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REGISTERED NUMBER: 6480521 (England and Wales)

**Report of the Directors and
Consolidated Financial Statements for the Year Ended 31 December 2009
for
Pegasus Helicopter Group Plc.**

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Pegasus Helicopter Group Plc. (Registered number. 6480521)

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for the Year Ended 31 December 2009**

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Pegasus Helicopter Group Plc

**Company Information
for the Year Ended 31 December 2009**

DIRECTORS	R A Zummo C J McDonald-Drewitt M Spanos C Vehlou
SECRETARY	SLC Registrars Limited
REGISTERED OFFICE	Thames House, Portsmouth Road, Esher, Surrey KT10 9AD
REGISTERED NUMBER	6480521 (England and Wales)
AUDITORS:	Everett & Son Chartered Accountants & Statutory Auditors 35 Paul Street London EC2A 4UQ
ACCOUNTANTS	Warren Clare, 5-6, George Street, St Albans, Hertfordshire, AL3 4ER

Pegasus Helicopter Group Plc (Registered number 6480521)

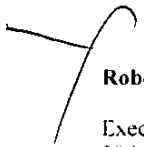
**Chairman's Report
for the Year Ended 31 December 2009**

It gives me great pleasure to report to shareholders the Company's audited results for the year ended 31st December, 2009

The company continues to seek financing to launch its Pre Production Pressure jet helicopters and is currently in discussions with three different investor groups

Where possible the business continues to control costs in this pre revenue period as can be witnessed by the loss of £144,197 for the current year versus the loss of £709,016 for the period ending 31st December, 2008

In conclusion, I would like to take this opportunity to thank Pegasus Directors, advisers and shareholders for their continued support in these challenging market conditions



Robert Zummo

Executive Chairman
29th June 2010

Pegasus Helicopter Group Plc. (Registered number: 6480521)

**Report of the Directors
for the Year Ended 31 December 2009**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2009

PRINCIPAL ACTIVITY

The principal activity of the Group continues to be that of a holding company, whose subsidiaries will manufacture and market helicopters

REVIEW OF BUSINESS

The Company was incorporated on 22nd January, 2008 in order to acquire the share capital of Pegasus Helicopter Inc, via its subsidiary, Pegasus Helicopter Holdings Limited

In June, 2008, the Company gained approval for its Ordinary Shares to be traded on PLUS

The Directors are currently in the process of raising funds for the next stage of development, leading to the start of the production process. It is anticipated that this will commence in the short term

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2009

DIRECTORS

The directors during the year under review were

R A Zummo	
C J McDonald-Drewitt	
T R Bailey	- resigned 6 6 2009
J Messina	- resigned 16 1 2009
M Spanos	
C Vehlow	

The beneficial interests of the directors holding office on 31 December 2009 in the issued share capital of the company were as follows

	31 12 09	1 1 09
Ordinary Shares 1p shares		
R A Zummo	39,000,000	39,000,000
C J McDonald-Drewitt	10,000,000	-
M Spanos	39,000,000	39,000,000
C Vehlow	-	-

Robert Zummo, Chief Executive Officer

Robert Zummo has over 40 years of experience in the aerospace, defence and automotive industries. He has worked for companies such as Grumman Aerospace Corporation, Avco Aerostructures Corporation, LTV Corporation, General Defense Corporation, Insilco Corporation, and Safety Components International Corporation. He has served in various capacities, including Program and Contracts Manager, Vice President of Programs and Operations, President, Chairman and Chief Executive Officer. He is currently the owner, Chairman and CEO of Valentec Systems Inc, a US company involved in the defence manufacturing business.

Michael Spanos, BS, Executive Director

Michael Spanos graduated from San Francisco State University with a Bachelors of Science in Information Systems Design. From 1992 to 1999, Mr. Spanos worked as a software engineer and developer for several Fortune 500 companies including Pacific Gas and Electric, Pacific Bell, Charles Schwab and DHL. In 1999, Mr. Spanos founded Rotary Engineering LLC, a full service machine shop that provides services to the aerospace, semiconductor, electronics, prosthetics, plastics and firearms industries.

Pegasus Helicopter Group Plc (Registered number: 6480521)

**Report of the Directors
for the Year Ended 31 December 2009**

DIRECTORS (continued)

Captain Christopher Drewitt, Chairman and Non-Executive Director

Captain Christopher Drewitt is a former British Master Mariner who has over 30 years of experience in international shipping, trading, logistics the defence industry and business development. Mr Drewitt became the Marine Manager of the UK government's Oil and Gas company, The British National Oil Corporation (Development) Limited in 1977. In 1984 he joined Marine Offshore Management Limited as Operations Director. The company became the largest marine and underwater consultancy in the world, being sold to Lloyds Register of London and its partners in 1992. Mr Drewitt entered the defence industry in 1999 and is currently Executive Chairman of the defence systems group, Multi-Mission Dynamics Limited.

Charles Vehlow BS, MS, MBA, Non-Executive Director

Charles Vehlow is a graduate of the Army War College, Carlisle and the Navy War College in Newport and has extensive military experience. Mr Vehlow served as an Associate Professor at the US Military Academy where he developed and taught a helicopter design course. Mr Vehlow has over 25 years of experience with large helicopter engineering, aerospace and manufacturing companies having held executive positions at various companies including McDonnell Douglas Corporation and the Boeing Helicopter Division. Mr Vehlow currently serves on the Army Science Board at The Pentagon. Mr Vehlow holds a Bachelor of Science in Engineering from West Point, a Master of Science in Aerospace Engineering from the Massachusetts Institute of Technology, and a Master of Business Administration in Management from Long Island University.

GROUP'S POLICY ON PAYMENT OF CREDITORS

The Group does not currently have any standard payment policy, but once production starts, will agree terms with individual suppliers.

SHARE OPTIONS

The Share Options issued to the Directors in the previous year were cancelled by the Company during the year ended 31st December, 2009, due to the corporate performance targets not having been achieved.

FINANCIAL RISK MANAGEMENT

The company's operations will expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring the levels of financial risks.

Foreign Exchange Risk

As the greater part of the company's revenues and expenses will be denominated in US Dollars, the company will be exposed to foreign exchange risk in the normal course of business. The company will use forward exchange contracts to assist in the hedge of any foreign currency exposure.

Credit Risk

The company will implement policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers will be subject to a limit that is reassessed regularly by the finance department.

Liquidity Risk

Liquidity risk is being managed by the Directors through their current negotiations with providers of the funds necessary to commence production.

Key Performance Indicators ("KPIs")

Given the nature of the business, the Company's Directors are of the opinion that analysis using KPIs will be necessary for an understanding of the development, performance or position of the business.

Pegasus Helicopter Group Plc (Registered number 6480521)

**Report of the Directors
for the Year Ended 31 December 2009**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, Everett & Son, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



R A Zummo - Director

29 June 2010

Report of the Independent Auditors to the Members of Pegasus Helicopter Group Plc.

We have audited the financial statements of Pegasus Helicopter Group Plc for the year ended 31 December 2009 on pages nine to twenty one. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page five, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter

In forming our opinion, we have considered the adequacy of the disclosures made in note 19 to the financial statements concerning the raising of additional finance by the Group. The financial statements have been prepared on a going concern basis, the validity of which depends on the successful conclusion of negotiations to secure funding.

The Directors are confident that future funding will be secured and that it is appropriate for the financial statements to be prepared on a going concern basis.

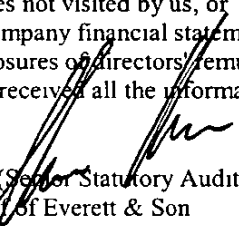
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors 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 by the parent company, 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.


Charles Horder (Senior Statutory Auditor)
for and on behalf of Everett & Son
Chartered Accountants & Statutory Auditors
35 Paul Street
London
EC2A 4UQ

30 June 2010

Pegasus Helicopter Group Plc (Registered number 6480521)

**Consolidated Profit and Loss Account
for the Year Ended 31 December 2009**

		Year Ended 31 12 09 £	Period 22 1 08 to 31 12 08 £
	Notes		
TURNOVER		-	-
Administrative expenses		<u>125,703</u>	<u>687,805</u>
OPERATING LOSS	3	(125,703)	(687,805)
Interest payable and similar charges	4	<u>18,494</u>	<u>21,211</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(144,197)	(709,016)
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		<u>(144,197)</u>	<u>(709,016)</u>
Earnings per share expressed in pence per share	7		
Basic		(0 06)	(0 35)
Diluted		<u>(0 06)</u>	<u>(0 35)</u>

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current year or previous period

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the losses for the current year or previous period

The notes form part of these financial statements

Pegasus Helicopter Group Plc. (Registered number 6480521)

**Consolidated Balance Sheet
31 December 2009**

	Notes	31 12 09 £	£	31 12 08 £	£
FIXED ASSETS					
Intangible assets	8		4,843,998		4,843,998
Tangible assets	9		124,205		124,205
Investments	10		<u>-</u>		<u>-</u>
			4,968,203		4,968,203
CURRENT ASSETS					
Debtors	11	9,721		4,471	
Prepayments and accrued income		19,041		-	
Cash at bank		<u>14,496</u>		<u>-</u>	
		43,258		4,471	
CREDITORS					
Amounts falling due within one year	12	<u>607,050</u>		<u>514,572</u>	
NET CURRENT LIABILITIES			<u>(563,792)</u>		<u>(510,101)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,404,411</u>		<u>4,458,102</u>
CAPITAL AND RESERVES					
Called up share capital	14		2,235,283		2,000,000
Share premium	15		49,667		-
Merger Reserve	15		2,972,674		2,972,674
Profit and loss account	15		<u>(853,213)</u>		<u>(514,572)</u>
SHAREHOLDERS' FUNDS	18		<u>4,404,411</u>		<u>4,458,102</u>

The financial statements were approved by the Board of Directors on 29 June 2010 and were signed on its behalf by



R A Zummo - Director

The notes form part of these financial statements

Pegasus Helicopter Group Plc. (Registered number 6480521)

**Company Balance Sheet
31 December 2009**

	Notes	31 12 09 £	£	31 12 08 £	£
FIXED ASSETS					
Intangible assets	8	-	-	-	-
Tangible assets	9	-	-	-	-
Investments	10	<u>2,000,000</u>		<u>2,000,000</u>	
		2,000,000		2,000,000	
CURRENT ASSETS					
Debtors	11	5,250	-	-	-
Prepayments and accrued income		19,041	-	-	-
Cash at bank		<u>14,496</u>		<u>-</u>	
		38,787		-	
CREDITORS					
Amounts falling due within one year	12	<u>607,050</u>		<u>514,572</u>	
NET CURRENT LIABILITIES			<u>(568,263)</u>		<u>(514,572)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,431,737</u>		<u>1,485,428</u>
CAPITAL AND RESERVES					
Called up share capital	14	2,235,283		2,000,000	
Share premium	15	49,667		-	
Profit and loss account	15	<u>(853,213)</u>		<u>(514,572)</u>	
SHAREHOLDERS' FUNDS	18	<u>1,431,737</u>		<u>1,485,428</u>	

The financial statements were approved by the Board of Directors on 29 June 2010 and were signed on its behalf by



R A Zummo - Director

Pegasus Helicopter Group Plc (Registered number: 6480521)

**Consolidated Cash Flow Statement
for the Year Ended 31 December 2009**

		Year Ended 31 12 09 £	Period 22 1 08 to 31 12 08 £
Net cash (outflow)/inflow from operating activities	Notes 1	(249,010)	21,211
Returns on investments and servicing of finance	2	<u>(18,494)</u>	<u>(21,211)</u>
		(267,504)	-
Financing	2	<u>282,000</u>	<u>-</u>
Increase in cash in the period		<u>14,496</u>	<u>-</u>
<hr/>			
Reconciliation of net cash flow to movement in net debt	3		
Increase in cash in the period		<u>14,496</u>	<u>-</u>
Change in net debt resulting from cash flows		<u>14,496</u>	<u>-</u>
Movement in net debt in the period		14,496	-
Net debt at 1 January		<u>-</u>	<u>-</u>
Net funds at 31 December		<u>14,496</u>	<u>-</u>

The notes form part of these financial statements

Pegasus Helicopter Group Plc. (Registered number: 6480521)

**Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 December 2009**

1 RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Year Ended 31 12 09 £	Period 22 1 08 to 31 12 08 £
Operating loss	(125,703)	(687,805)
Share based payments	(194,444)	194,444
Increase in debtors	(19,041)	-
Increase in creditors	<u>90,178</u>	<u>514,572</u>
Net cash (outflow)/inflow from operating activities	<u>(249,010)</u>	<u>21,211</u>

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year Ended 31 12 09 £	Period 22 1 08 to 31 12 08 £
Returns on investments and servicing of finance		
Interest paid	(18,494)	(21,211)
Net cash outflow for returns on investments and servicing of finance	<u>(18,494)</u>	<u>(21,211)</u>
Financing		
Amount introduced by directors	2,300	-
Share issue	<u>279,700</u>	<u>-</u>
Net cash inflow from financing	<u>282,000</u>	<u>-</u>

3 ANALYSIS OF CHANGES IN NET DEBT

	At 1 1 09 £	Cash flow £	At 31 12 09 £
Net cash			
Cash at bank	<u>-</u>	<u>14,496</u>	<u>14,496</u>
	<u>-</u>	<u>14,496</u>	<u>14,496</u>
Total	<u>-</u>	<u>14,496</u>	<u>14,496</u>

The notes form part of these financial statements

**Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2009**

1 ACCOUNTING POLICIES

Accounting convention

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

The financial statements have been prepared on a going concern basis, the validity of which depends on the successful conclusion of negotiations to secure funding, as detailed in note 19. The Directors are confident that future funding will be secured and that it is appropriate for the financial statements to be prepared on a going concern basis

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 December 2009

Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date

Merger reserve

The merger reserve represents the excess of the fair value over the nominal value of shares issued by the Company to acquire at least a 90% equity interest in an acquiree company

A purchaser company acquiring at least 90% equity interest in an acquiree company under an arrangement, which provides for the allotment of equity shares by the purchaser in return for the equity interest in the acquiree must apply Section 131 of the Act. When applicable, the section required that the premium on the issue of equity shares by the purchaser company be disregarded. Accordingly, the Company did not record a premium on the share it issued but recognised a merger reserve in the consolidated balance sheet

Tangible fixed assets

Depreciation will be calculated to write down the cost or valuation, less estimated residual value, of all tangible fixed assets over their expected useful lives

Depreciation will start on the commencement of production

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date, where transactions or events have occurred at that date, that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Development expenditure

Development expenditure is charged to the profit and loss account in the year in which it is incurred, with the exception of expenditure on the development of certain major new projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility

Such expenditure is capitalised and amortised over the production period commencing when the product is first manufactured

Impairment reviews are carried out to ensure that development expenditure is not carried at above its recoverable amount

Pegasus Helicopter Group Plc (Registered number: 6480521)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2009**

1 ACCOUNTING POLICIES - continued

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate ruling at the date of the transaction
Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date

These transaction differences are dealt with in the profit and loss account

The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

2 STAFF COSTS

	Year Ended 31 12 09 £	Period 22 1 08 to 31 12 08 £
Wages and salaries	<u>(94,444)</u>	<u>257,444</u>

The average monthly number of employees during the year was as follows

	Year Ended 31 12 09	Period 22 1 08 to 31 12 08
Directors	<u>4</u>	<u>6</u>

3 OPERATING LOSS

The operating loss is stated after charging/(crediting)

	Year Ended 31 12 09 £	Period 22 1 08 to 31 12 08 £
Other operating leases	18,494	43,817
Auditors' remuneration	10,000	7,500
Foreign exchange differences	<u>(31,750)</u>	<u>-</u>
Directors' remuneration	<u>(94,444)</u>	<u>257,444</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 12 09 £	Period 22 1 08 to 31 12 08 £
Loan interest	<u>18,494</u>	<u>21,211</u>

Pegasus Helicopter Group Plc (Registered number 6480521)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2009**

5 TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2009 nor for the period ended 31 December 2008

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	Year Ended 31 12 09 £	Period 22 1 08 to 31 12 08 £
Loss on ordinary activities before tax	<u>(144,197)</u>	<u>(709,016)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2008 - 21%)	(30,281)	(148,893)
Effects of		
Expenses which will be tax deductible in future periods	24,884	4,454
Expenses not deductible for tax purposes	(35,584)	61,833
Tax losses carried forward	<u>40,981</u>	<u>82,606</u>
Current tax charge	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

Subject to agreement with H M Revenue & Customs, tax losses of £588,510 (2008 - £393,362) are available to be offset against trading profits generated in the future

6 LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(144,197) (2008 - £(709,016))

Pegasus Helicopter Group Plc (Registered number. 6480521)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2009**

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares

Reconciliations are set out below

	Earnings £	31 12 09 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(144,197)	223,528,333	(0 06)
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	(144,197)	223 528,333	(0 06)

	Earnings £	31 12 08 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(709,016)	200,000,000	(0 35)
Effect of dilutive securities			
Options	-	3,381,642	-
Diluted EPS			
Adjusted earnings	(709,016)	203,381,642	(0 35)

8 INTANGIBLE FIXED ASSETS

Group

	Development costs £
COST	
At 1 January 2009 and 31 December 2009	<u>4,843,998</u>
NET BOOK VALUE	
At 31 December 2009	<u>4,843,998</u>
At 31 December 2008	<u>4,843,998</u>

Pegasus Helicopter Group Plc. (Registered number: 6480521)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2009**

9 TANGIBLE FIXED ASSETS

Group

	Plant and machinery £
COST	
At 1 January 2009 and 31 December 2009	<u>124,205</u>
NET BOOK VALUE	
At 31 December 2009	<u>124,205</u>
At 31 December 2008	<u>124,205</u>

Pegasus Helicopter Group Plc (Registered number: 6480521)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2009**

10 FIXED ASSET INVESTMENTS

On 13th March 2008 the Company acquired the entire share capital of Pegasus Helicopter Holdings Limited (incorporated in England & Wales) in consideration for the issue of 200,000,000 Ordinary shares of 1p each

On the same date, Pegasus Helicopter Holdings Limited had previously acquired the entire share capital of Pegasus Helicopter Inc a company incorporated in Arizona, USA

The Company has taken merger relief on the issue of its shares and the Group has used acquisition accounting to account for the purchase

Subsidiary companies

	Class of Shares	% Holding	Activity
Pegasus Helicopter Holdings Limited	Ordinary	100%	Intermediate holding company
Pegasus Helicopter Inc	Ordinary	100%	Helicopter manufacture

The consolidated assets and liabilities of Pegasus Helicopter Holdings Limited, and its subsidiary, Pegasus Helicopter Inc , at the date of acquisition are set out below -

	Book value £	Fair Value £
Intangible fixed assets	4,843,998	4,843,998
Tangible fixed assets	124,205	124,205
Debtors	<u>4,471</u>	<u>4,471</u>
Net assets	<u>4,972,674</u>	4,972,674
Merger reserve		<u>(2,972,674)</u>
		<u>2,000,000</u>
Satisfied by - Shares allotted		<u>2,000,000</u>

11 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 12 09	31 12 08	31 12 09	31 12 08
	£	£	£	£
Called up share capital not paid	<u>9,721</u>	<u>4,471</u>	<u>5,250</u>	<u>-</u>

Pegasus Helicopter Group Plc. (Registered number. 6480521)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2009**

12 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 12 09	31 12 08	31 12 09	31 12 08
	£	£	£	£
Trade creditors	196,929	126,207	196,929	126,207
Other creditors	178,576	151,881	178,576	151,881
Directors' current account	2,300	-	2,300	-
Accrued expenses	<u>229,245</u>	<u>236,484</u>	<u>229,245</u>	<u>236,484</u>
	<u>607,050</u>	<u>514,572</u>	<u>607,050</u>	<u>514,572</u>

13 SECURED DEBTS

Included within other creditors are loans of £175,316 (2008 - £151,881) which are secured by a lien over all of the assets of the Company until such time as they are repaid

14 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid				
Number	Class	Nominal value	31 12 09	31 12 08
		1p	£	£
223,528,333	Ordinary Shares		2 235,283	2,000,000
(31 12 08 – 200,000,000)				

23,528,333 Ordinary Shares of 1p each were allotted as fully paid at a premium of 0 2111p per share during the year

15 RESERVES

Group

	Profit and loss account	Share premium	Merger Reserve	Totals
	£	£	£	£
At 1 January 2009	(514,572)	-	2,972,674	2,458,102
Deficit for the year	(144,197)			(144,197)
Cash share issue	-	49,667	-	49,667
Equity settled share based payments	<u>(194,444)</u>	<u>-</u>	<u>-</u>	<u>(194,444)</u>
At 31 December 2009	<u>(853,213)</u>	<u>49,667</u>	<u>2,972,674</u>	<u>2,169,128</u>

Company

	Profit and loss account	Share premium	Totals
	£	£	£
At 1 January 2009	(514,572)	-	(514,572)
Deficit for the year	(144,197)		(144,197)
Cash share issue	-	49,667	49,667
Equity settled share based payments	<u>(194,444)</u>	<u>-</u>	<u>(194,444)</u>
At 31 December 2009	<u>(853,213)</u>	<u>49,667</u>	<u>(803,546)</u>

Pegasus Helicopter Group Plc (Registered number 6480521)

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2009**

16 TRANSACTIONS WITH DIRECTORS

Included within expenses are fees for corporate financial advisory services totalling £49,318 and interest of £18,494 payable to companies of which J Messina is a Director

Included in other creditors is a loan of £151,881 advanced by a company of which J Messina is a Director

Included within expenses are fees for technical advisory services totalling £14,395 payable to a company controlled by C Vehlow

All of the above-mentioned fees and interest have been charged on normal commercial terms

17 ULTIMATE CONTROLLING PARTY

In the opinion of the Directors there is no overall controlling party

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	31 12 09 £	31 12 08 £
Loss for the financial year	(144,197)	(709,016)
Allotment of Ordinary Shares at par	235,283	2,000,000
Consolidation merger reserve	-	2,972,674
Equity settled share based payments	(194,444)	194,444
Share premium on allotment of shares	49,667	-
Net (reduction)/addition to shareholders' funds	(53,691)	4,458,102
Opening shareholders' funds	<u>4,458,102</u>	<u>-</u>
Closing shareholders' funds	<u>4,404,411</u>	<u>4,458,102</u>

Company

	31 12 09 £	31 12 08 £
Loss for the financial year	(144,197)	(709,016)
Allotment of Ordinary Shares at par	235,283	2,000,000
Equity settled share based payments	(194,444)	194,444
Share premium on allotment of shares	49,667	-
Net (reduction)/addition to shareholders' funds	(53,691)	1,485,428
Opening shareholders' funds	<u>1,485,428</u>	<u>-</u>
Closing shareholders' funds	<u>1,431,737</u>	<u>1,485,428</u>

19 GOING CONCERN

The financial statements have been prepared on the going concern basis, which assumes that the Group will continue in existence for the foreseeable future

The validity of this assumption depends on the successful conclusion of one or more negotiations currently underway to secure this further funding

The Directors are confident that future funding will be secured in the near term and that it is appropriate for the financial statements to be prepared on a going concern basis