

Eastern Airways (UK) Limited

**Director's report and financial
statements**

Registered number 3468489

30 September 2001



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Company information

Director	Global Aviation Holdings Limited
Secretary	Global Aviation Limited
Company number	03468489
Registered office	Charter House 56 High Street Sutton Coldfield B72 1UJ
Auditors	KPMG St Nicholas House Park Row Nottingham NG1 6FQ
Business address	Schiphol House, Schiphol Way Humberside International Airport Kirmington DN39 6YH
Bankers	NatWest Bank PLC 39 Grimsby Road Cleethorpes Lincolnshire DN35 7GB
Solicitors	Stockdale and Reid 52 Howard Street North Shields Tyne and Wear NE30 1AP

Director's report

The director presents the annual report and audited financial statements for the year ended 30 September 2001.

Principal activities and business review

The principal activity of the company continues to be the operation of airline services. The results of the company for the financial year ended 30 September 2001 are as disclosed in the attached financial statements.

Dividends

The director does not recommend the payment of a dividend (2000: *£nil*).

Director and director's interests

The director who served during the year was:

Global Aviation Holdings Limited

The company's immediate parent, Eastern Airways (Europe) Limited is owned jointly and equally by Magnificent Obsessions Limited and P & B Investment Holdings (Grimsby) Limited in which Messrs R Lake and B Huxford have interests. Messrs R Lake and B Huxford qualify as shadow directors under section 741(2) of the Companies Act 1985. Through their interests in Magnificent Obsessions Limited and P & B Investment Holdings (Grimsby) Limited, Messrs R Lake and B Huxford each have a 50% interest in the share capital of Eastern Airways (UK) Limited.

Auditors

Bissell & Brown Limited resigned as auditors during the year and KPMG were appointed in their place. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Global Aviation Limited
Secretary

Registered Office:

Charter House
56 High Street
Sutton Coldfield
B72 1UJ

1 February 2002

Statement of director's responsibilities

Company law requires the director 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 for that period. In preparing those financial statements, the director is required to:

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

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable the director to ensure that the financial statements comply with the Companies Act 1985. The director has general responsibility for taking such steps as are reasonably open to the director to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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 on pages 5 to 14.

Respective responsibilities of the director and auditors

The director is responsible for preparing the director's report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the director's report is not consistent with the financial statements, if 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 director's remuneration and transactions with the company is not disclosed.

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 director 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 30 September 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
Registered Auditors*

1 February 2002

Profit and loss account
for the year ended 30 September 2001

	<i>Note</i>	2001 £000	2000 £000
Turnover	2	14,835	5,988
Cost of sales		(10,436)	(4,614)
Gross profit		4,399	1,374
Administrative expenses		(3,970)	(1,327)
Operating profit		429	47
Interest receivable and similar income	5	4	2
Interest payable and similar charges	6	(2)	(1)
Profit on ordinary activities before taxation	7	431	48
Tax on profit on ordinary activities	8	(117)	-
Profit on ordinary activities after taxation transferred to reserves	15	314	48

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

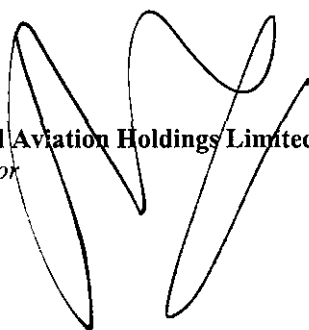
In both the current and preceding year, the company made no material acquisitions and had no discontinued operations.

Balance sheet
at 30 September 2001

	<i>Note</i>	2001		2000
		£000	£000	£000
Fixed assets				
Tangible assets	9		368	120
Current assets				
Stock	10	162		-
Debtors	11	2,139		1,134
Cash at bank and in hand		78		84
		<u>2,379</u>		<u>1,218</u>
Creditors: amounts falling due within one year	12	<u>(2,344)</u>		<u>(1,275)</u>
Net current assets/(liabilities)			<u>35</u>	<u>(57)</u>
Total assets less current liabilities			<u>403</u>	<u>63</u>
Provisions for liabilities and charges	13		<u>(26)</u>	<u>-</u>
Net assets			<u>377</u>	<u>63</u>
Capital and reserves				
Called up share capital	14		1	1
Profit and loss account	15		376	62
Equity shareholders' funds	16		<u>377</u>	<u>63</u>

These financial statements were approved by the director on 1 February 2002:

Global Aviation Holdings Limited
Director



Cash flow statement

for the year ended 30 September 2001

	<i>Note</i>	2001 £000	2000 £000
Net cash inflow from operating activities	<i>17</i>	263	8
Return on investments and servicing of finance	<i>18</i>	2	2
Capital expenditure	<i>18</i>	(319)	(76)
Decrease in cash in the year		(54)	(66)

Reconciliation of net cash flow to movement in net (debt)/funds

	<i>Note</i>	2001 £000	2000 £000
Decrease in cash in the year		(54)	(66)
Movement in net debt in the year	<i>19</i>	(54)	(66)
Net funds at 1 October	<i>19</i>	37	103
Net (debt)/funds at 30 September	<i>19</i>	(17)	37

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.

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	- 25% per annum
Plant and machinery	- 25% per annum
Fixtures, fittings and equipment	- 25% per annum
Motor vehicles	- 25% per annum

Lease agreements

Operating leases are charged to the profit and loss account on a straight line basis.

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. Provision is made for deferred tax only to the extent that the director considers that an actual liability will crystallise.

Turnover

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

2 Analysis of turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

Notes (continued)

3 Remuneration of directors

	2001 £000	2000 £000
Director's emoluments	230	139

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 2001	2000
Administration	30	17
Operations	70	44
	100	61

The aggregate payroll costs of these persons were as follows:

	2001 £000	2000 £000
Wages and salaries	1,326	536
Social security costs	115	45
	1,441	581

5 Interest receivable and similar income

	2001 £000	2000 £000
Bank interest	4	2

6 Interest payable and similar charges

	2001 £000	2000 £000
On bank loans and overdrafts	2	1

7 Profit on ordinary activities before taxation

	2001 £000	2000 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration - audit	25	7
- non-audit	13	-
Depreciation	71	23
Operating lease rentals - plant and machinery	5	2
- aircraft	4,951	3,087

Notes (continued)

8 Taxation

	2001 £000	2000 £000
Corporation tax at 30%	91	-
Deferred taxation	26	-
	<u>117</u>	<u>-</u>

9 Tangible fixed assets

	Portable buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Aircraft deposits £000	Motor vehicles £000	Total £000
<i>Cost</i>						
At 1 October 2000	16	32	76	-	36	160
Additions	71	38	103	68	41	321
Disposals	-	-	(5)	-	-	(5)
At 30 September 2001	<u>87</u>	<u>70</u>	<u>174</u>	<u>68</u>	<u>77</u>	<u>476</u>
<i>Accumulated depreciation</i>						
At 1 October 2000	3	12	17	-	8	40
Charge for year	15	11	32	-	13	71
On disposals	-	-	(3)	-	-	(3)
At 30 September 2001	<u>18</u>	<u>23</u>	<u>46</u>	<u>-</u>	<u>21</u>	<u>108</u>
<i>Net book value</i>						
At 30 September 2001	<u>69</u>	<u>47</u>	<u>128</u>	<u>68</u>	<u>56</u>	<u>368</u>
At 30 September 2000	<u>13</u>	<u>20</u>	<u>59</u>	<u>-</u>	<u>28</u>	<u>120</u>

10 Stocks

	2001 £000	2000 £000
Consumable stocks	<u>162</u>	<u>-</u>

Notes (continued)

11 Debtors

	2001 £000	2000 £000
Trade debtors	1,182	723
Amounts owed by group undertakings	457	137
Other debtors	167	228
Prepayments and accrued income	333	46
	<hr/> 2,139 <hr/>	<hr/> 1,134 <hr/>

12 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Bank overdraft	95	47
Trade creditors	878	662
Amounts owed to group undertakings	-	116
Taxation and social security	132	24
Other creditors	170	43
Accruals and deferred income	1,069	383
	<hr/> 2,344 <hr/>	<hr/> 1,275 <hr/>

The overdraft is secured by a debenture incorporating a fixed and floating charge over the assets of the company.

13 Provisions for liabilities and charges

	Deferred taxation £000
Balance at 1 October 2000	-
Charge to profit and loss account	26
Balance at 30 September 2001	<hr/> 26 <hr/>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2001 Provided £000	2001 Unprovided £000	2000 Provided £000	2000 Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	26	-	-	6
Other timing differences	-	-	-	-
	<hr/> 26 <hr/>	<hr/> - <hr/>	<hr/> - <hr/>	<hr/> 6 <hr/>

Notes (continued)

14 Called up share capital

	2001 £000	2000 £000
<i>Authorised</i>		
Equity: 1,000 Ordinary shares of £1 each	1	1
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: 1,000 Ordinary shares of £1 each	1	1
	<hr/>	<hr/>

15 Profit and loss account

	2001 £000	2000 £000
At 1 October	62	14
Profit for the financial year	314	48
	<hr/>	<hr/>
At 30 September	376	62
	<hr/>	<hr/>

16 Reconciliation of movements in shareholders' funds

	2001 £000	2000 £000
Profit for the financial year	314	48
	<hr/>	<hr/>
Net addition to shareholders' funds	314	48
Opening shareholders' funds	63	15
	<hr/>	<hr/>
Closing shareholders' funds	377	63
	<hr/>	<hr/>

17 Reconciliation of operating profit to net cash flow from operating activities

	2001 £000	2000 £000
Operating profit	429	47
Depreciation charges	71	23
Increase in stocks	(162)	-
Increase in debtors	(1,005)	(824)
Increase in creditors	930	762
	<hr/>	<hr/>
	263	8
	<hr/>	<hr/>

Notes (continued)

18 Analysis of cash flows

	2001 £000	2000 £000
Returns on investments and servicing of finance		
Interest received	4	2
Interest paid	(2)	-
	<u>2</u>	<u>2</u>
Capital expenditure		
Purchase of tangible fixed assets	(321)	(76)
Sale of fixed assets	2	-
	<u>(319)</u>	<u>(76)</u>

19 Analysis of net (debt)/funds

	At beginning of year £000	Cash flow £000	At end of year £000
Cash at bank and in hand	84	(6)	78
Overdrafts	(47)	(48)	(95)
Total	<u>37</u>	<u>(54)</u>	<u>(17)</u>

20 Commitments

a) Capital commitments

At 30 September 2001, contracts for capital commitments amounted to US\$3,000,000 (2000: £nil).

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

Other	2001 £000	2000 £000
Operating leases which expire:		
Within one year	1	1
In the second to fifth years inclusive	4	1
	<u>5</u>	<u>2</u>

Notes (continued)

21 Related party disclosures

The company is a wholly owned subsidiary of Eastern Airways (Europe) Limited.

Air Kilroe is a wholly owned subsidiary of Eastern Airways (Europe) Limited.

The company's joint ultimate holdings companies are by Magnificent Obsessions Limited and P & B Investment Holdings (Grimsby) Limited.

Global Aviation Limited is a wholly owned subsidiary of Global Aviation Holdings Limited which is controlled jointly by Magnificent Obsessions Limited and P & B Investment Holdings (Grimsby) Limited.

The transactions with these related parties are as follows:

	2001 £000	2000 £000
Wet lease aircraft from Air Kilroe Limited	(4,951)	(3,087)
Sale of aircraft spares to Air Kilroe Limited	235	-
Purchase of aircraft spares from Global Aviation Limited	(302)	-
Management charge payable to Eastern Airways (Europe) Limited	(250)	-
Management charge payable to Magnificent Obsessions Limited	(143)	(83)
Management charge payable to P & B Investment Holdings (Grimsby) Limited	(87)	(56)
	<hr/>	<hr/>
Balance due (to)/from at 30 September		
Air Kilroe Limited	327	-
Eastern Airways (Europe) Limited	130	38
Global Aviation Limited	(89)	94
Magnificent Obsessions Limited	(12)	-
P & B Investment Holdings (Grimsby) Limited	(7)	6
	<hr/>	<hr/>

22 Ultimate parent companies

Eastern Airways (UK) Limited is a wholly owned subsidiary of Eastern Airways (Europe) Limited, which is a company registered in England and Wales. Eastern Airways (Europe) Limited is immediately and ultimately controlled jointly by Magnificent Obsessions Limited and P & B Investment Holdings (Grimsby) Limited. Both companies are registered in England and Wales and each has a 50% shareholding in Eastern Airways (Europe) Limited.

The financial statements of the joint ultimate parent companies can be obtained from Charter House, 56 High Street, Sutton Coldfield, B72 1UL.