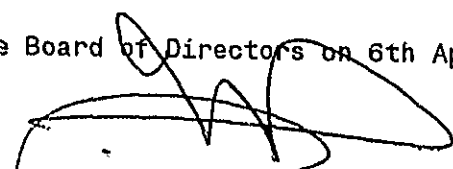
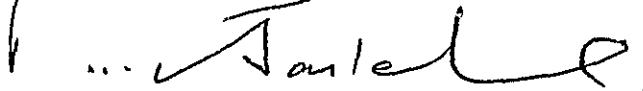
FLIGHTSPARES LIMITED
(Formerly Flightspares Public Limited Company)

BALANCE SHEET AS AT 31ST DECEMBER 1992

	Notes	<u>1992</u> £	<u>1991</u> £
FIXED ASSETS			
Tangible assets	7	3,325,216	3,429,204
CURRENT ASSETS			
Stocks-Goods held for resale		4,888,433	3,259,618
Debtors	9	2,987,467	2,769,361
Cash at bank and in hand		53,261	132,161
		<u>7,929,161</u>	<u>6,161,140</u>
CREDITORS: Amounts falling due within one year	10	(2,377,949)	(2,924,368)
NET CURRENT ASSETS		<u>5,551,212</u>	<u>3,236,772</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,876,428</u>	<u>6,665,976</u>
CREDITORS: Amounts falling due after more than one year	11	(3,390,850)	(1,589,483)
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	13	(211,470)	(84,459)
		<u>5,274,108</u>	<u>4,992,034</u>
CAPITAL AND RESERVES			
Called up share capital	14	50,000	50,000
Share premium account		41,980	41,980
Retained profits	15	5,182,128	4,900,054
		<u>5,274,108</u>	<u>4,992,034</u>

The accounts were approved by the Board of Directors on 6th April, 1993

J.J. Edwards)
) Directors
P.J.K. Haslehurst)

The Notes on pages 6 to 13 form part of these accounts

FLIGHTSPARES LIMITED
(Formerly Flightspares Public Limited Company)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts.

DEPRECIATION

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 asset over its expected useful life, as follows:

Freehold buildings	- over 50 years
Other assets	- various from 3 to 10 years

STOCKS

Stocks are stated at the lower of cost and net realisable value. In the case of some items sold on an exchange basis, cost includes estimates of the unoverhauled value of these units.

DEFERRED TAXATION

Deferred taxation is provided 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.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Balances denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheets date. All differences are taken to the profit and loss account.

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 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.

NOTES TO THE ACCOUNTS
(contd.)

1. ACCOUNTING POLICIES (contd.)

PENSION COSTS

The company is part of a group that operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with an insurance company. 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 company.

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.

2. TURNOVER

Turnover represents the invoiced amount of goods sold (stated net of value added tax).

The geographic analysis of turnover is as follows:

	12 months to 31st December <u>1992</u> £	8 Months to 31st December <u>1991</u> £
United Kingdom	4,259,751	2,464,636
Asia, Far East and Australia	1,324,728	1,057,784
North, South & Central America	1,645,844	1,254,668
Continental Europe	828,573	316,712
Africa	653,816	470,266
Middle East	94,052	144,916
	<u>8,806,764</u>	<u>5,708,982</u>

3. OTHER COSTS

Distribution and selling expenses	1,678,922	1,342,637
Administration expenses	493,885	391,240
Rents receivable	(52,365)	(20,979)
	<u>2,120,442</u>	<u>1,712,898</u>

4. OPERATING PROFIT/(LOSS)

a) This is stated after charging:

Auditors' remuneration : audit	16,750	15,000
non-audit	5,750	N/A
Depreciation	200,511	102,521
Operating lease charges-Land & buildings	57,500	46,336
-Plant & equipment	104,823	32,407

FLIGHTSPARES LIMITED
(Formerly Flightspares Public Limited Company)

NOTES TO THE ACCOUNTS
(contd.)

4. OPERATING PROFIT/(LOSS) (contd.)

	12 months to 31st December 1992 £	8 Months to 31st December 1991 £
b) Directors' remuneration, including pension contributions	244,132	154,730

The emoluments of the chairman, who was the highest paid director, excluding pensions contributions, were £80,345 (8 months ended 31st December 1991: £48,813). The table which follows shows the number of all directors of the company whose emoluments during the period, excluding pension contributions, were within the bands stated:

	No.	No.
£ Nil - £ 5,000	3	3
£10,001 - £15,000	—	1
£45,001 - £50,000	—	2
£50,001 - £55,000	1	—
£70,001 - £75,000	1	—
£80,001 - £85,000	1	—
	£	£
c) Staff costs:		
Salaries	1,018,918	647,047
Social security costs	90,524	60,818
Other pension costs	70,400	47,474
	<u>1,179,842</u>	<u>755,339</u>

The average weekly number of employees of the company were:

	No.	No.
Administration	42	43
Stores	17	21
	<u>59</u>	<u>64</u>

d) Director's transactions:

During the year J J Edwards used his Flightspares credit card for his own personal use. The maximum amount owed by J J Edwards on this credit card during the year was £6,387 and the amount owed at 31 December 1992 was zero.

5. INTEREST

	£	£
Interest received	40,433	3,813
Bank loans and overdrafts	(6,561)	(187,779)
Amounts payable to group undertakings	(89,747)	(10,070)
Hire purchase loans	(30,998)	(18,620)
Other loans wholly repayable within 5 years	—	(17,695)
	<u>(86,873)</u>	<u>(230,351)</u>

FLIGHTSPARES LIMITED
(Formerly Flightspares Public Limited Company)

NOTES TO THE ACCOUNTS
(contd.)

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	12 months to 31st December <u>1992</u> £	8 Months to 31st December <u>1991</u> £
Charge based on the result for the year:		
Corporation tax at 33% (1991: 33%)	52,000	—
Deferred taxation	132,714	76,626
	<u>184,714</u>	<u>76,626</u>
Taxation relating to prior years:		
Corporation taxation	(13,400)	58,317
Deferred taxation	(5,703)	(96,483)
	<u>165,611</u>	<u>38,460</u>

7. TANGIBLE FIXED ASSETS

	Freehold Land and buildings £	Fixtures, fittings & equipment £	Total £
Cost:			
At 1st January 1992	3,079,512	1,050,698	4,130,210
Additions	—	96,523	96,523
	<u>3,079,512</u>	<u>1,147,221</u>	<u>4,226,733</u>
At 31st December 1992			
Depreciation:			
At 1st January 1992	87,821	613,185	701,006
Provided during year	52,082	148,429	200,511
	<u>139,903</u>	<u>761,614</u>	<u>901,517</u>
At 31st December 1992			
Net book value at 31st December 1991	<u>2,991,691</u>	<u>437,513</u>	<u>3,429,204</u>
Net book value at 31st December 1992	<u>2,939,609</u>	<u>385,607</u>	<u>3,325,216</u>

The net book value of fixtures, fittings and equipment includes £107,963 (1991: £116,600) in respect of assets held under hire purchase contracts. Depreciation charged during the period in respect of these assets amounted to £56,304 (1991: £35,794)

Included in the cost of land and buildings is an amount of £221,000 (1991: £221,000) of interest capitalised together with associated amortisation of £9,959 (1991: £5,599). This represents the interest cost associated with the building of the premises at Aviation Way, Southend Airport.

Included within freehold land and building is the amount of £412,000 (1991: £412,000) in respect of freehold land which is not depreciated.

FLIGHTSPARES LIMITED
(Formerly Flightspares Public Limited Company)

NOTES TO THE ACCOUNTS
(contd.)

8. 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
	<hr/>
At 31st December 1991 and 1992	12,194
	<hr/>
Provisions:	
At 31st December 1991 and 1992	12,194
	<hr/>
Net book value:	
At 31st December 1991 and 1992	NIL
	<hr/>

The company has given a \$375,000 (1991: \$400,000) guarantee in favour of its principal subsidiary.

9. DEBTORS:

	<u>1992</u> £	<u>1991</u> £
Trade debtors	2,281,531	1,887,647
Amounts owed by subsidiary undertakings	216,214	148,076
Current corporation tax	—	308,085
Other debtors	334,342	204,402
Prepayments and accrued income	155,380	221,151
	<hr/>	<hr/>
	2,987,467	2,769,361
	<hr/>	<hr/>

10. CREDITORS: amounts falling due within one year

	£	£
Bank overdraft	—	1,566,289
Bank loan (note 11)	110,000	—
Trade creditors	1,588,303	632,917
Corporation tax	52,000	—
Dividends	200,000	—
Other creditors including taxes and social security	28,725	27,937
Accruals and deferred income	330,230	624,188
Obligations under hire purchase contracts (note 12)	68,691	73,037
	<hr/>	<hr/>
	2,377,949	2,924,368
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
(contd.)

11. CREDITORS: amounts falling due after more than one year	<u>1992</u>	<u>1991</u>
	£	£
Bank loan	1,540,000	—
Obligations under hire purchase contracts (note 12)		
Repayable between 1 and 2 years	130,110	133,272
Repayable between 3 and 5 years	—	81,319
Amounts due to Ultimate Parent Company	<u>1,720,740</u>	<u>1,374,892</u>
	<u>3,390,850</u>	<u>1,589,483</u>

The bank loan is repayable by 2007 in quarterly installments with annual interest at 9.6%. It is secured by a fixed charge over the freehold land and buildings of the company. £1,100,000 of the loan falls due for repayment after more than five years.

12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

Committed future hire purchases contract payments:

	£	£
Within one year	94,356	99,570
Between one and five years	<u>179,380</u>	<u>292,580</u>
	273,736	392,150
Finance charges allocated to future periods	<u>(74,935)</u>	<u>(104,522)</u>
	<u>198,801</u>	<u>287,628</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Tax £
At 1st January 1992	84,459
Charged to profit and loss account	<u>127,011</u>
At 31st December 1992	<u>211,470</u>

The amounts provided for deferred taxation are set out below:

	£	£
Difference between accumulated depreciation and amortisation and capital allowances	64,250	64,996
On unrelieved trading losses	—	(233,658)
Difference between the tax valuation and the accounting valuation of rotatable stock	<u>147,220</u>	<u>253,121</u>
	<u>211,470</u>	<u>84,459</u>

There are no amounts unprovided.

FLIGHTSPARES LIMITED
(Formerly Flightspares Public Limited Company)

NOTES TO THE ACCOUNTS
(contd.)

14. SHARE CAPITAL

Authorised, allotted, called up
and fully paid

At 31st December 1991 and 1992 :

	No.	£
Ordinary shares of 10p each	<u>500,000</u>	<u>50,000</u>

15. RETAINED PROFITS

	£
At 1st January 1992	4,900,054
Retained profit for period	<u>282,074</u>
At 31st December 1992	<u>5,182,128</u>

16. OBLIGATIONS UNDER OPERATING LEASES

Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings £	Other £	Land and Buildings £	Other £
	<u>1992</u>		<u>1991</u>	
Operating leases which expire:				
Within one year	37,125	1,386	—	13,628
In the second to fifth years inclusive	—	—	49,500	—
Over five years	—	—	—	—
	<u>37,125</u>	<u>1,386</u>	<u>49,500</u>	<u>13,628</u>

17. PENSION SCHEME

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 in the basis of triennial valuations using the projected unit method. The most recent valuation was at 5th April 1991 and showed that the market value of the scheme's assets were £20.8m and that the actuarial value of those assets represented 207% 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.

The pension charge for the year was £70,400 (8 months ended 31st December 1991: £47,474) 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.

NOTES TO THE ACCOUNTS
(contd.)

18. CAPITAL COMMITMENTS

There were no capital commitments at 31st December 1992 (1991: Nil).

19. ULTIMATE PARENT COMPANY

The ultimate parent company is EIS Group P.L.C., a company registered in England and Wales. Copies of the group accounts are available from:

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