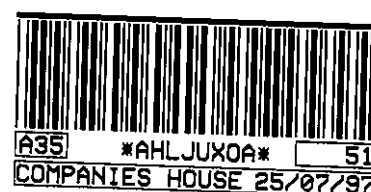


Company Registration No. 877142 (England and Wales)

FLYING SERVICE ENGINEERING (SALES) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 1996



FLYING SERVICE ENGINEERING (SALES) LIMITED

COMPANY INFORMATION

Directors	E.A. Burne R.E. Burne
Secretary	R.E. Burne
Company number	877142
Registered office	3, Park Street Windsor Berkshire SL4 1LU
Auditors	Foreman & Hill 3, Park Street Windsor Berkshire SL4 1LU
Business address	Unit 5, Springfield Road Chesham Buckinghamshire England HP5 1PP

FLYING SERVICE ENGINEERING (SALES) LIMITED

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FLYING SERVICE ENGINEERING (SALES) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 1996

The directors present their report and financial statements for the year ended 31 October 1996.

Principal activities

The principal activity of the group continued to be that of the manufacture of aircraft seats and other interior fittings.

Directors

The following directors have held office since 1 November 1995:

E.A. Burne
R.E. Burne

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 October 1996	1 November 1995
E.A. Burne	10	10
R.E. Burne	10	10

In addition R. E. Burne owns 235 ordinary shares in the company's subsidiary Flying Service Engineering & Equipment Limited (1995 235 Ordinary shares)

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Foreman & Hill be reappointed as auditors of the company will be put to the Annual General Meeting.

FLYING SERVICE ENGINEERING (SALES) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 1996

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 of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 and detection of fraud and other irregularities.

In the preparation of the directors' report advantage has been taken of the special exemptions applicable to small companies conferred by Part II of Schedule 8 to the Companies Act 1985.

By order of the board



R. E. Burne

Director

22/7/97

FLYING SERVICE ENGINEERING (SALES) LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF FLYING SERVICE ENGINEERING (SALES) LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 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.

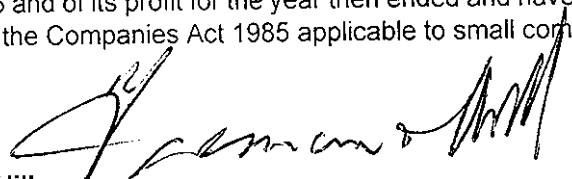
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 October 1996 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

Foreman & Hill

Chartered Accountants
Registered Auditor



22/7/97

3, Park Street
Windsor
Berkshire
SL4 1LU

FLYING SERVICE ENGINEERING (SALES) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 1996

	Notes	1996 £	1995 £
Turnover		379,162	518,530
Administrative expenses		(158,675)	(162,877)
Operating profit	2	<u>220,487</u>	<u>355,653</u>
Other interest receivable and similar income	3	<u>112,751</u>	<u>120,013</u>
Profit on ordinary activities before taxation		333,238	475,666
Tax on profit on ordinary activities	4	<u>(106,569)</u>	<u>(154,498)</u>
Profit on ordinary activities after taxation		226,669	321,168
Dividends	5	<u>(600,000)</u>	<u>(615,000)</u>
Retained loss for the year	12	<u><u>(373,331)</u></u>	<u><u>(293,832)</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

FLYING SERVICE ENGINEERING (SALES) LIMITED

BALANCE SHEET AS AT 31 OCTOBER 1996

	Notes	1996 £	£	1995 £	£
Fixed assets					
Tangible assets	6		125,068		140,134
Investments	7		234,103		234,103
			<u>359,171</u>		<u>374,237</u>
Current assets					
Debtors	8	111,081		55,705	
Cash at bank and in hand		1,512,638		2,000,023	
		<u>1,623,719</u>		<u>2,055,728</u>	
Creditors: amounts falling due within one year	9	(1,070,665)		(1,144,408)	
Net current assets			<u>553,054</u>		<u>911,320</u>
Total assets less current liabilities			<u>912,225</u>		<u>1,285,557</u>
Capital and reserves					
Called up share capital	11		30		30
Share premium account	12		9,990		9,990
Profit and loss account	12		902,205		1,275,537
Shareholders' funds - equity interests	13		<u>912,225</u>		<u>1,285,557</u>

In preparing these financial statements:

- Advantage has been taken of the special exemptions applicable to small companies conferred by Part I of Schedule 8 to the Companies Act 1985, and
- In the directors' opinion the company is entitled to these exemptions as a small company.

The financial statements were approved by the board on 22/7/97



R. E. Burne
Director

FLYING SERVICE ENGINEERING (SALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1996

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	2% Straight line
Motor vehicles	25% Straight line

1.4 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.5 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.6 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 Operating profit

	1996 £	1995 £
Operating profit is stated after charging:		
Depreciation of tangible assets	15,066	17,816
Auditors' remuneration	1,300	1,250
Directors' emoluments	86,150	86,150

3 Other interest receivable and similar income

	1996 £	1995 £
Bank interest	112,751	120,013

FLYING SERVICE ENGINEERING (SALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1996

4	Taxation	1996 £	1995 £
	U.K. current year taxation		
	U.K. corporation tax at 33% (1995 - 33%)	104,960	154,969
	Prior years		
	U.K. Corporation tax	1,609	(471)
		<u>106,569</u>	<u>154,498</u>
5	Dividends	1996 £	1995 £
	Ordinary interim paid 8 April 1996	300,000	300,000
	Ordinary interim paid 31 October 1996	300,000	315,000
		<u>600,000</u>	<u>615,000</u>

A dividend of £10,000 per £1 ordinary share was declared for 8th April 1996 and of £10,000 per £1 ordinary share for 31st October 1995.

6	Tangible fixed assets	Land and buildings £	Plant and machinery etc £	Total £
	Cost			
	At 1 November 1995 & at 31 October 1996	149,886	59,270	209,156
	Depreciation			
	At 1 November 1995	33,886	35,136	69,022
	Charge for the year	2,998	12,068	15,066
	At 31 October 1996	<u>36,884</u>	<u>47,204</u>	<u>84,088</u>
	Net book value			
	At 31 October 1996	113,002	12,066	125,068
	At 31 October 1995	<u>116,000</u>	<u>24,134</u>	<u>140,134</u>

FLYING SERVICE ENGINEERING (SALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1996

7 Fixed asset investments

	Shares in group undertakings and participating interests £
Cost	
At 1 November 1995 & at 31 October 1996	234,103
	<u>234,103</u>
At 31 October 1995	<u>234,103</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 10%

The company holds more than 10% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Flying Service	England & Wales	Ordinary	91
Engineering and			0
Equipment Ltd.			0

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Profit for the year
Flying Service	1,726,835	130,697
Engineering and	0	0
Equipment Ltd.	0	0
	<u>1,726,835</u>	<u>130,697</u>

The holding at 31st October 1996 represents 91.4% (1995: 91.4%) of the issued ordinary share capital of the company Flying Service Engineering and Equipment Limited (incorporated in England and Wales), a manufacturer of aircraft seats and other interior fittings.

FLYING SERVICE ENGINEERING (SALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1996

8 Debtors	1996 £	1995 £
Other debtors	111,081	55,705

9 Creditors: amounts falling due within one year	1996 £	1995 £
Amounts owed to group undertakings and undertakings in which the company has a participating interest	939,133	970,032
Corporation tax	37,681	56,924
Other creditors	93,851	117,452
	1,070,665	1,144,408

10 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £9,150(1995 - £9,000).

11 Share capital	1996 £	1995 £
Authorised		
30 Ordinary shares of £1 each	30	30
Allotted, called up and fully paid		
30 Ordinary shares of £1 each	30	30

12 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 November 1995	9,990	1,275,536
Retained loss for the year	-	(373,331)
Balance at 31 October 1996	9,990	902,205

FLYING SERVICE ENGINEERING (SALES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1996

13 Reconciliation of movements in shareholders' funds	1996 £	1995 £
Profit for the financial year	226,669	321,168
Dividends	(600,000)	(615,000)
	<hr/>	<hr/>
Net depletion in shareholders' funds	(373,331)	(293,832)
Opening shareholders' funds	1,285,557	1,579,389
	<hr/>	<hr/>
Closing shareholders' funds	912,225	1,285,557
	<hr/>	<hr/>

14 Contingent liabilities

There were no contingent liabilities at 31st October 1996 or 31st October 1995.