

**Business Air Limited**

**Directors' report and financial  
statements**

**Registered in Scotland No 104657**

**For the year ended 31 December 1999**



## **Directors' report and financial statements**

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**Company information**

**Directors**

Sir Michael Bishop CBE  
A Reid CA  
G Ross  
GJW Norman

**Secretary and registered office**

TJ Bye  
Dalmore House  
310 St Vincent Street  
Glasgow  
G2 5QR

**Registered number**

Registered in Scotland No. 104657

**Auditors**

KPMG  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

**Bankers**

National Westminster Bank Plc  
Colmore Centre  
103 Colmore Row  
Birmingham  
B3 3NS

## **Directors' report**

The directors present their annual report and the audited financial statements for year ended 31 December 1999.

### **Principal activity**

The principal activities of the company are that of an airline operator.

### **Results and dividend**

The company made a profit for the year before taxation of £1,499,000 (1998: loss of £283,000). The directors do not recommend the payment of a dividend (1998: £nil). The profit for the year has been added to reserves.

### **Directors and their interests**

The directors who held office during the year are listed on page 1. None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or the immediate parent company, British Midland Airways Limited. The interests of the directors in the shares of British Midland PLC, the intermediate parent company and The BBW Partnership Limited, the ultimate parent company, are disclosed in the financial statements of those companies.

### **Year 2000**

The year 2000 computer problem is recognised as being a significant issue facing businesses throughout the world. Business Air, like every company, is affected by the issue. It therefore established a full time Year 2000 Program, to assist business continuity before, during and beyond the millennium date change.

This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to a significant degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issue.

A project was put in place in 1997 to address the Year 2000 issue. This established a team to identify the risks arising due to Year 2000 and to formulate a strategy and procedures to ensure risks were minimised or eliminated as appropriate.

The group have spent £12.6 million on remedial action but no further costs are anticipated to be spent.

Whilst no Year 2000 related failures have been identified to date, it is the directors' intention that potential Year 2000 issues be constantly monitored during the course of the year.

### **EMU**

The directors have assessed the likely impact on the company in respect of monetary union. They do not feel that there will be any initial effect on the operations of the business and any potential costs of adoption are not anticipated to be material to the company's financial statements.

**Directors' report** *(continued)*

**Auditors**

In accordance with section 385 of the Companies Act 1985 a resolution proposing the re-appointment of KPMG as auditors of the company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to be 'TJ Bye', written over a light blue horizontal line.

**TJ Bye**  
*Secretary*

28 April 2000

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing those financial statements, the directors are 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; 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.



St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

## **Report of the auditors to the members of Business Air Limited**

We have audited the financial statements on pages 6 to 11.

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

The directors are responsible for preparing the directors' report and, as described on page 4, 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. We also report to you if, in our opinion, the directors' 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 directors' remuneration and transactions with the company is not disclosed.

### **Basis of audit 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 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 of the state of the company's affairs as at 31 December 1999 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*

28 April 2000

**Profit and loss account**  
*for the year ended 31 December 1999*

	<i>Notes</i>	1999 £000	1998 £000
<b>Turnover</b>	2	13,612	11,165
Cost of sales		(10,485)	(9,432)
<b>Gross profit</b>		3,127	1,733
Administrative expenses		(1,628)	(2,016)
<b>Profit/(loss) on ordinary activities before taxation</b>	4	1,499	(283)
Tax on profit/(loss) on ordinary activities	5	(61)	145
<b>Retained profit/(loss) for the financial year</b>	8	1,438	(138)

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

In both the current and preceding financial periods, there were no recognised gains or losses other than those dealt with in the profit and loss account.

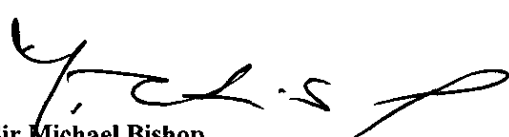
A statement of movement on reserves is given in note 8 to the financial statements.



**Balance sheet**  
*as at 31 December 1999*

	Notes	1999 £000	£000	1998 £000	£000
<b>Current assets</b>					
Debtors	6	2,783		1,345	
<b>Net current assets</b>			2,783		1,345
<b>Net assets</b>			2,783		1,345
<b>Capital and reserves</b>					
Called up share capital	7		165		165
Share premium	8		13,107		13,107
Profit and loss account	8		(10,489)		(11,927)
<b>Equity shareholders' funds</b>	9		2,783		1,345

These financial statements were approved by the Board of Directors on 28 April 2000 and were signed on its behalf by:

  
**Sir Michael Bishop**  
*Director*

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

#### ***Basis of preparation***

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

#### ***Leased assets***

Rental costs under operating leases are charged to the profit and loss account in the year on a straight line basis.

#### ***Deferred training costs***

Costs arising from the training of new crews on aircraft are deferred and written-off to the profit and loss account within five years.

#### ***Deferred taxation***

Taxation deferred by capital allowances and other timing differences is provided for except to the extent that a liability is not expected to arise in the foreseeable future.

#### ***Foreign currency translation***

Monetary assets and liabilities denominated in foreign currencies are expressed at the rates prevailing at the balance sheet date. Transactions in foreign currencies during the year are translated at the rate of exchange ruling on the date of the transaction. Profits or losses on translation are taken to the profit and loss account.

#### ***Pension costs***

The company operates a defined contribution pension scheme and pays contributions into individual accounts for eligible employees. The assets of the defined contribution pension scheme are held by an insurance company investing in various funds. Each individual is free to choose the pension funds of their choice from the selection available from the insurance company.

#### ***Cash flow statement***

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

### **2 Turnover**

Turnover represents the charges made for providing wet leased short haul aircraft.

## Notes (continued)

### 3 Information regarding directors and employees

None of the directors accrued any pension benefits or received any remuneration from the company for their services during the year (1998: £nil).

	1999 £000	1998 £000
<i>Employee costs during the year:</i>		
Wages and salaries	4,092	2,930
Social security costs	429	285
Other pension costs	247	107
	<u>4,768</u>	<u>3,322</u>
	<u>Number</u>	<u>Number</u>
<i>Average number of employees:</i>		
Air crews	124	96
Administration	38	22
	<u>162</u>	<u>118</u>

### 4 Profit/(loss) on ordinary activities before taxation

	£000	£000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):</i>		
Amortisation of deferred training costs	-	100
Rentals under operating leases: Land and buildings	44	50
Other	3,897	4,174
Auditors' remuneration: Audit fees	6	5
	<u>          </u>	<u>          </u>

### 5 Tax on profit/(loss) on ordinary activities

	£000	£000
Adjustment in respect of prior year group relief	(61)	-
Group relief at 31%	-	145
	<u>(61)</u>	<u>145</u>

### 6 Debtors

	£000	£000
Amounts due from group companies	2,783	1,345
	<u>          </u>	<u>          </u>

## Notes (continued)

### 7 Called up share capital

	1999 £000	1998 £000
<i>Authorised:</i>		
1,124,253 ordinary shares of £1 each	1,124	1,124
<i>Issued and fully paid:</i>		
164,909 ordinary shares of £1 each	165	165

### 8 Reserves

<b>Profit and loss account</b>	<b>£000</b>	<b>£000</b>
At 1 January	(11,927)	(11,789)
Retained profit/(loss) for the year	1,438	(138)
At 31 December	(10,489)	(11,927)
<b>Share premium account</b>		
At 1 January and 31 December	13,107	13,107

### 9 Reconciliation of movements in equity shareholders' funds

	£000	£000
Profit/(loss) for the year	1,438	(138)
Opening equity shareholders' funds	1,345	1,483
Closing equity shareholders' funds	2,783	1,345

### 10 Leasing commitments

#### *Operating leases*

The future minimum annual lease payments to which the company is committed to pay as at 31 December, under non-cancellable operating leases are as follows:

	1999 Land and buildings £000	1999 Other £000	1998 Land and buildings £000	1998 Other £000
On leases expiring within 12 months	44	-	50	2,191
On leases expiring in 2-5 years	-	2,590	-	1,791
On leases expiring in more than 5 years	-	924	-	-
	44	3,514	50	3,982

## **Notes (continued)**

### **11 Pensions**

The company operates a Contracted-In Money Purchase Scheme insured with Legal & General Assurance Society Limited. The name of the scheme is the British Midland Commuter Retirement Benefit Scheme.

It is a contributory scheme and eligible employees are invited to participate upon meeting the eligibility conditions.

Employees pay personal contributions of 3.5% of pensionable salary and the company makes a contribution of 7% of pensionable salary.

After completion of five years service the employees' contribution increases to 4.5% of pensionable salary and the company contribution increases to 9% of pensionable salary.

Members also have the facility to make Additional Voluntary Contributions up to a maximum of 15% of pensionable earnings less their contribution to the company scheme.

### **12 Related party transactions**

As the company is a wholly owned subsidiary of British Midland Airways Limited as at 31 December 1999, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of British Midland PLC, within which this company is included, can be obtained from the address given in note 13.

### **13 Holding company**

The company's ultimate parent undertaking is The BBW Partnership Limited, a company registered in England. The company's immediate parent undertaking is British Midland Airways Limited, a company registered in England. Copies of the financial statements of The BBW Partnership Limited and British Midland Airways Limited can be obtained from the Registrar of Companies, Crown Way, Cardiff.

The smallest group in which the results of the company are consolidated is British Midland PLC. The largest group in which the results of the company are consolidated is The BBW Partnership Limited.