

**British Midland Regional Limited**

**Directors' report and financial  
statements**

**Registered number 104657**

**31 December 2002**



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## **Contents**

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

## **Company information**

### **Directors**

Sir Michael Bishop CBE  
A Reid CA  
G Ross - resigned 30 November 2002  
NO Turner  
WA Hanton  
RJ Hill - resigned 30 November 2002  
SA Adams  
I Davies - appointed 9 December 2002  
C Rix - appointed 9 December 2002

### **Secretary and registered office**

TJ Bye  
Aberdeen Airport East  
Wellheads Drive  
Dyce  
Aberdeen  
AB21 7EU

### **Registered number**

Registered in Scotland No. 104657

### **Auditors**

KPMG LLP  
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 2002.

### **Principal activity**

The principal activities of the company up to 31 March 2002 were that of an airline operator. At that date the company ceased trading.

### **Results and dividend**

The company made a profit for the year before taxation of £398,000 (2001: £1,805,000). The directors do not recommend the payment of a dividend (2001: £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.

### **Auditors**

KPMG were re-appointed auditors at the last Annual General Meeting. However, since that date their business has been transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors in the year and the directors thereupon appointed KPMG LLP to fill the vacancy arising. In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



**TJ Bye**  
Secretary

27 June 2003

## **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.



**KPMG LLP**

St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

**Independent auditors' report to the members of British Midland Regional Limited**

We have audited the financial statements on pages 5 to 11.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 an auditors' report 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**

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 1985. 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

27 June 2003

*Chartered Accountants  
Registered Auditor*

**Profit and loss account**  
*for the year ended 31 December 2002*

	<i>Notes</i>	<b>2002</b> <b>£000</b>	2001 £000
<b>Turnover</b>	2	<b>4,504</b>	28,008
Cost of sales		<b>(3,645)</b>	(23,827)
<b>Gross profit</b>		<b>859</b>	4,181
Administrative expenses		<b>(461)</b>	(2,376)
<b>Profit on ordinary activities before taxation</b>	5	<b>398</b>	1,805
Tax on profit on ordinary activities	6	-	-
<b>Retained profit for the financial year</b>	9	<b>398</b>	1,805

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

All of the above results are derived from discontinued activities. The company ceased trading on 31 March 2002.

**Balance sheet**  
*as at 31 December 2002*

	Notes	2002 £000	£000	2001 £000	£000
<b>Current assets</b>					
Debtors	7	6,780		6,382	
		<hr/>		<hr/>	
<b>Net current assets</b>			6,780		6,382
			<hr/>		<hr/>
<b>Net assets</b>			6,780		6,382
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	8		165		165
Share premium	9		13,107		13,107
Profit and loss account	9		(6,492)		(6,890)
			<hr/>		<hr/>
<b>Equity shareholders' funds</b>	10		6,780		6,382
			<hr/>		<hr/>

These financial statements were approved by the Board of Directors on 27 June 2003 and were signed on its behalf by:

  
 Sir Michael Bishop  
 Director



## **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 except as noted below. The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements. The comparative figures did not require restatement.

#### ***Basis of accounting***

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***

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, with discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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

Monetary assets and liabilities denominated in foreign currencies are expressed at the rates prevailing at the balance sheet date. Transactions during the year denominated in foreign currencies are translated using the rate prevailing at the date the transaction occurred. 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 Staff numbers and costs

	2002 Number	2001 Number
<i>The average number of persons employed by the company during the year was:</i>		
Operations	33	176
Service	6	71
Administration	10	48
	<hr/> 49	<hr/> 295
	<hr/> <b>£000</b>	<hr/> <b>£000</b>
<i>The aggregate costs of these persons were:</i>		
Wages and salaries	1,304	8,370
Social security costs	248	879
Other pension costs	82	497
	<hr/> 1,634	<hr/> 9,746

### 4 Emoluments of directors

	2002 £000	2001 £000
Directors' emoluments	409	414
	<hr/>	<hr/>
	<b>Number of directors</b>	
<i>Retirement benefits are accruing to the following number of directors under:</i>		
Defined contribution schemes	3	2

The directors who are not members of the defined contribution scheme are members of the defined benefit scheme. The benefit accruing to these directors is disclosed within British Midland PLC.

### 5 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	40	75
Other	1,716	6,082
Auditors' remuneration: Audit fees	7	7
	<hr/>	<hr/>

## Notes (continued)

### 6 Tax on profit on ordinary activities

	2002 £000	2001 £000
<i>Amounts charged in the year</i>		
Corporation tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

There is no charge for corporation tax in the period due to the utilisation of losses brought forward.

#### *Factors affecting the tax charge for the current year*

The current tax charge for the year is lower (2001: lower) than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

	£000	£000
<i>Current tax reconciliation:</i>		
Profit on ordinary activities before tax	398	1,805
	<u>398</u>	<u>1,805</u>
Current tax at 30% (2001: 30%)	119	542
	<u>119</u>	<u>542</u>
<i>Effects of:</i>		
Utilisation of tax losses	(119)	(542)
	<u>(119)</u>	<u>(542)</u>
Total current tax charge	-	-
	<u>-</u>	<u>-</u>

### 7 Debtors

	£000	£000
Amounts due from group companies	6,780	6,382
	<u>6,780</u>	<u>6,382</u>

### 8 Called up share capital

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

## Notes (continued)

### 9 Reserves

	2002 £000	2001 £000
<b>Profit and loss account</b>		
At 1 January	(6,890)	(8,695)
Retained profit for the year	398	1,805
At 31 December	<u>(6,492)</u>	<u>(6,890)</u>
<b>Share premium account</b>		
At 1 January and 31 December	<u>13,107</u>	<u>13,107</u>

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

	£000	£000
Profit for the year	398	1,805
Opening equity shareholders' funds	6,382	4,577
Closing equity shareholders' funds	<u>6,780</u>	<u>6,382</u>

### 11 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:

	2002 Land and buildings £000	2002 Other £000	2001 Land and buildings £000	2001 Other £000
On leases expiring within 12 months	-	-	122	1,847
On leases expiring in 2-5 years	-	-	251	-
	<u>-</u>	<u>-</u>	<u>373</u>	<u>1,847</u>

## **Notes (continued)**

### **12 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.

### **13 Related party transactions**

As the company is a wholly owned subsidiary of British Midland Airways Limited as at 31 December 2002, 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 14.

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

Lufthansa has a 30% less one share in British Midland PLC. British Midland PLC is the immediate parent undertaking of British Midland Airways Limited.

The company had net receipts of £nil (2001: £20,078,000) in respect of aircraft wet leasing arrangements. The net balance owing at 31 December 2002 was £nil (2001: £nil).

### **14 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.