

Eastern Airways (UK) Limited

**Directors' report and financial
statements**

Registered number 03468489

31 December 2008

WEDNESDAY



AL9DBEAG

A18

21/10/2009

223

COMPANIES HOUSE

Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities in respect of the directors' report and the financial statements	4
Independent auditors' report to the members of Eastern Airways (UK) Limited	5
Profit and loss account	6
Balance sheet	7
Notes	8

Company information

Directors	Global Aviation Holdings Limited P&B Investment Holdings Limited Magnificent Obsessions Limited Mr R Lake Mr B Huxford
Secretary	Mr J Derbyshire
Company number	03468489
Registered office	Charter House 56 High Street Sutton Coldfield B72 1UJ
Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
Business address	Schiphol House, Humberside International Airport Kirmington DN39 6YH
Bankers	NatWest Bank PLC 39 Grimsby Road Cleethorpes Lincolnshire DN35 7GB
Solicitors	Eversheds 1 Royal Standard Place Nottingham NG1 6FZ

Directors' report

The directors present the annual report and audited financial statements for the year ended 31 December 2008.

Principal activity and business review

The principal activity of the company continues to be the operation of airline services.

Business review

The results of the company for the year ended 31 December 2008 are as disclosed in the attached financial statements. The company is a subsidiary of Eastern Airways (Europe) Limited and the performance is reviewed on a group basis and is set out below.

The group continues to provide scheduled airline services to Domestic and European destinations for which it enjoys an excellent reputation for operational reliability, punctuality and quality of service.

In addition the group has a very successful dedicated Charter and ACMI operation which continues to grow rapidly with a doubling in business in 2008 compared to the previous year.

Group turnover increased by 10% over the comparable 12 month period in 2007 with an improvement in profit before interest of 32% over the same period.

The significant growth in profit in the year was achieved across both the scheduled service and charter operations. The current fleet mix of 8 Saab 2000 aircraft and 21 Jetstream 41 aircraft allows for considerable flexibility in matching demand to capacity in both markets.

Whilst passenger traffic grew by 2% in the year the number of flights was reduced by 3% resulting in improved load factor and profitability.

The group has reacted quickly to minimise the impact of the economic downturn and achieved significant cost savings whilst still maintaining an excellent service and offering maximum flexibility.

In December 2008 the group was also successful in obtaining a significant contract with Bristow Helicopters for the provision of air services between Aberdeen and the Shetland Isles on behalf of the major oil producers. This contract will ensure the continued growth of these operations in 2009.

Principal risks and uncertainties

The directors feel the group has a good mix of business activities and is well-balanced to handle risks and uncertainties that it may face.

The directors believe the key risks facing the company are:

Environmental and government legislation

There continues to be uncertainty in the airline industry regarding taxation levied on domestic travel. The directors believe that due to the groups investment in fuel efficient turbo-prop aircraft, Eastern would enjoy a competitive advantage over the rest of the industry.

Fuel prices

During the year fuel prices varied significantly, and following the year end, the market price for fuel continues to show volatility. The directors hedged this risk during the year. The volatility of market prices continues to be a risk for the company. However, due to the fuel efficient nature of the turbo-prop aircraft used by the group, the proportionate cost of fuel to other operating costs is significantly lower than the industry average.

Currency movements

The company attempts to match revenues and costs in each currency where possible. A large proportion of the aircraft parts, leasing, fuel, and other costs are priced in US dollars which the company has little revenue to match against. Therefore the company is exposed to US dollar movements and has in the past used forward contracts to manage this risk.

Dividends

No dividend payment has been made in the year to 31 December 2008 (2007: £2,400,000).

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 financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these 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 company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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

St Nicholas House
Park Row
Nottingham NG1 6FQ
United Kingdom

Independent auditors' report to the members of Eastern Airways (UK) Limited

We have audited the financial statements of Eastern Airways (UK) Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

KPMG LLP

5 May 2009

Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	Year ended 31 December 2008 £000	15 months ended 31 December 2007 £000
Turnover	2	58,731	73,005
Cost of sales		<u>(40,919)</u>	<u>(54,442)</u>
Gross profit		17,812	18,563
Administrative expenses		<u>(15,145)</u>	<u>(14,879)</u>
Operating profit		2,667	3,684
(Loss)/profit on disposal of fixed assets		(15)	109
Interest receivable and similar income	5	37	63
Interest payable and similar charges	6	<u>(164)</u>	<u>(423)</u>
Profit on ordinary activities before taxation	7	2,525	3,433
Tax on profit on ordinary activities	8	<u>(753)</u>	<u>(989)</u>
Profit on ordinary activities after taxation	18	<u>1,772</u>	<u>2,444</u>

There were no recognised gains or losses in either the current or preceding periods other than those disclosed in the profit and loss account.

In both the current and preceding periods, the company made no material acquisitions and had no discontinued operations.

Balance sheet
at 31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Investments	10	4	4
Tangible assets	11	4,491	4,925
		<u>4,495</u>	<u>4,929</u>
Current assets			
Stock	12	605	969
Debtors	13	12,293	7,379
Cash at bank and in hand		2,086	1,423
		<u>14,984</u>	<u>9,771</u>
Creditors: amounts falling due within one year	14	<u>(13,839)</u>	<u>(9,758)</u>
Net current assets		<u>1,145</u>	<u>13</u>
Total assets less current liabilities		<u>5,640</u>	<u>4,942</u>
Creditors: amounts falling due after more than one year	15	(825)	(1,889)
Provisions for liabilities and charges	16	(753)	(763)
Net assets		<u><u>4,062</u></u>	<u><u>2,290</u></u>
Capital and reserves			
Called up share capital	17	501	501
Profit and loss account	18	3,561	1,789
Shareholders' funds	19	<u><u>4,062</u></u>	<u><u>2,290</u></u>

These financial statements were approved by the Board of Directors on 5 May 2009 and signed on its behalf by:

Richard Lake
Director

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 company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Cash flow statement

Under FRS 1 (Cash Flow Statements (Revised 1996)), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary.

Tangible fixed assets and depreciation

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

Portable buildings	- 2-25% per annum
Fixtures, fittings and equipment	- 15-25% per annum
Motor vehicles and vessels	- 8-33% per annum
Aircraft rotables	- 5-10% per annum from the date of acquisition to estimated residual value
Aircraft improvements	- over the shorter of the life or remaining lease period of the relevant aircraft

For those aircraft that are owned, part of the initial cost of the aircraft is attributed to major components. Depreciation is then charged against these components at a variable rate dependent on the actual usage of the aircraft. The remainder of the initial cost is depreciated to its residual value on a straight line basis over its estimated useful economic life of 20 years from date of manufacture.

Subsequent costs of periodic overhauls on these components are capitalised within tangible fixed assets and depreciated over the period benefiting from these enhancements.

Aircraft improvements include directly attributable finance costs in relation to the interest incurred on loans undertaken to finance the improvements in the period of their availability.

Maintenance costs

The costs of periodic overhauls on owned and finance leased aircraft are capitalised and depreciated within tangible fixed assets as noted above, unless the liability for those overhauls has been passed to a third party. All other costs relating to the general maintenance and repair of owned and finance leased aircraft are charged to the profit and loss account as incurred.

Provisions for periodic overhaul costs on aircraft held under operating leases are made with reference to the number of hours flown, or similar basis, over the lease period.

For certain owned and operating lease aircraft, arrangements have been entered into with maintenance providers under which monthly payments are made on a flying hour, or similar, basis which fix the costs associated with the maintenance of engines, airframe and landing gear. Under these arrangements no further liability will arise to the company in respect of the maintenance of these components and their costs are expensed as incurred.

Notes (continued)

1 Accounting policies (continued)

Leased assets

Annual rentals payable or receivable under operating leases are charged or credited to the profit and loss account on a straight line basis over the lease term, unless another systematic and more rational basis is appropriate.

Stocks

Stocks are valued at the lower of cost and net realisable value including provision for obsolescence.

Foreign currencies

Transactions denominated in foreign currency are translated into sterling at the exchange rate ruling at the dates of the transactions, except where a transaction is to be settled at a contracted rate, when that rate is used. Monetary assets and liabilities denominated in foreign currency are translated into sterling at the exchange rate ruling at the balance sheet date. Differences arising on translation are transferred to the profit and loss account.

Taxation

The charge for taxation is based on the profit 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 Financial Reporting Standard 19 (Deferred Tax).

A deferred tax asset is recognised to the extent that it is regarded as recoverable. Provision is made at rates of taxation anticipated to be in force when the timing differences are expected to reverse.

Turnover

Turnover represents flown revenue from scheduled services, freight and other activities net of value added tax and Airport Passenger Duties.

Ticket sales are recorded as current liabilities in a 'forward sales' account and are included in creditors, within deferred income, until recognised as revenue when transportation occurs. Unused tickets are recognised as revenue when the right to travel expires which is determined by the terms and conditions of the ticket.

All other revenue streams are recognised at the point of fulfilling the service or the date at which the right to receive consideration occurs

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Going concern

As disclosed in note 21 the company, together with its parent Eastern Airways (Europe) Limited and other group companies, are part of a group for arranging borrowing requirements.

The group companies are subject to cross guarantee arrangements and as such the ability of the company to continue as a going concern is dependent on the ability of the group to continue as a going concern. As such the following note refers to the group forecasts and facilities.

In 2007 the group refinanced with Kaupthing, Singer and Friedlander Limited ('Kaupthing') and at 31 December 2008 had loan and other facilities outstanding to Kaupthing of approximately £10million. The facilities are subject to ongoing conditions including financial covenants and in the year to 31 December 2008 the group complied with all the covenants applicable to the facilities.

Notes (continued)

1 Accounting policies (continued)

Going concern (continued)

Following the appointment of administrators to Kaupthing in 2008 the directors have met with their representatives, most recently during April 2009. In these meetings the administrators have indicated their intention to continue to operate the facilities in accordance with the agreements reached between the group and Kaupthing pre-administration.

The directors have prepared trading and cashflow forecasts for a period in excess of twelve months following the date of approval of these financial statements. These financial forecasts indicate appropriate cash headroom based upon the facilities available from Kaupthing's administrators and continued compliance with the conditions attached to the facilities. The current economic climate leads to uncertainty surrounding future trading conditions, however, the directors remain confident that they are able to undertake mitigating actions to address any reasonably foreseeable shortfalls in trading and/or cashflow.

On the basis of the facts set out above and having made such enquiries as they consider to be reasonable in the circumstances the directors are of the opinion that the company and the group have adequate resources to continue to trade in an orderly fashion for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

2 Analysis of turnover

It is the view of the directors that all activities of the company fall within one class of business, that of airline operator.

Analysis of turnover by geographical area:

	Year to 31 Dec 08 £000	15 months to 31 Dec 07 £000
Within the British Isles	54,557	67,705
Between the British Isles and Europe	4,174	5,300
	<u>58,731</u>	<u>73,005</u>

Turnover within the British Isles comprises revenue from domestic flights. Turnover between the British Isles and Europe comprises revenue from inbound and outbound flights between the British Isles and Europe.

The activities of the company are managed and administered on a central basis within the British Isles. As a result it would not be possible to provide a meaningful analysis of the operating results and net assets of the company on a route by route basis. Consequently the operating results and net assets of the company are not shown across the geographical areas defined.

3 Remuneration of directors

	Year to 31 Dec 08 £000	15 months to 31 Dec 07 £000
<i>Directors' emoluments consist of:</i>		
Remuneration for management services	278	375

No retirement benefits were accruing for directors in either the current or prior period.

The aggregate emoluments of the highest paid director were £159,000 (2007: £225,000). At the year end accrued pension benefits amounted to £nil (2007: £nil).

Notes (continued)

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	
	Year to 31 Dec 08	15 months to 31 Dec 07
Administration	70	70
Operations	229	209
	<hr/>	<hr/>
	299	279
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	Year to 31 Dec 08 £000	15 months to 31 Dec 07 £000
Wages and salaries	6,358	7,579
Social security costs	652	722
	<hr/>	<hr/>
	7,010	8,301
	<hr/>	<hr/>

5 Interest receivable and similar income

	Year to 31 Dec 08 £000	15 months to 31 Dec 07 £000
Bank interest	37	63
	<hr/>	<hr/>

6 Interest payable and similar charges

	Year to 31 Dec 08 £000	15 months to 31 Dec 07 £000
On bank loans and overdrafts	156	418
Other interest	8	5
	<hr/>	<hr/>
	164	423
	<hr/>	<hr/>

Notes (continued)

7 Profit on ordinary activities before taxation

	Year to 31 Dec 08 £000	15 months to 31 Dec 07 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation	658	1,128
Operating lease rentals to non group companies - aircraft	1,896	1,962
Operating lease rentals to non group companies - other plant	36	31
Operating lease rentals to group companies - aircraft	5,234	11,614
	<u> </u>	<u> </u>

Auditors' remuneration:

	Year to 31 Dec 08 £000	15 months to 31 Dec 07 £000
Audit of these financial statements	29	29
	<u> </u>	<u> </u>

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent Eastern Airways (Europe) Limited.

8 Taxation on profit on ordinary activities

	Year to 31 Dec 08 £000	15 months to 31 Dec 07 £000
a) Analysis of charge in the period		
<i>UK corporation tax:</i>		
UK corporation tax at 28.5% (2007: 30%)	509	1,066
Payment for group relief	227	-
Under provision in prior period	27	30
	<u> </u>	<u> </u>
Total current tax (note 8(b))	763	1,096
	<u> </u>	<u> </u>
<i>Deferred tax:</i>		
Reversal of timing differences	(10)	(26)
Adjustment in respect of prior periods	-	(81)
	<u> </u>	<u> </u>
Deferred tax (note 16)	(10)	(107)
	<u> </u>	<u> </u>
Total tax charge	753	989
	<u> </u>	<u> </u>

Notes (continued)

8 Taxation on profit on ordinary activities (continued)

b) Factors affecting the current tax charge for the year

The current tax charge is higher (2007: higher) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%).

	Year to 31 Dec 08 £000	15 months to 31 Dec 07 £000
Profit on ordinary activities before tax	2,441	3,430
Corporation tax at 28.5% (2007: 30%)	696	1,029
<i>Effects of:</i>		
Expenses not deductible for tax purposes	7	8
Capital allowances in excess of depreciation	33	29
Under provision in prior periods	27	30
Current tax charge for the period	763	1,096

9 Dividends

	Year to 31 Dec 08 £000	15 months to 31 Dec 07 £000
Interim dividends paid in respect of the current period	-	2,400

10 Fixed asset investments

	2008 £000	2007 £000
Investment in The Professional Darts Corporation Limited (0.6%)	4	4

Notes (continued)

11 Tangible fixed assets

	Portable buildings £000	Aircraft and aircraft improve- ments £000	Aircraft rotables £000	Fixtures, fittings and equipment £000	Boat and Motor Vehicles £000	Total £000
<i>Cost</i>						
At 1 January 2008	1,167	3,084	1,363	1,892	520	8,026
Additions	4	1,800	81	203	120	2,208
Transfers	-	(2,904)	-	-	-	(2,904)
Disposals	-	-	-	(70)	(222)	(292)
At 31 December 2008	1,171	1,980	1,444	2,025	418	7,038
<i>Accumulated depreciation</i>						
At 1 January 2008	491	1,143	209	993	265	3,101
Charge for year	61	214	14	290	79	658
Transfers	-	(1,111)	-	-	-	(1,111)
Disposals	-	-	-	(8)	(93)	(101)
At 31 December 2008	552	246	223	1,275	251	2,547
<i>Net book value</i>						
At 31 December 2008	619	1,734	1,221	750	167	4,491
At 31 December 2007	676	1,941	1,154	899	255	4,925

During the year aircraft and aircraft improvements with a net book value of £1,793,000 were transferred to Air Kilroe Limited, a fellow group company

12 Stocks

	2008 £000	2007 £000
Aircraft held for resale	336	601
Consumable stocks	269	368
	<u>605</u>	<u>969</u>

13 Debtors

	2008 £000	2007 £000
Trade debtors	3,430	1,554
Amounts owed by group undertakings	5,717	3,863
Other debtors	1,412	949
Prepayments and accrued income	1,734	1,013
	<u>12,293</u>	<u>7,379</u>

Notes (continued)

14 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Bank loans	1,022	855
Trade creditors	4,933	4,936
Corporation tax	412	270
Taxation and social security	359	193
Other creditors	837	624
Accruals and deferred income	6,276	2,880
	<u>13,839</u>	<u>9,758</u>

Loans of £1,847,000 (2007: £2,408,000) are repayable in equal monthly instalments and are secured on the aircraft owned by the group. Interest is charged at between 1.3% - 2% above LIBOR.

The group has an overdraft facility which is secured by a debenture incorporating a fixed and floating charge over the assets of the group.

The bank loans and overdraft are subject to a cross guarantee arrangement including Eastern Airways (Europe) Limited and Air Kilroe Limited as described in note 21.

15 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Bank loans (see note 14)	825	1,889
<i>Repayments fall due as follows:</i>		
Less than one year	1,022	519
Between one and two years	424	599
Between two and five years	401	1,290
	<u>1,847</u>	<u>2,408</u>

Notes (continued)

16 Provisions for liabilities and charges

Movement on deferred taxation:

	2008	2007
	£000	£000
Opening balance	763	870
Credit to profit and loss account	(10)	(107)
	<hr/>	<hr/>
At 31 December	753	763
	<hr/>	<hr/>
Difference between accumulated depreciation and capital allowances	753	763
	<hr/>	<hr/>

17 Called up share capital

	2008	2007
	£000	£000
<i>Authorised</i>		
Equity: 1,000,000 Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: 501,000 Ordinary shares of £1 each	501	501
	<hr/>	<hr/>

18 Profit and loss account

	2008	2007
	£000	£000
Opening balance	1,789	1,745
Profit for the financial period	1,772	2,444
Dividends on shares classified in shareholders' funds	-	(2,400)
	<hr/>	<hr/>
At 31 December	3,561	1,789
	<hr/>	<hr/>

19 Reconciliation of movements in shareholders' funds

	2008	2007
	£000	£000
Profit for the financial period	1,772	2,444
Dividends on shares classified in shareholders' funds	-	(2,400)
	<hr/>	<hr/>
Net addition to shareholders' funds	1,772	44
Opening shareholders' funds	2,290	2,246
	<hr/>	<hr/>
Closing shareholders' funds	4,062	2,290
	<hr/>	<hr/>

Notes (continued)

20 Commitments

a) Capital commitments

At 31 December 2008, contracts for capital commitments amounted to £nil (2007: £2,393,000).

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

Other	2008 £000	2007 £000
<i>Operating leases which expire:</i>		
In the second to fifth years inclusive	3,232	1,592
After fifth year	-	-
	<hr/> 3,232 <hr/>	<hr/> 1,592 <hr/>

21 Contingent liabilities

The Company, together with its parent Eastern Airways (Europe) Limited and other group companies, are part of a group for arranging borrowing requirements.

The group companies are subject to cross guarantee arrangements and as such the Company has guaranteed certain of the bank loans and overdraft of the group. The total amount of group debt subject to the cross guarantee was £9,992,000 at 31 December 2008 (2007: £7,016,000). Certain of the aggregate bank loans and overdraft of Eastern Airways (UK) Limited amounting to £1,847,000 (2007: £2,408,000) are likewise guaranteed by Eastern Airways (Europe) Limited and other group companies.

The group is also subject to cross guarantee arrangements and as such the Company has guaranteed certain of the overdraft and bank loans with Eastern Airways Share Plan Limited a minority share holder in Eastern Airways (Europe) Limited aggregating to £6,000,000 at 31 December 2008 (2007: £6,000,000).

Notes (continued)

22 Related party disclosures and ultimate controlling parties

The company has taken advantage of the exemption contained within FRS 8 (Related Party Disclosures) and has therefore not disclosed transaction or balances with entities which form part of the group.

The ultimate controlling parties are Messrs R Lake and B Huxford who each have a 41.1% (2007: 42.5%) interest in the share capital of Eastern Airways (Europe) Limited, the companies ultimate parent undertaking, through their direct shareholdings and through interests in Magnificent Obsessions Limited and P & B Investment Holdings Limited. Eastern Airways Share Plan Limited ('EASP') is also a related party as it is owned by Messrs R Lake and B Huxford. During the period EASP purchased 2.8% (2007: 15%) of the share capital of Eastern Airways (Europe) Limited for a consideration of £1,150,000 (2007: £6,000,000). All companies are registered in England and Wales.

The transactions with these related parties are as follows:

	2008 £000	2007 £000
Management charge payable to Magnificent Obsessions Limited	159	150
Management charge payable to P & B Investment Holdings Limited	119	225
	<hr/>	<hr/>
Balance due to at period end:		
Magnificent Obsessions Limited	100	32
P & B Investment Holdings Limited	100	18
	<hr/>	<hr/>

The individual company financial statements of Magnificent Obsessions Limited and P & B Investment Holdings Limited can be obtained from Charter House, 56 High Street, Sutton Coldfield, B72 1UL.