

Eastern Airways (UK) Limited

**Directors' report and financial
statements**

Registered number 03468489

31 December 2009

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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 2009

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 2009 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, charter and ACMI operations, to Domestic and European destinations for which it enjoys an excellent reputation for operational reliability.

Total passenger numbers for the scheduled airline services and charter operations have increased by 7% over the prior year despite the economic downturn. In December 2008, the group was successful in obtaining a significant long-term contract with Bristows Helicopters for the provision of air services between Aberdeen and the Shetland Isles on behalf of the major oil producers. The addition of this contract to the existing Charter and ACMI operations has effectively doubled the turnover for these operations over the prior year and delivers continued growth in this side of the business for future years.

The overall number of sectors flown has increased for the scheduled airline services and charter operations over the prior year. On the scheduled airline services, the number of flights has been reduced to maintain load factors and also to reduce flying on routes that are not considered economically viable. The group continues to seek new opportunities for scheduled airline services and started six new routes in the year including Aberdeen-Liverpool-Southampton and new routes to Norway serviced from Aberdeen and Newcastle.

The group incurred exceptional start-up costs on the newly acquired Bristows Helicopter contract and restructuring the cost base of the scheduled operation. These costs have been separately reported in the consolidated income statement. Despite the difficult trading conditions experienced throughout the airline industry, the group has been able to generate a substantial operating profit in the year.

The group continues to operate a fleet of 8 SAAB 2000 aircraft and 20 Jetstream 41 aircraft which allows for considerable flexibility in matching demand to capacity in both the scheduled airline and the charter markets.

Principal risks and uncertainties

The key financial risks and uncertainties facing the company are set out below. The directors feel the group has a good mix of business activities and is well-balanced to handle the risks and uncertainties that it may face.

The directors believe the key areas of risk 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 group's 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 reduced significantly over the peaks experienced in 2008. The group uses fuel hedges to mitigate the risk where required, although the need for fuel hedges has been reduced with the reduction in the general demand for oil. The price of oil continues to be a risk for the group, 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

A large proportion of aircraft parts, leasing, fuel and other costs are priced in US dollars. The group matches some revenues and costs to reduce this risk. There is an exposure to US dollar movements above the natural hedge and the group has in the past used forward contracts to manage this risk.

Directors' report *(continued)*

Dividends

No dividend payment has been made in the year to 31 December 2009 (2008 £nil)

Political and charitable contributions

Charitable contributions totalling £990 were made during the year (2008 £25,600)

Directors

The directors who served during the period were

Global Aviation Holdings Limited

P&B Investment Holdings Limited

Magnificent Obsessions Limited

Mr R Lake

Appointed 24 April 2009

Mr B Huxford

Appointed 24 April 2009

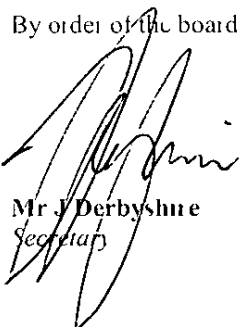
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that they ought to have taken as a director to make themselves 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



Mr J Derbyshire
Secretary

Registered Office:

Charter House
56 High Street
Sutton Coldfield
B72 1UJ

Dated 26th May 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 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 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 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 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.



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 2009 set out on pages 6 to 16. 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 to them 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 4, 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 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.

Philip Charles (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ

Dated

28th May 2010

Profit and loss account
for the year ended 31 December 2009

| | <i>Note</i> | Recurring £000 | Non- recurring £000 | 2009 Total £000 | 2008 £000 |
|--|-------------|---------------------------|------------------------------------|--------------------------------|----------------------|
| Turnover | 2 | 64,243 | - | 64,243 | 58,731 |
| Cost of sales | | (46,174) | (222) | (46,396) | (40,919) |
| Gross profit | | 18,069 | (222) | 17,847 | 17,812 |
| Administrative expenses | | (15,483) | - | (15,483) | (15,145) |
| Operating profit | | 2,586 | (222) | 2,364 | 2,667 |
| Profit/(loss) on disposal of fixed assets | | | | 186 | (15) |
| Interest receivable and similar income | 5 | | | 13 | 37 |
| Interest payable and similar charges | 6 | | | (148) | (164) |
| Profit on ordinary activities before taxation | 7 | | | 2,415 | 2,525 |
| Tax on profit on ordinary activities | 8 | | | (680) | (753) |
| Profit on ordinary activities after taxation | 17 | | | 1,735 | 1,772 |

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 2009

| | Note | 2009 £000 | 2008 £000 |
|---|------|---------------|---------------|
| Fixed assets | | | |
| Investments | 9 | 4 | 4 |
| Tangible assets | 10 | 3,386 | 4,491 |
| | | <u>3,390</u> | <u>4,495</u> |
| Current assets | | | |
| Stock | 11 | 1,246 | 605 |
| Debtors | 12 | 12,772 | 12,293 |
| Cash at bank and in hand | | 965 | 2,086 |
| | | <u>14,983</u> | <u>14,984</u> |
| Creditors amounts falling due within one year | 13 | (10,635) | (13,839) |
| Net current assets | | <u>4,348</u> | <u>1,145</u> |
| Total assets less current liabilities | | <u>7,738</u> | <u>5,640</u> |
| Creditors amounts falling due after more than one year | 14 | (1,336) | (825) |
| Provisions for liabilities and charges | 15 | (605) | (753) |
| Net assets | | <u>5,797</u> | <u>4,062</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 501 | 501 |
| Profit and loss account | 17 | 5,296 | 3,561 |
| Shareholders' funds | 18 | <u>5,797</u> | <u>4,062</u> |

These financial statements were approved by the Board of Directors on 26th May 2010 and signed on its behalf by


Richard Lake
Director

Registered number 03468489

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

Going concern

As set out in note 20 bank loans of approximately £10 million are provided to the group by Kaupthing, Singer & Friedlander to which administrators were appointed in October 2008. The administrators have continued to provide the facilities to the group throughout the period and in December 2009 agreed to revise both covenants and the capital repayment profile. The facilities are required to be repaid in full during December 2011 and the directors are confident that the group will be refinanced before that date.

The directors have prepared trading and cash flow forecasts for a period in excess of 12 months following the date of approval of these financial statements. The forecasts indicate appropriate cash and covenant headroom based upon the revised facilities. On this basis the directors are of the opinion that the company and the group have adequate resources to trade in an orderly fashion for the foreseeable future and accordingly adopt the going concern basis in preparing these financial statements.

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 | - 25% 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 25 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.

Notes (continued)

1 Accounting policies (continued)

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.

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 FRS 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.

Notes (continued)

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

| | 2009 £000 | 2008 £000 |
|--------------------------------------|---------------|---------------|
| Within the British Isles | 59,491 | 54,557 |
| Between the British Isles and Europe | 4,752 | 4,174 |
| | <u>64,243</u> | <u>58,731</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

| | 2009 £000 | 2008 £000 |
|---|--------------|--------------|
| <i>Directors' emoluments consist of</i> | | |
| Remuneration for management services | 222 | 278 |

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

The aggregate emoluments of the highest paid director were £179,000 (2008 £159,000). At the year end accrued pension benefits amounted to £nil (2008 £nil).

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 2009 | 2008 |
|----------------|-----------------------------|------------|
| Administration | 65 | 70 |
| Operations | 223 | 229 |
| | <u>288</u> | <u>299</u> |

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

| | 2009 £000 | 2008 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 7,027 | 6,358 |
| Social security costs | 690 | 652 |
| | <u>7,717</u> | <u>7,010</u> |

5 Interest receivable and similar income

| | 2009 £000 | 2008 £000 |
|---------------|--------------|--------------|
| Bank interest | 13 | 37 |
| | <u>13</u> | <u>37</u> |

6 Interest payable and similar charges

| | 2009 £000 | 2008 £000 |
|------------------------------|--------------|--------------|
| On bank loans and overdrafts | 112 | 156 |
| Other interest | 36 | 8 |
| | <u>148</u> | <u>164</u> |

7 Profit on ordinary activities before taxation

| | 2009 £000 | 2008 £000 |
|--|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated after charging:</i> | | |
| Depreciation | 563 | 658 |
| Operating lease rentals to non group companies - aircraft | 3,085 | 1,896 |
| Operating lease rentals to non group companies - other plant | - | 36 |
| Operating lease rentals to group companies - aircraft | 6,812 | 5,234 |
| | <u>6,812</u> | <u>5,234</u> |

Auditors' remuneration

| | 2009 £000 | 2008 £000 |
|-------------------------------------|--------------|--------------|
| Audit of these financial statements | 30 | 29 |
| | <u>30</u> | <u>29</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

Non-recurring items of £222,000 (2008 £nil) are in relation to restructuring costs and contract termination costs that were incurred following a review of the costs base of the scheduled airline operation

Notes (continued)

8 Taxation on profit on ordinary activities

| | 2009 £000 | 2008 £000 |
|--|--------------|--------------|
| a) Analysis of charge in the period | | |
| <i>UK corporation tax</i> | | |
| UK corporation tax at 28% (2008 28.5%) | - | 509 |
| Payment for group relief | 776 | 227 |
| Under provision in prior period | 52 | 27 |
| | <hr/> | <hr/> |
| Total current tax (note 8(b)) | 828 | 763 |
| | <hr/> | <hr/> |
| <i>Deferred tax</i> | | |
| Reversal of timing differences | (78) | (10) |
| Adjustment in respect of prior periods | (70) | - |
| | <hr/> | <hr/> |
| Deferred tax (note 15) | (148) | (10) |
| | <hr/> | <hr/> |
| Total tax charge | 680 | 753 |
| | <hr/> | <hr/> |

b) Factors affecting the current tax charge for the year

The current tax charge is higher (2008 higher) than the standard rate of corporation tax in the UK of 28% (2008 28.5%)

| | 2009 £000 | 2008 £000 |
|--|--------------|--------------|
| Profit on ordinary activities before tax | 2,415 | 2,441 |
| | <hr/> | <hr/> |
| Corporation tax at 28% (2008 28.5%) | 676 | 696 |
| | <hr/> | <hr/> |
| <i>Effects of</i> | | |
| Expenses not deductible for tax purposes | 21 | 7 |
| Capital allowances in excess of depreciation | 79 | 33 |
| Under provision in prior periods | 52 | 27 |
| | <hr/> | <hr/> |
| Current tax charge for the period | 828 | 763 |
| | <hr/> | <hr/> |

9 Fixed asset investments

| | 2009 £000 | 2008 £000 |
|---|--------------|--------------|
| Investment in The Professional Darts Corporation Limited (0.6%) | 4 | 4 |
| | <hr/> | <hr/> |

The investment is held at cost but given the success of the PDC the directors are confident the market value of the shares is significantly in excess of the original cost

Notes (continued)

10 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 |
|---------------------------------|-------------------------------|---|------------------------------|--|---------------------------------------|---------------|
| Cost | | | | | | |
| At 1 January 2009 | 1,171 | 1,980 | 1,444 | 2,025 | 418 | 7,038 |
| Additions | - | 999 | 72 | 140 | 7 | 1,218 |
| Disposals | - | (1,726) | - | (4) | (63) | (1,793) |
| At 31 December 2009 | 1,171 | 1,253 | 1,516 | 2,161 | 362 | 6,463 |
| Accumulated depreciation | | | | | | |
| At 1 January 2009 | 552 | 246 | 223 | 1,275 | 251 | 2,547 |
| Charge for year | 76 | 175 | 15 | 267 | 30 | 563 |
| Disposals | - | - | - | (4) | (29) | (33) |
| At 31 December 2009 | 628 | 421 | 238 | 1,538 | 252 | 3,077 |
| Net book value | | | | | | |
| At 31 December 2009 | 543 | 832 | 1,278 | 623 | 110 | 3,386 |
| At 31 December 2008 | 619 | 1,734 | 1,221 | 750 | 167 | 4,491 |

During the year the company disposed of its aircraft as such at 31 December 2009 the aircraft and aircraft improvements category represents aircraft improvements on leased aircraft

11 Stocks

| | 2009 £000 | 2008 £000 |
|--------------------------|--------------|--------------|
| Aircraft held for resale | 638 | 336 |
| Consumable stocks | 479 | 269 |
| Other | 129 | - |
| | 1,246 | 605 |

12 Debtors

| | 2009 £000 | 2008 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 1,786 | 3,430 |
| Amounts owed by group undertakings | 8,841 | 5,717 |
| Corporation tax | 30 | - |
| Other debtors | 1,018 | 1,412 |
| Prepayments and accrued income | 1,097 | 1,734 |
| | 12,772 | 12,293 |

Notes (continued)

13 Creditors amounts falling due within one year

| | 2009 £000 | 2008 £000 |
|------------------------------|---------------|---------------|
| Bank loans | 692 | 1,022 |
| Trade creditors | 5,266 | 4,933 |
| Corporation tax | - | 412 |
| Taxation and social security | 569 | 359 |
| Other creditors | 790 | 837 |
| Accruals and deferred income | 3,318 | 6,276 |
| | <u>10,635</u> | <u>13,839</u> |

Loans of £2,028,000 (2008 £1,847,000) are repayable in equal monthly instalments and are secured on the aircraft held by Air Kilroe Limited, a fellow subsidiary. During the year the company raised additional finance on one of the aircraft. Interest is charged at between 2% - 3% 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 20.

14 Creditors amounts falling due after more than one year

| | 2009 £000 | 2008 £000 |
|---------------------------------------|--------------|--------------|
| Bank loans (note 13) | 1,336 | 825 |
| <i>Repayments fall due as follows</i> | | |
| Less than one year | 692 | 1,022 |
| Between one and two years | 595 | 424 |
| Between two and five years | 741 | 401 |
| | <u>2,028</u> | <u>1,847</u> |

15 Provisions for liabilities and charges

Movement on deferred taxation

| | 2009 £000 | 2008 £000 |
|--|--------------|--------------|
| Opening balance | 753 | 763 |
| Credit to profit and loss account | (148) | (10) |
| At 31 December | <u>605</u> | <u>753</u> |
| Difference between accumulated depreciation and capital allowances | <u>605</u> | <u>753</u> |

Notes (continued)

16 Called up share capital

| | 2009 | 2008 |
|---|-------------|-------------|
| | £000 | £000 |
| <i>Allotted, called up and fully paid</i> | | |
| Equity 501,000 Ordinary shares of £1 each | 501 | 501 |
| | <hr/> | <hr/> |

17 Profit and loss account

| | 2009 | 2008 |
|---------------------------------|--------------|--------------|
| | £000 | £000 |
| Opening balance | 3,561 | 1,789 |
| Profit for the financial period | 1,735 | 1,772 |
| | <hr/> | <hr/> |
| At 31 December | 5,296 | 3,561 |
| | <hr/> | <hr/> |

18 Reconciliation of movements in shareholders' funds

| | 2009 | 2008 |
|-------------------------------------|--------------|--------------|
| | £000 | £000 |
| Profit for the financial period | 1,735 | 1,772 |
| | <hr/> | <hr/> |
| Net addition to shareholders' funds | 1,735 | 1,772 |
| Opening shareholders' funds | 4,062 | 2,290 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 5,797 | 4,062 |
| | <hr/> | <hr/> |

19 Commitments

a) Capital commitments

At 31 December 2009, contracts for capital commitments amounted to £nil (2008 £nil)

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

| Other | 2009 | 2008 |
|--|--------------|--------------|
| | £000 | £000 |
| <i>Operating leases which expire</i> | | |
| Within one year | 233 | - |
| In the second to fifth years inclusive | 2,635 | 3,232 |
| After fifth year | - | - |
| | <hr/> | <hr/> |
| | 2,868 | 3,232 |
| | <hr/> | <hr/> |

Notes (continued)

20 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 Eastern Airways (Europe) Limited aggregating to £10,043,000 (2008 £9,992,000)

The company is also party to a guarantee for the bank loans of Eastern Airways Share Plan Limited ('EASP'), a minority share holder in the company's parent company Eastern Airways (Europe) Limited EASP had bank loans outstanding of £6,000,000 at 31 December 2009 (2008 £6,000,000)

21 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% (2008 41.1%) 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 0% (2008 2.8%) of the share capital of Eastern Airways (Europe) Limited for a consideration of £nil (2008 £1,150,000) All companies are registered in England and Wales

The transactions with these related parties are as follows

| | 2009 £000 | 2008 £000 |
|--|--------------|--------------|
| Management charge payable to Magnificent Obsessions Limited | 43 | 159 |
| Management charge payable to P & B Investment Holdings Limited | 179 | 119 |
| | <hr/> | <hr/> |
| <i>Balance due to at period end</i> | | |
| Magnificent Obsessions Limited | 27 | 100 |
| P & B Investment Holdings Limited | 13 | 100 |
| | <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