

**British Midland Regional Limited**  
*(formerly Business Air Limited)*

**Directors' report and financial  
statements**

Registered in Scotland No 104657

For the year ended 31 December 2000



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

### **Contents**

Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Report of the auditors to the members of British Midland Regional Limited (formerly Business Air Limited)	4
Profit and loss account	5
Balance sheet	6
Notes	7

## **Company information**

### **Directors**

Sir Michael Bishop CBE  
A Reid CA  
G Ross  
GJW Norman  
JR Hogan - appointed 7 September 2000  
NO Turner - appointed 7 September 2000  
DW Reid - appointed 7 September 2000  
WA Hanton - appointed 7 September 2000  
RJ Hill - appointed 7 September 2000  
SA Adams - appointed 26 January 2001

### **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 the year ended 31 December 2000.

### **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 £1,794,000 (1999: £1,499,000). The directors do not recommend the payment of a dividend (1999: *£nil*). The profit for the year has been added to reserves.

### **Change of company name**

On 5 February 2001, Business Air Limited changed its name to British Midland Regional Limited.

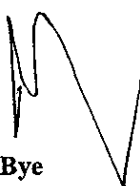
### **Directors and their interests**

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.

### **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

  
**TJ Bye**  
*Secretary*

26 April 2001

## **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 British Midland Regional Limited**  
*(formerly Business Air Limited)*

We have audited the financial statements on pages 5 to 10.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' 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. 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

26 April 2001

*Chartered Accountants  
Registered Auditors*

**Profit and loss account**  
*for the year ended 31 December 2000*

	<i>Notes</i>	<b>2000</b> <b>£000</b>	1999 £000
<b>Turnover</b>	2	29,291	13,612
Cost of sales		(25,514)	(10,485)
<b>Gross profit</b>		3,777	3,127
Administrative expenses		(1,983)	(1,628)
<b>Profit on ordinary activities before taxation</b>	4	1,794	1,499
Tax on profit on ordinary activities	5	-	(61)
<b>Retained profit for the financial year</b>	8	1,794	1,438

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

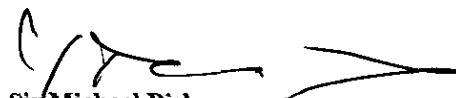
In both the current and preceding financial periods, there were no recognised gains or losses other than those dealt with in the profit and loss account.

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

**Balance sheet**  
*as at 31 December 2000*

	<i>Notes</i>	<b>2000</b>		<b>1999</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Current assets</b>					
Debtors	6	<u>4,577</u>		<u>2,783</u>	
<b>Net current assets</b>			<u>4,577</u>		<u>2,783</u>
<b>Net assets</b>			<u>4,577</u>		<u>2,783</u>
<b>Capital and reserves</b>					
Called up share capital	7		165		165
Share premium	8		13,107		13,107
Profit and loss account	8		<u>(8,695)</u>		<u>(10,489)</u>
<b>Equity shareholders' funds</b>	9		<u>4,577</u>		<u>2,783</u>

These financial statements were approved by the Board of Directors on 26 April 2001 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 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 (1999: £nil).

	2000 £000	1999 £000
<i>Employee costs during the year:</i>		
Wages and salaries	7,383	4,092
Social security costs	757	429
Other pension costs	355	247
	<u>8,495</u>	<u>4,768</u>
	Number	Number
<i>Average number of employees:</i>		
Operations	161	124
Service	64	-
Administration	47	38
	<u>272</u>	<u>162</u>

### 4 Profit on ordinary activities before taxation

	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Rentals under operating leases: Land and buildings	61	44
Other	6,500	3,897
Auditors' remuneration: Audit fees	7	6
	<u></u>	<u></u>

### 5 Tax on profit on ordinary activities

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

### 6 Debtors

	£000	£000
Amounts due from group companies	<u>4,577</u>	<u>2,783</u>

## Notes (continued)

### 7 Called up share capital

	2000 £000	1999 £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

	£000	£000
<b>Profit and loss account</b>		
At 1 January	(10,489)	(11,927)
Retained profit for the year	1,794	1,438
At 31 December	(8,695)	(10,489)
<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 for the year	1,794	1,438
Opening equity shareholders' funds	2,783	1,345
Closing equity shareholders' funds	4,577	2,783

### 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:

	2000 Land and buildings £000	2000 Other £000	1999 Land and buildings £000	1999 Other £000
On leases expiring within 12 months	61	1,417	44	-
On leases expiring in 2-5 years	-	6,797	-	2,590
On leases expiring in more than 5 years	-	-	-	924
	61	8,214	44	3,514

## **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 2000, 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.

#### ***Lufthansa German Airlines ('Lufthansa')***

The company had net receipts of £3,200,000 in respect of aircraft wet leasing arrangements. The net balance owing at 31 December 2000 was £nil.

### **13 Holding company**

The company's ultimate parent undertaking and controlling party 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.