

**KLM UK Holdings Limited**

**Directors' report and consolidated  
financial statements**

Registered number 2496522

31 March 2010

TUESDAY



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## Director's report

The director presents his directors' report and audited financial statements for the year ended 31 March 2010

### Principal activities

Following the cessation of the provision of scheduled airline services in 2003, the group's principal business activity is the leasing out of aircraft

### Business review and dividends

In January 2009 a sales agreement was reached for the sale of two aircraft for a sales value of \$1m each of which the first aircraft was delivered in February 2009 to the buyer, whilst the second aircraft, EI-DEW, was only delivered in September 2009. Therefore the sales proceeds of the EI-DEW are included in the current financial year.

In April 2009 a sale and lease back agreement was signed with VLM Airlines (a subsidiary of CityJet Ltd), for one Fokker 50 aircraft. The aircraft was bought for a purchase price of \$2.5m and leased back with a three year operating lease with an extension option for another two years.

The director does not recommend the payment of a dividend (2009 nil)

### Principal risks and uncertainties

The company operates in a difficult market of limited scale leasing activities.

### Future prospects

For 2010-11 the company expects to continue its current leasing activity and will look for possible options for extending its leasing activities.

### Directors and director's interests

The directors who held office during the year were as follows:

M F N E Coumans (resigned 1 June 2009)

E J Kreiken (appointed 1 June 2009)

The director in office at 31 March 2010 did not have any disclosable interest in the shares of KLM Royal Dutch Airlines NV, KLM UK Holdings Limited or any other group company.

### Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year.

### Disclosure of information to auditors

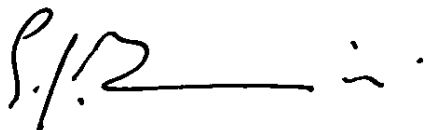
The director who held office at the date of approval of this director's report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

E J Kreiken  
Director



Skyway House  
Parsonage Road  
Takeley  
Bishop's Stortford  
CM22 6PU

17 August 2010

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



## KPMG LLP

6 Lower Brook Street  
Ipswich  
IP4 1AP  
United Kingdom

### **Independent auditors' report to the members of KLM UK Holdings Limited**

We have audited the financial statements of KLM UK Holdings Limited for the year ended 31 March 2010 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group and the parent company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditors' report to the members of KLM UK Holdings Limited** (continued)

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*S Beavis*

S Beavis (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

6 Lower Brook Street

Ipswich

IP4 1AP

*17 August 2010*

**Consolidated Profit and Loss Account**  
*for the year ended 31 March 2010*

	<i>Note</i>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Turnover</b>		<b>321</b>	<b>96</b>
Cost of sales		<b>(283)</b>	<b>(119)</b>
		<hr/>	<hr/>
<b>Gross profit / (loss)</b>		<b>38</b>	<b>(23)</b>
Administrative expenses			
-normal		<b>(54)</b>	<b>(435)</b>
-exceptional	2	-	<b>(3 662)</b>
Other operating income		<b>209</b>	-
		<hr/>	<hr/>
<b>Operating profit/(loss)</b>		<b>193</b>	<b>(4 120)</b>
Profit on sale of fixed assets		<b>238</b>	<b>477</b>
		<hr/>	<hr/>
<b>Profit / (loss) on ordinary activities before taxation</b>	2-4	<b>431</b>	<b>(3 643)</b>
Tax on profit/(loss) on ordinary activities	5	-	<b>218</b>
		<hr/>	<hr/>
<b>Profit/(loss) for the financial year</b>	11	<b>431</b>	<b>(3 425)</b>
		<hr/>	<hr/>

The results for the year are derived from continuing operations

The notes on pages 9 to 15 form part of these financial statements

# Consolidated Balance Sheet

at 31 March 2010

	Note	2010 £000	2009 £000
<b>Fixed assets</b>			
Intangible assets	6	1,415	351
Investments	7	-	-
		<u>1,415</u>	<u>351</u>
<b>Current assets</b>			
Debtors	8	221	254
		<u>221</u>	<u>254</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(82,672)</u>	<u>(82,072)</u>
<b>Net current liabilities</b>		<u>(82,451)</u>	<u>(81,818)</u>
<b>Net liabilities</b>		<u>(81,036)</u>	<u>(81,467)</u>
<b>Capital and reserves</b>			
Called up share capital	10	36,980	36,980
Share Premium account	11	11,920	11,920
Profit and loss account	11	(168,936)	(169,367)
<b>Equity shareholders' deficit</b>		<u>(120,036)</u>	<u>(120,467)</u>
Minority interest	12	39,000	39,000
<b>Total equity and reserves</b>		<u>(81,036)</u>	<u>(81,467)</u>

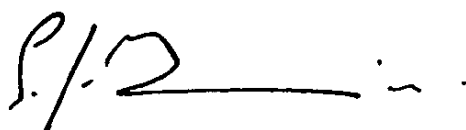
The notes on pages 9 to 15 form part of these financial statements

These financial statements were approved by the board of directors on  
signed on its behalf by

17 August

2010 and were

E J Kreiken  
Director



Company registered number 2496522



**Company Balance Sheet**  
*at 31 March 2010*

	<i>Note</i>	<b>2010</b>		<b>2009</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Investments	7		-		-
			<u>-</u>		<u>-</u>
<b>Current assets</b>					
Debtors	8	46,517		46,517	
		<u>46,517</u>		<u>46,517</u>	
<b>Creditors</b> amounts falling due within one year	9	-		-	
		<u>-</u>		<u>-</u>	
<b>Total assets less current liabilities</b>			<b>46,517</b>		<b>46 517</b>
			<u>46,517</u>		<u>46 517</u>
<b>Capital and reserves</b>					
Called up share capital	10		36,980		36,980
Share Premium account	11		11,920		11,920
Profit and loss account	11		(2,383)		(2 383)
			<u>46,517</u>		<u>46 517</u>
<b>Shareholders' funds</b>			<b>46,517</b>		<b>46 517</b>
			<u>46,517</u>		<u>46 517</u>

**Consolidated Statement of Total Recognised Gains and Losses**  
*for the year ended 31 March 2010*

	2010 £000	2009 £000
Profit / (loss) for the financial year	431	(3 425)
Total recognised gains and losses relating to the financial year	431	(3 425)
Total recognised gains and losses since last annual report	431	(3 425)

**Reconciliation of Movements in Equity Shareholders' Deficit**  
*for the year ended 31 March 2010*

	2010 £000	2009 £000
Profit / (loss) for the financial year	431	(3,425)
Net reduction in equity shareholders' funds	431	(3,425)
Opening shareholders funds	(120,467)	(117,042)
Closing equity shareholders' funds	(120,036)	(120,467)

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The financial statements have been prepared on a going concern basis as the company has received assurances from its parent company that it will be provided with adequate funding to meet its liabilities as they fall due for the foreseeable future, including but not limited to, any amount becoming payable under similar support that the company has given to its subsidiary KLM UK Limited.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2010. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

#### *Investments*

Investments in subsidiary undertakings are stated at cost less amounts written off.

#### *Tangible fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Aircraft and related engines      4 – 6 years

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Leases*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### ***Taxation***

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

#### ***Classification of financial instruments issued by the Company***

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

#### ***Turnover***

Turnover derives from operating leases of aircraft to other group companies. Lease income is recognised over the lease term on a straight-line basis. Incentives for the agreement of a new or renewed operating lease are recognised as a reduction of the rental income over the lease term, irrespective of the incentive's nature or form, or the timing of payments

## Notes (continued)

### 2 Notes to the profit and loss account

Group	2010 £000	2009 £000
<b>Profit / (loss) on ordinary activities before taxation is stated after charging / (crediting):</b>		
Depreciation of owned tangible fixed assets	283	119
Operating lease rentals		
-Property	24	80
Exchange (gain)/loss	(20)	15
Exceptional cost for KLM Cityhopper UK Limited to assume pension liabilities	-	3 662
Auditors' remuneration		
-Audit of these financial statements	10	10
-Other services relating to taxation	15	15
	<u>          </u>	<u>          </u>

In 2009 the net pension asset of £3,662,000 on the balance sheet of the group, after payment of a £23m settlement cost, was charged to the profit and loss account. The net pension asset was transferred to KLM Cityhopper UK Ltd, which took over the company's 48.4% share in the scheme at exit.

#### Company

The audit fee for the company was £1,500 (2009: £2,500), borne by another group company.

The company's retained result for the year was £Nil (2009: £Nil). As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account for the parent company has not been presented.

### 3 Remuneration of directors

	2010 £000	2009 £000
Directors' emoluments all of which relate to services as director	21	20
	<u>          </u>	<u>          </u>

### 4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2010	2009
Administration	3	3
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	2010 £000	2009 £000
Wages and salaries	74	75
Social security costs	8	8
Other pension costs	5	5
	<u>          </u>	<u>          </u>
	87	88
	<u>          </u>	<u>          </u>

## Notes (continued)

### 5 Taxation

#### Analysis of credit in period

	2010 £000	£000	2009 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	-		(218)	
Adjustments in respect of prior periods	-		-	
	<hr/>		<hr/>	
Total current tax		-		(218)
		<hr/>		<hr/>
Tax on loss on ordinary activities		-		(218)
		<hr/>		<hr/>

#### Factors affecting the tax credit for the current year

The current tax credit for the year is lower (2009 lower) than the standard rate of corporation tax in the UK (28%, 2009 28%). The differences are explained below

	2010 £000	2009 £000
<i>Current tax reconciliation</i>		
Profit / (loss) on ordinary activities before tax	431	(3,643)
	<hr/>	<hr/>
Current tax at 28% (2009 28%)	120	(1,020)
<i>Effects of</i>		
Tax losses not utilised	397	1,812
Capital allowances for period less than/(in excess of) depreciation	13	(105)
Other timing differences	(530)	(687)
Surrender of tax losses	-	(218)
	<hr/>	<hr/>
Total current tax credit (see above)	-	(218)
	<hr/>	<hr/>

#### Factors that may affect future current and total tax charges

At 31 March 2010 there are no accumulated losses available to the company. Accumulated losses available to the group for set off against profits of the same trade have not been recognised in full as a deferred tax asset due to the uncertainty of the future profit stream of the group.

## Notes (continued)

### 6 Tangible fixed assets (Group)

	<b>Aircraft and Engines £000</b>
<b>Cost</b>	
At beginning of year	15 580
Additions	1 698
Disposals	(15,580)
	<hr/>
At end of year	1,698
	<hr/>
<b>Depreciation</b>	
At beginning of year	15 229
Charge for year	283
On disposals	(15,229)
	<hr/>
At end of year	283
	<hr/>
<b>Net book value</b>	
At 31 March 2010	1,415
	<hr/>
At 1 April 2009	351
	<hr/>

### 7 Fixed asset investments

	<b>Shares in group undertakings £000</b>
<b>Cost</b>	
At beginning and end of year	7,900
	<hr/>
<b>Provisions</b>	
At beginning and end of year	7 900
	<hr/>
<b>Net book value</b>	
At 31 March 2010 and 1 April 2009	-
	<hr/>

The companies in which the Company's interest at the year end is more than 20% are as follows

	<b>Country of Incorporation</b>	<b>Principal activity</b>	<b>Class and percentage of shares held</b>
<b>Subsidiary undertakings</b>			
KLM UK Limited	England and Wales	Aircraft Leasing	100%
Air UK Leasing Limited*	England and Wales	Does not trade	100%

\* Held by subsidiary undertakings

The above subsidiaries are consolidated within these group accounts

## Notes (continued)

### 8 Debtors

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Trade debtors	-	11	-	-
Amount owed by subsidiary undertakings	-	-	46,517	46,517
Amount owed by fellow subsidiary undertakings	218	222	-	-
Other debtors	3	12	-	-
Prepayments and accrued income	-	9	-	-
	<u>221</u>	<u>254</u>	<u>46,517</u>	<u>46,517</u>

### 9 Creditors: amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Trade creditors	29	-	-	-
Amounts owed to parent undertakings	82,394	81,168	-	-
Amounts owed fellow subsidiary undertakings	9	99	-	-
Taxation and social security	5	5	-	-
Other creditors	235	432	-	-
Accruals and deferred income	-	368	-	-
	<u>82,672</u>	<u>82,072</u>	<u>-</u>	<u>-</u>

### 10 Called up share capital

	2010	2009
	£000	£000
<i>Authorised, allotted, called up and fully paid</i>		
36,979,818 Ordinary shares of £1 each	36,980	36,980
	<u>36,980</u>	<u>36,980</u>

### 11 Reserves

	Group		Company	
	Profit and Loss account	Share Premium	Profit and Loss account	Share Premium
	£000	£000	£000	£000
At beginning of year	(169,367)	11,920	(2,383)	11,920
Profit for the year	431	-	-	-
	<u>(168,936)</u>	<u>11,920</u>	<u>(2,383)</u>	<u>11,920</u>



## Notes (continued)

### 12 Minority interest in KLM UK Limited

The minority interest represents share capital of 39 million 6 per cent non-cumulative redeemable preference shares of £1 each held in KLM UK Limited by KLM Royal Dutch Airlines N V

Dividends are only payable if profits are available for distribution and the directors resolve to pay the fixed 6% rate

### 13 Commitments

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

	2010 £000	2009 £000
Operating leases which expire		
Within one year	-	8
In the second to fifth years inclusive	-	-
Over five years	-	-
	<hr/>	<hr/>
	-	8
	<hr/>	<hr/>

### 14 Related party disclosures

As the Company is a wholly owned subsidiary of KLM Royal Dutch Airlines N V, the Company has taken advantage of the exemption contained in Financial Reporting Standard No 8 and has therefore not disclosed transactions or balances with entities which form part of the group headed by KLM Royal Dutch Airlines N V

The consolidated financial statements of KLM Royal Dutch Airlines N V, within which this Company is included, can be obtained from the address below

### 15 Ultimate parent company and parent undertaking of larger group of which the company is a member

At 31 March 2010 the directors considered the company's ultimate parent undertaking to be AIR FRANCE-KLM, which is registered in France, which is the largest group in which the results of the company are consolidated

The directors also consider that this is the largest group for which group accounts including KLM UK Holdings Limited are drawn up

The financial statements of the ultimate and immediate parent undertaking can be obtained from Skyway House, Parsonage Road, Takeley, Bishop's Stortford, Herts, CM22 6PU