



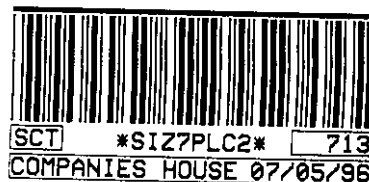
**BUSINESS AIR LIMITED**

**Report and Financial Statements**

**31 March 1995**

**Deloitte & Touche**  
Chartered Accountants  
66 Queen's Road  
Aberdeen  
AB1 6YE

*Handwritten signature or initials.*





**REPORT AND FINANCIAL STATEMENTS 1995**

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## **REPORT AND FINANCIAL STATEMENTS 1995**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

I G Woodley (Chairman)  
A J Duncan

#### **SECRETARY**

Roy Roxburgh

#### **SOLICITORS AND REGISTERED OFFICE**

Iain Smith & Co  
18 - 20 Queen's Road  
Aberdeen

#### **BANKERS**

Bank of Scotland  
69 George Street  
Edinburgh

#### **AUDITORS**

Deloitte & Touche  
Chartered Accountants  
66 Queen's Road  
Aberdeen

## **REPORT AND FINANCIAL STATEMENTS 1995**

### **OFFICERS AND PROFESSIONAL ADVISERS**

The directors present their annual report and the audited financial statements for the year ended 31 March 1995.

### **ACTIVITIES**

The company's principal activities during the year have been the operation of air charter, contract and scheduled services.

### **REVIEW OF DEVELOPMENTS, FUTURE PROSPECTS AND FINANCIAL POSITION**

The main development during this year was the introduction of Lufthansa as a shareholder in conjunction with the continued development of the Superhub concept at Manchester Airport. Key new services introduced during this period were Edinburgh - Manchester in June 1994 and Glasgow - Manchester in October 1994 and Belfast - Manchester in March 1995. All services are in competitive markets and represent the major domestic business centres required to develop the agreed hub strategy.

Undoubtedly the overall financial performance of the Company reflects the considerable growth in a very competitive environment with considerable load factor and yield pressure being felt creating a shortfall of revenue against budget.

The future of the Company now relies increasingly on the joint Lufthansa/Business Air partnership strategy being followed and the continuing emphasis on Manchester together with a favourable result in the lowering of certain key cost positions. This should, if all parties remain committed, place the Company in an improved position during the next year.

### **DIVIDENDS AND TRANSFERS TO RESERVES**

No dividends have been proposed. The loss after taxation for the year of £4,154,589 (1994: £3,654,017) has been added to the deficit brought forward.

### **SHARE CAPITAL**

At a meeting on 28 September 1994 the authorised share capital of the company was increased from £49,700 to £124,253 by the creation of an additional 74,553 ordinary shares of £1 each.

On 28 September 1994 an amount of £3,836,320 was received from Deutsche Lufthansa AG in respect of an issue of 47,668 ordinary shares of £1 each. £3,163,795 of this money was used to repay subordinated loans and certain trading debts. Also on this date Crossair AG and Abela Holdings (UK) Limited subscribed for 20,673 and 6,212 ordinary £1 shares in the company respectively, with respective payments of £1,663,795 and £500,000. The shares were issued to fund the company's continued development.

### **DIRECTORS**

The present membership of the Board is set out on page 1. The directors at 31 March 1995 and their disclosable interests, as defined by the Companies Act, in the shares of the company at 1 April 1994 (or date of appointment) and 31 March 1995 were as follows:

	<b>£1 Ordinary Shares</b>	
	<b>31 March 1995</b>	<b>1 April 1994</b>
I G Woodley	5,679	5,679
A J Duncan	-	-
H Rollin	-	-
P Hach (appointed 28 September 1994)	-	-
W Schmitz (appointed 28 September 1994)	-	-
T Hofmann (appointed 28 September 1994)	-	-

**REPORT AND FINANCIAL STATEMENTS 1995****OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS (continued)**

Messrs A C Hill, G Ross and F H von Bohlen und Halbach resigned from the board on 28 September 1994.

Messrs H Rollin, P Hach, W Schmitz and T Hofmann resigned from the board on 31 January 1996.

**AUDITORS**

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



Director  
25 April 1996



## **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 period. 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;
- 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, for safeguarding the assets of the company and for the prevention and detection of fraud and other irregularities.



## Chartered Accountants

Deloitte & Touche  
66 Queen's Road  
Aberdeen AB1 6YE

Telephone: National 01224 325375  
International + 44 1224 325375  
Telecopier (Gp. 3): 01224 313611

## AUDITORS' REPORT TO THE MEMBERS OF BUSINESS AIR LIMITED

We have audited the financial statements on pages 6 to 18 which have been prepared under the accounting policies set out on pages 12 and 13.

### Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### 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 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 at 31 March 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

25 April 1996


**PROFIT AND LOSS ACCOUNT AND STATEMENT OF MOVEMENTS ON  
RESERVES**
**Year ended 31 March 1995**

	Note	1995 £	1994 £
<b>PROFIT AND LOSS ACCOUNT</b>			
<b>TURNOVER - continuing operations</b>		22,572,200	19,181,012
Cost of sales		(23,140,282)	(19,610,102)
<b>GROSS LOSS</b>		(568,082)	(429,090)
Administrative expenses		(2,733,840)	(2,192,888)
<b>OPERATING LOSS - continuing operations</b>		(3,301,922)	(2,621,978)
Other interest receivable and similar income	3	183,563	40,153
Interest payable and similar charges	4	(1,036,230)	(1,072,192)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	(4,154,589)	(3,654,017)
Tax on loss on ordinary activities	6	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND LOSS FOR THE FINANCIAL YEAR TRANSFERRED FROM RESERVES</b>		(4,154,589)	(3,654,017)

**STATEMENT OF MOVEMENTS ON RESERVES**

	£
Balance at 1 April 1994 - deficit	(4,637,105)
Loss for the financial year	(4,154,589)
Balance at 31 March 1995 - deficit	(8,791,694)

There are no recognised gains and losses in the current financial year and the preceding financial year other than as stated in the profit and loss account.




**BALANCE SHEET**  
**As at 31 March 1995**

	Note	1995 £	1994 £
<b>FIXED ASSETS</b>			
Tangible assets	7	5,541,705	5,726,042
<b>CURRENT ASSETS</b>			
Stocks	8	614,896	526,937
Debtors - due within one year	9	5,744,041	3,705,586
- due after more than one year	9	577,621	1,238,584
Cash at bank and in hand		914,364	733,493
		<u>7,850,922</u>	<u>6,204,600</u>
<b>CREDITORS: amounts falling due within one year</b>			
Trade creditors		6,778,751	5,551,314
Other creditors including taxation and social security	10	141,889	122,860
Accruals and deferred income		26,054	26,100
Obligations under finance leases and hire purchase contracts		288,049	219,083
		<u>7,234,743</u>	<u>5,919,357</u>
<b>NET CURRENT ASSETS</b>		616,179	285,243
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,157,884	6,011,285
<b>CREDITORS: amounts falling due after more than one year</b>	11	(4,949,576)	(6,648,504)
		<u>1,208,308</u>	<u>(637,219)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	124,253	49,700
Share premium account	14	9,875,749	3,950,186
Profit and loss account		(8,791,694)	(4,637,105)
		<u>1,208,308</u>	<u>(637,219)</u>
Attributable to equity shareholders		1,208,308	(637,219)

These financial statements were approved by the Board of Directors on 25 April 1996.

Signed on behalf of the Board of Directors

Director



**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**Year ended 31 March 1995**

	1995 £	1994 £
Loss for the financial year	(4,154,589)	(3,654,017)
Issue of share capital	74,553	27,255
Increase in share premium	5,925,563	2,166,263
<b>Net increase/(reduction) to shareholders' funds</b>	<b>1,845,527</b>	<b>(1,460,499)</b>
Opening shareholders' funds	(637,219)	823,280
<b>Closing shareholders' funds</b>	<b>1,208,308</b>	<b>(637,219)</b>

**CASH FLOW STATEMENT**  
**Year ended 31 March 1995**

	Note	1995 £	1994 £
<b>Net cash (outflow)/inflow from operating activities</b>	1	(3,129,101)	48,934
<b>Returns on investments and servicing of finance</b>			
Interest received		105,895	40,153
Interest paid		(235,651)	(163,531)
Interest element of finance leases and hire purchase rentals		(724,079)	(830,993)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(853,835)	(954,371)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(144,774)	(95,955)
Disposal of tangible fixed assets		-	6,265
Deferred training expenditure		(504,841)	(477,516)
Deferred route development costs		(134,400)	(1,269,230)
Disposal of deferred route development costs		500,000	-
<b>Net cash (outflow) from investing activities</b>		(284,015)	(1,836,436)
<b>Net cash (outflow) before financing</b>		(4,266,951)	(2,741,873)
<b>Financing</b>	4		
Issue of share capital		6,000,116	2,193,518
Capital element of finance lease and hire purchase rentals		(212,294)	(230,641)
New subordinated loan		-	1,000,000
Subordinated loan repayment		(1,340,000)	-
<b>Net cash inflow from financing</b>		4,447,822	2,962,877
<b>Increase in cash and cash equivalents</b>	2	180,871	221,004


**NOTES TO THE CASH FLOW STATEMENT**  
**Year ended 31 March 1995**
**1. Reconciliation of operating (loss)/profit to net cash flow from operating activities:**

	1995 £	1994 £
Operating (loss)	(3,301,922)	(2,621,978)
Depreciation	329,111	230,884
Profit on sale of tangible fixed assets	-	(3,514)
Amortisation of deferred training expenditure	481,710	283,973
Amortisation of deferred route development costs	387,474	273,693
Increase in stocks	(87,959)	(204,835)
Increase in debtors	(2,107,435)	(20,463)
Increase in creditors	1,169,920	2,111,174
Net cash (outflow)/inflow from operating activities	<u>(3,129,101)</u>	<u>48,934</u>

**2. Analysis of changes in cash and cash equivalents during the year**

	£	£
Balance at 1 April	733,493	512,489
Net cash inflow	180,871	221,004
Balance at 31 March	<u>914,364</u>	<u>733,493</u>

**3. Analysis of the balances of cash and cash equivalents as shown in the balance sheet**

	1995 £	1994 £	Change in Year £
1995			
Cash at bank and in hand	<u>914,364</u>	<u>733,493</u>	<u>180,871</u>
1994			
Cash at bank and in hand	<u>733,493</u>	<u>512,489</u>	<u>221,004</u>


**NOTES TO THE CASH FLOW STATEMENT**  
**Year ended 31 March 1995**
**4. Analysis of changes in financing during the year:**

	Share Capital (including premium) £	Loans and finance lease/hire purchase obligations £
<b>1995</b>		
Balance at 1 April 1994	3,999,886	6,867,587
Cash inflow/(outflow) from financing	6,000,116	(1,552,294)
Foreign exchange movement	-	(77,668)
	<hr/>	<hr/>
Balance at 31 March 1995	<u>10,000,002</u>	<u>5,237,625</u>
	Share Capital (including premium) £	Loans and finance lease/hire purchase obligations £
<b>1994</b>		
Balance at 1 April 1993	1,806,368	6,020,560
Cash inflow from financing	2,193,518	769,359
Foreign exchange movement	-	77,668
	<hr/>	<hr/>
Balance at 31 March 1994	<u>3,999,886</u>	<u>6,867,587</u>

## **NOTES TO THE ACCOUNTS**

### **Year ended 31 March 1995**

#### **1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

##### **Accounting convention**

The financial statements are prepared under the historical cost convention.

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

Costs arising from the training of new crews on aircraft are deferred and written off over 36 months once training is completed.

##### **Development expenditure**

Certain development expenditure, relating to the costs of setting up new routes and introducing additional aircraft to the fleet, is deferred and written off over three years.

##### **Leases**

Assets held under finance leases are recorded in the balance sheet at the present value of the minimum lease payments. The amounts by which lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over the lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases subject to the deferment of costs, if appropriate.

##### **Tangible fixed assets**

The fair value of leased assets is depreciated over the term of the lease. The depreciation charge is allocated to each accounting period ensuring that the combined profit and loss charge for depreciation and interest is spread evenly over the period of the lease.

Depreciation is provided on all assets at rates calculated to write off the cost of each asset over its expected useful life. The annual rates and basis of depreciation are as follows:

Fixtures and fittings	20% to 33.3% straight line
Computer equipment	33.3% straight line
Plant and equipment	20% straight line
Motor vehicles	25% straight line

##### **Stocks**

Stocks are stated at the lower of cost and net realisable value.

##### **Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

##### **Foreign exchange**

Transactions denominated in a foreign currency are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1995**
**1. ACCOUNTING POLICIES (Continued)**
**Government grants**

Government grants are recognised in the profit and loss account so as to match them with the expenditure towards which they are intended to contribute.

**Pension scheme**

The company operates a defined contribution pension scheme. The assets of the scheme are held in an independently administered fund.

**2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1995 £	1994 £
Directors' emoluments		
Other emoluments	98,816	106,197
	<u>98,816</u>	<u>106,197</u>
Remuneration of the chairman and highest paid director	75,188	63,771
	<u>75,188</u>	<u>63,771</u>
Scale of other directors' remuneration	No	No
£0 - £5,000	7	5
£20,001 - £25,000	1	-
£35,001 - £40,000	-	1
	<u>-</u>	<u>1</u>
	£	£
Employee costs during the year:		
Wages and salaries	3,410,897	2,385,658
Social security costs	335,474	215,005
Other pension costs	153,560	135,724
	<u>3,899,931</u>	<u>2,736,387</u>
	No	No
Average number of employees:		
Air crews	106	76
Engineering	7	6
Administration	87	56
	<u>200</u>	<u>138</u>

**3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

Included within other interest receivable and similar income is £77,668 (1994: NIL) representing exchange gains on finance leases.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1995**

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	1995 £	1994 £
Finance charges - finance leases and hire purchase contracts	724,079	830,993
Other interest	312,151	163,531
Foreign exchange loss on finance lease obligations	-	77,668
	<u>1,036,230</u>	<u>1,072,192</u>

Other interest represents interest payable to shareholders in respect of funds advanced.

**5. (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

	£	£
(Loss) on ordinary activities before taxation is after charging/(crediting):		
Rentals under operating leases		
Aircraft hire	2,676,841	1,657,133
Other operating leases	71,454	55,244
Depreciation and other amounts written off tangible fixed assets:		
Own assets	114,840	63,953
Assets held under finance leases and hire purchase contracts	214,271	166,931
Amortisation of deferred training costs	481,710	283,973
Amortisation of deferred route development costs	387,474	273,693
Auditors' remuneration:		
Audit fees	25,000	15,250
Other fees	1,545	2,625
Foreign exchange (gain)/loss	<u>(153,807)</u>	<u>28,808</u>

**6. TAX ON (LOSS) ON ORDINARY ACTIVITIES**

Corporation tax losses arising in the year and brought forward from previous years are available for carry forward to offset against future trading income.




**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1995**
**7. TANGIBLE FIXED ASSETS**

	Leased Aircraft £	Motor Vehicles £	Computer Equipment £	Plant Machinery and Aircraft Modifi- cations £	Fixtures and Fittings £	Total £
Cost						
At 1 April 1994	5,648,066	47,990	150,662	147,295	53,341	6,047,354
Additions	-	3,850	65,848	51,862	23,214	144,774
At 31 March 1995	5,648,066	51,840	216,510	199,157	76,555	6,192,128
Aggregate depreciation						
At 1 April 1994	132,846	28,252	68,519	72,459	19,236	321,312
Provision	210,494	11,804	54,867	40,212	11,734	329,111
At 31 March 1995	343,340	40,056	123,386	112,671	30,970	650,423
Net book value						
At 31 March 1995	5,304,726	11,784	93,124	86,486	45,585	5,541,705
At 31 March 1994	5,515,220	19,738	82,143	74,836	34,105	5,726,042

The net book value of the company's tangible fixed assets includes £5,313,316 (1994: £5,527,587) in respect of assets held under finance leases and hire purchase contracts.

**8. STOCKS**

	1995 £	1994 £
Goods for resale	94,353	69,935
Consumable stock	520,543	457,002
	<u>614,896</u>	<u>526,937</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1995**

**9. DEBTORS**

	1995 £	1994 £
Due within one year:		
Trade debtors	4,289,436	2,181,614
Other debtors	530,512	254,867
Prepayments and accrued income	147,625	257,149
Deferred training costs	511,910	272,622
Deferred route development costs	264,558	739,334
	<u>5,744,041</u>	<u>3,705,586</u>
	£	£
Due after more than one year:		
Other debtors	235,888	-
Deferred training costs	300,236	545,246
Deferred route development costs	41,497	693,338
	<u>577,621</u>	<u>1,238,584</u>

**10. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY**

	£	£
This heading includes:		
Taxation and social security	<u>125,915</u>	<u>97,580</u>

**11. CREDITORS: amounts falling due after more than one year**

	£	£
Obligations under finance leases and hire purchase contracts	4,949,576	5,308,504
Subordinated loan	-	1,340,000
	<u>4,949,576</u>	<u>6,648,504</u>
Analysis of repayments of finance leases and hire purchase contracts:		
	£	£
Within one year	288,049	219,083
Between one and two years	364,625	298,615
Within two to five years	1,564,698	1,340,578
Over five years	3,020,253	3,669,311
	<u>5,237,625</u>	<u>5,527,587</u>

Obligations under finance leases and hire purchase contracts are secured by related leased assets.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1995**

**12. RELATED PARTY TRANSACTION**

Concurrent with the increase in issued share capital and share premium of £6,000,116 on 28 September 1994, the subordinated loans outstanding to shareholders were repaid.

**13. PROVISIONS FOR LIABILITIES AND CHARGES**

There are no amounts of deferred taxation provided or unprovided at 31 March 1995 and 1994.

**14. CALLED UP SHARE CAPITAL**

	1995	1994
	£	£
Share Capital		
Authorised 124,253 (1994: 49,700) ordinary shares of £1	124,253	49,700
	<u>124,253</u>	<u>49,700</u>
Allotted and fully paid	124,253	49,700
	<u>124,253</u>	<u>49,700</u>
Share Premium		£
At 1 April 1994		3,950,186
Arising on issue of shares		5,925,563
		<u>9,875,749</u>
At 31 March 1995		<u>9,875,749</u>

At a meeting on 28 September 1994 the authorised share capital of the company was increased from 49,700 to 124,253 by the creation of an additional 74,553 ordinary shares of £1 each.

On 28 September 1994 an amount of £3,836,320 was received from Deutsche Lufthansa AG in respect of an issue of 47,668 ordinary shares of £1 each. £3,163,795 of this money was used to repay subordinated loans and certain trading debts. Also on this date Crossair AG and Abela Holdings (UK) Limited subscribed for 20,673 and 6,212 ordinary £1 shares in the company respectively, with respective payments of £1,663,795 and £500,000. The shares were issued to fund the company's continued development.

**15. OPERATING LEASE COMMITMENTS**

At 31 March 1995 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and Buildings £	Aircraft and Other £
Leases which expire:		
Within one year	48,523	244,073
Within two to five years	-	49,676
After five years	-	2,066,491
	<u>48,523</u>	<u>2,360,240</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1995****16. PENSION SCHEME**

The pension cost charge represents contributions payable by the company to a defined contribution plan and amounted to £153,560 (1994: £135,724) Contributions totalling £16,573 (1994: £25,392) were payable to the fund at the year end and are included in creditors.

**17. POST BALANCE SHEET EVENTS**

In January 1996 the company issued shares to Crossair and Lufthansa for a consideration of approximately £3.3 million. On 31 January 1996 Crossair and Lufthansa disposed of their shares in the company to Mr Ian Woodley.