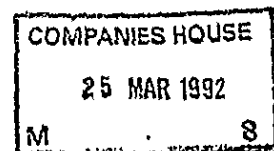


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WALKER AVIATION LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1991

PM&M
PORTER MATTHEWS & MARSDEN



WALKER AVIATION LIMITED

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YEAR ENDED 31ST MARCH 1991

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DIRECTORS' REPORT

DIRECTORS

J. Walker
P. Glenister
E.D. Quick

The directors submit their report and the financial statements of the group for the year ended 31st March 1991.

REVIEW OF THE BUSINESS

The principal activities of the group throughout the year were those of airline operators, the provision of aircraft engineering services, and the leasing of aircraft.

The result for the year is shown on page 3.

The group's performance has been disappointing.

DIVIDENDS AND APPROPRIATIONS

In view of the company's current and future requirements for the maintenance and development of the business the directors do not recommend a dividend be declared but that the deficit be carried forward.

DIRECTORS AND THEIR INTERESTS

The present directors are as stated at the head of this report.

The directors who served during the year were as follows:

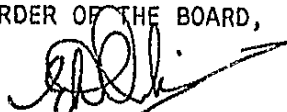
E. Palethorpe	(resigned 9th May 1990)
D.M. Brown	(resigned 9th May 1990)
J. Walker	(appointed 9th May 1990)
P. Glenister	(appointed 9th May 1990)
E.D. Quick	(appointed 3rd July 1990)
R. Maddock	(appointed 23rd August 1990)

The directors have no interests requiring disclosure under the Companies Act 1985.

AUDITORS

A resolution will be proposed at the annual general meeting to re-appoint Messrs. Porter, Matthews & Marsden as auditors.

BY ORDER OF THE BOARD,



E.D. QUICK
Secretary.

19TH DECEMBER 1991

REGISTERED OFFICE - Exeter Airport, Exeter, Devon.

AUDITORS' REPORT

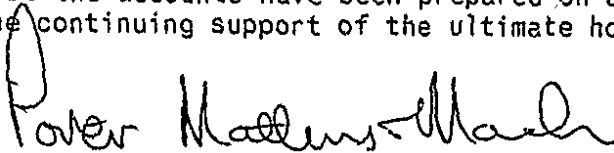
YEAR ENDED 31ST MARCH 1991

AUDITORS' REPORT TO THE MEMBERS OF WALKER AVIATION LIMITED AND ITS
SUBSIDIARIES

We have audited the financial statements on pages 3 to 15 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31st March 1991 and of the loss and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Without qualifying our opinion above, we draw attention to the Statement of Accounting Policies: Basis of Accounting on page 7 which refers to the fact that the accounts have been prepared on a going concern basis which assumes the continuing support of the ultimate holding company.



PORTER MATTHEWS & MARSDEN
Chartered Accountants
Blackburn

20TH DECEMBER 1991

CONSOLIDATED PROFIT & LOSS ACCOUNT

YEAR ENDED 31ST MARCH 1991

	NOTE	1991	1990
TURNOVER	1	28,092,371	16,116,426
Cost of sales		25,752,781	14,646,260
		<u>2,339,590</u>	<u>1,470,168</u>
Other operating income	2	35,255	-
		<u>2,374,845</u>	<u>1,470,168</u>
Administration expenses		5,377,205	3,782,637
		<u>(3,002,360)</u>	<u>(2,312,469)</u>
Exceptional items	3	2,011	(1,108,797)
		<u>(3,004,371)</u>	<u>(1,203,672)</u>
Investment income	4	(127,501)	(113,487)
Interest payable	5	1,344,735	1,160,893
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(4,221,605)	(2,251,078)
Taxation	7	328,121	(260,492)
		<u>(4,549,726)</u>	<u>(1,990,586)</u>
Extraordinary items	8	158,663	-
LOSS RETAINED FOR THE YEAR		<u>(4,708,389)</u>	<u>(1,990,586)</u>
Retained deficit brought forward		<u>(8,145,913)</u>	<u>(6,155,327)</u>
RETAINED DEFICIT CARRIED FORWARD	18	<u>£(12,854,302)</u>	<u>£(8,145,913)</u>

The company has taken advantage of S.230 of the Companies Act 1985, as amended, and has not separately presented its own profit and loss account.

The amount of the loss dealt with in the accounts of the holding company is £NIL.

CONSOLIDATED BALANCE SHEET

31ST MARCH 1991

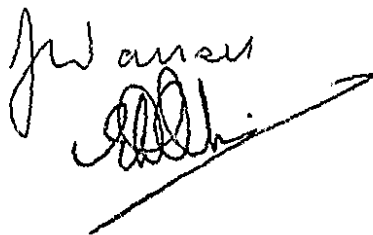
	NOTE	<u>31st March 1991</u>	<u>31st March 1990</u>
FIXED ASSETS			
Tangible assets	9	13,895,553	14,762,212
CURRENT ASSETS			
Stock	11	2,246,641	3,791,473
Debtors	12	6,691,551	18,038,209
Cash at bank and in hand		1,591,703	305,399
		<u>10,529,895</u>	<u>22,135,081</u>
CREDITORS - amounts falling due within one year	13	26,319,215	33,622,717
NET CURRENT LIABILITIES		<u>(15,789,320)</u>	<u>(11,487,636)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,893,767)</u>	<u>3,274,576</u>
CREDITORS - amounts falling due after more than one year	14	7,187,331	7,969,033
PROVISIONS FOR LIABILITIES AND CHARGES	16	2,773,204	2,451,456
		<u>£(11,854,302)</u>	<u>£(7,145,913)</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,000,000	1,000,000
Reserves	18	(12,854,302)	(8,145,913)
		<u>£(11,854,302)</u>	<u>£(7,145,913)</u>

Approved by the board on 19th December 1991

DIRECTORS

J. WALKER

E.D. QUICK



BALANCE SHEET

31ST MARCH 1991

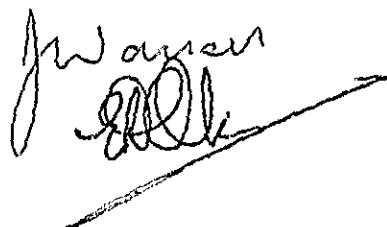
	NOTES	<u>1991</u>	<u>1990</u>
FIXED ASSETS			
Tangible fixed assets	9	9,663	-
Investments	10	1,000	1,000
		<u>10,663</u>	<u>1,000</u>
CURRENT ASSETS			
Debtors	12	12,059,775	12,013,985
Cash at bank		8,713	-
		<u>12,068,488</u>	<u>12,013,985</u>
CREDITORS - amounts falling due within one year	13	16,558,258	17,135,272
NET CURRENT LIABILITIES		(4,489,770)	(5,121,287)
		<u>£(4,479,107)</u>	<u>£(5,120,287)</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,000,000	1,000,000
Profit and loss account	18	(5,479,107)	(6,120,287)
		<u>£(4,479,107)</u>	<u>£(5,120,287)</u>

Approved by the board on 19th December 1991.

DIRECTORS

J. WALKER

E.D. QUICK



CONSOLIDATED SOURCE AND APPLICATION OF FUNDS STATEMENT

YEAR ENDED 31ST MARCH 1991

SOURCE OF FUNDS	Year Ended 31st March 1991 £'000	43 Weeks Ended 31st March 1990 £'000
Loss on ordinary activities before taxation	(4,221)	(2,251)
Extraordinary items	(159)	-
	<u>(4,380)</u>	<u>(2,251)</u>
Adjustment for items not involving the movement of funds:		
Depreciation and losses less profits on sale of fixed assets	1,434	182
	<u>(2,896)</u>	<u>(2,069)</u>
TOTAL ABSORBED BY OPERATIONS		
FUNDS FROM OTHER SOURCES		
Proceeds on disposal of tangible fixed assets	1,051	1,959
	<u>(1,845)</u>	<u>(110)</u>
APPLICATION OF FUNDS		
Purchase of fixed assets	1,669	378
Tax paid	104	58
	<u>(1,773)</u>	<u>(436)</u>
	<u>(3,618)</u>	<u>(546)</u>
(INCREASE) DECREASE IN WORKING CAPITAL		
Stocks	1,545	(266)
Debtors	1,312	4,426
Creditors - due within one year	3,216	(5,259)
- due in more than one year	27	20
	<u>6,100</u>	<u>(1,079)</u>
	<u>£ 2,482</u>	<u>£(1,625)</u>
REPRESENTED BY		
MOVEMENT IN NET LIQUID FUNDS		
Bank loans and overdrafts	1,196	(1,400)
Cash at bank and in hand	1,286	(225)
	<u>£ 2,482</u>	<u>£(1,625)</u>

STATEMENT OF ACCOUNTING POLICIES

YEAR ENDED 31ST MARCH 1991

1. BASIS OF ACCOUNTING

The accounts have been prepared in accordance with the Companies Act 1985, as amended, and with applicable Accounting Standards.

The accounts have been prepared on a going concern basis which assumes the continuing support of the ultimate holding company (see Note 19).

2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the accounts of Walker Aviation Limited and its subsidiary companies up to 31st March 1991.

3. DEPRECIATION

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:-

Aircraft	7% of cost per annum
Computer hardware	20% of cost per annum
Fixtures and fittings	10% of cost per annum
Plant and machinery	10% of cost per annum
Motor vehicles	20% of cost per annum
Short leasehold buildings and improvements	Over the remaining term of the lease
Rotable aircraft parts	10% of cost per annum

4. STOCKS

Stocks are valued at the lower of cost or net realisable value.

Costs are calculated as follows:

Aircraft rotables. These comprise aircraft parts which have a renewable time/usage life which upon expiry are required by the Civil Aviation Authority to be serviced by approved engineers. Such parts are valued as follows:

- (a) Rotable parts in stores: at a standard buying-in cost based upon a moving average of actual costs plus cost of any repairs necessary to bring the part into servicable condition again based upon a moving average of actual cost of repair.
- (b) Rotable parts away at repair: at the value of the credit given to the customer on the removal of the part from the aircraft.

All aircraft rotables are individually identified and costed.

STATEMENT OF ACCOUNTING POLICIES - CONTINUED

YEAR ENDED 31ST MARCH 1991

4. STOCKS - (Cont'd)

Aircraft consumables. Such items comprise parts having a non-renewable life. These are valued at the lower of cost or net realisable value for each separately identified batch purchased.

Work in progress Cost of direct materials as stated above and labour plus attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

5. FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Exchange gains or losses arising on settled transactions and unsettled short-term monetary items are treated as part of the profit or loss from ordinary activities.

6. DEFERRED TAXATION

Deferred taxation is accounted for on the liability method and provision has been made at the current rate of corporation tax for the cumulative excess of capital allowances over corresponding depreciation.

7. PENSIONS

The group operates a defined benefit pension scheme. The regular pension cost is charged to profit and loss account and is based on the expected pension costs over the service lives of the employees. Contributions to the scheme are paid according to the advice of actuaries.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 1991

1. TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover comprises amounts invoiced to customers less returns and excluding value added tax.

The turnover and loss on ordinary activities may be analysed as follows:

	<u>1991</u>	<u>1990</u>
	<u>Turnover</u>	<u>Profit/</u>
		<u>(Loss)</u>
Airline operations	21,874,987	(4,945,484)
Aircraft Engineering		
Services	4,823,842	714,565
Aircraft Leasing	1,393,542	9,314
	<u>£28,092,371</u>	<u>£(4,221,605)</u>
	<u>1991</u>	<u>1990</u>

Loss on ordinary activities before taxation is stated after charging:

Depreciation and losses less profits
on disposal of fixed assets
Auditors' remuneration
Plant hire

£ 1,479,291	£ 1,245,337
£ 18,900	£ 18,500
£ 38,213	£ 35,555

2. OTHER OPERATING INCOME

Commission receivable

£ 35,255	£ -
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3. EXCEPTIONAL ITEMS

Loss/(profits) on sale of aircraft

£ 2,011	£(1,108,797)
---------	---------------

4. INVESTMENT INCOME

Bank interest receivable
Other

(124,295)	(113,487)
(3,206)	-

£(127,501)	£(113,487)
-------------	-------------

5. INTEREST PAYABLE

On bank loans and overdrafts repayable
in less than five years
Other loans

44,648	34,645
1,300,087	1,126,248

£ 1,344,735	£ 1,160,893
-------------	-------------

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31ST MARCH 1991

6. DIRECTORS AND EMPLOYEES

19911990

The average weekly number of employees during the year was made up as follows:

Production and distribution	152	171
Administration and selling	169	154
Flight and maintenance	71	47
	<u>392</u>	<u>372</u>

Employee costs during the year amounted to:

Wages and salaries	5,416,590	3,703,811
Social security costs	486,323	324,942
Other pension costs	274,460	189,449
	<u>£ 6,177,373</u>	<u>£ 4,218,202</u>

Directors' emoluments:

Fees	£ 30,541	£ -
	<u>£ 30,541</u>	<u>£ -</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

Group relief	-	(558)
Deferred taxation	321,748	(205,355)
Under (over) provision in prior years	6,373	(54,579)
	<u>£ 328,121</u>	<u>£ (260,492)</u>

There is no charge to corporation tax due to the availability of losses. These losses, amounting to approximately £8,773,000 are available for carry forward.

8. EXTRAORDINARY ITEM

19911990

Loss arising from employee defalcation	£ 158,663	£ -
	<u>£ 158,663</u>	<u>£ -</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31ST MARCH 1991

9. TANGIBLE FIXED ASSETS	<u>Leasehold Land and Buildings</u>	<u>Plant, Equipment and Motor Vehicles</u>	<u>Rotable Aircraft Parts</u>	<u>Aircraft</u>	<u>Total</u>
GROUP					
COST					
At 1st April 1990	342,980	1,240,525	-	17,784,400	19,367,905
Additions	85,171	597,139	987,433	-	1,669,743
Disposals	-	(24,231)	(593,794)	(625,012)	(1,243,027)
	<u>£428,151</u>	<u>£1,813,433</u>	<u>£393,649</u>	<u>£17,159,388</u>	<u>£19,794,621</u>
DEPRECIATION					
At 1st April 1990	93,555	644,819	-	3,867,319	4,605,693
Charge for year	49,927	220,620	34,798	1,233,969	1,539,314
Disposals	-	(19,848)	-	(226,091)	(245,939)
	<u>£143,482</u>	<u>£ 845,591</u>	<u>£ 34,798</u>	<u>£ 4,875,197</u>	<u>£ 5,899,068</u>
NET BOOK AMOUNT					
At 30th March 1991	<u>£284,669</u>	<u>£ 967,842</u>	<u>£358,851</u>	<u>£12,284,191</u>	<u>£13,895,553</u>
At 30th March 1990	<u>£249,425</u>	<u>£ 595,706</u>	<u>£ -</u>	<u>£13,917,081</u>	<u>£14,762,212</u>

Computer Equipment

COMPANY

COST

At 1st April 1990	-
Additions	10,414

At 31st March 1991	<u>£10,414</u>
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DEPRECIATION

At 1st April 1990	-
Charge for the year	751

At 31st March 1991	<u>£ 751</u>
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NET BOOK VALUE

At 31st March 1991	<u>£ 9,663</u>
--------------------	----------------

At 31st March 1990	<u>£ -</u>
--------------------	------------

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31ST MARCH 1991

10. INVESTMENTS

Shares in Group
Companies

COMPANY

COST

At 3rd June 1990 and at 31st March 1991 £4,071,009

PROVISION FOR DIMINUTION IN VALUE

At 3rd June 1990 and at 31st March 1991 £4,070,009

NET BOOK AMOUNTS

At 31st March 1991 £ 1,000

At 3rd June 1990 £ 1,000

The following subsidiary companies are wholly owned and are engaged in operating, servicing and leasing aircraft or are dormant:-

Jersey European Airways Limited
 St. Aubins Aircraft Limited (Dormant)
 J.E.A. (Engineering) Limited
 Skybreak Tours Limited (Dormant)
 Guide Leasing Limited
 West Country Aircraft Servicing Limited (Dormant)

Guide Leasing Limited is incorporated in Great Britain and registered in England. The other subsidiary companies are incorporated and registered in Jersey.

11. STOCK

19911990

GROUP

Finished goods	1,748,518	2,495,908
Work in progress	498,123	1,295,565

£ 2,246,641	£ 3,791,473
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31ST MARCH 1991

12. DEBTORS

GROUP

	<u>1991</u>	<u>1990</u>
Trade debtors	2,453,368	1,721,161
Other debtors	2,065,468	1,348,507
Amounts owed by group companies	-	13,811,987
Amounts owed by subsidiaries of ultimate holding company	829,456	-
Other taxation and social security	348,545	628,889
Prepayments	994,714	527,665

	<u>£ 6,691,551</u>	<u>£18,038,209</u>
--	--------------------	--------------------

COMPANY

Amounts owed by group companies	12,059,558	12,013,985
Other debtors	217	-

	<u>£12,059,775</u>	<u>£12,013,985</u>
--	--------------------	--------------------

13. CREDITORS - amounts falling due within one year

GROUP

Bank loans and overdrafts (Note 15)	1,339,775	1,727,440
Trade creditors	2,483,399	891,077
Amounts owed to group companies	-	26,084,645
Amounts owed to subsidiaries of ultimate holding company	17,186,400	-
Corporation tax	(47,433)	51,000
Other taxation and social security	233,743	232,824
Other creditors	3,117,167	2,008,277
Accruals	2,006,164	2,627,454

	<u>£26,319,215</u>	<u>£33,622,717</u>
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COMPANY

Amounts owed to group companies	-	17,135,272
Amounts owed to subsidiaries of ultimate holding company	16,503,501	-
Accruals	54,757	-

	<u>£16,558,258</u>	<u>£17,135,272</u>
--	--------------------	--------------------

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31ST MARCH 1991

	<u>1991</u>	<u>1990</u>
14. CREDITORS - amounts falling due after more than one year		
GROUP		
Medium term loan (Note 15)	7,159,831	7,969,033
Other creditors	27,500	-
	<u>£ 7,187,331</u>	<u>£ 7,969,033</u>
15. LOANS		
GROUP		
Due within five years:		
Within one year	819,980	532,795
From one to two years	934,146	617,476
From two to five years	3,657,759	2,524,461
	<u>£ 5,411,885</u>	<u>£ 3,674,732</u>
Due after five years by instalments	<u>£ 2,567,926</u>	<u>£ 4,827,096</u>
The medium term loan is repayable by quarterly reductions over a 10 year period. The loan of £9,052,000 commenced in September 1988. Interest is charged at 5/8% above LIBOR plus associated costs of 1/8%. The loan is secured by a mortgage over six aircraft		
16. PROVISIONS FOR LIABILITIES AND CHARGES	<u>1991</u>	<u>1990</u>
GROUP		
DEFERRED TAXATION		
Balance at 1st April 1990	2,451,456	2,656,811
Profit and loss account	321,748	(205,355)
Balance at 31st March 1991	<u>£ 2,773,204</u>	<u>£ 2,451,456</u>
17. CALLED UP SHARE CAPITAL		
Authorised, allotted and fully paid - 1,000,000 ordinary shares of £1 each	<u>£ 1,000,000</u>	<u>£ 1,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31ST MARCH 1991

18. LEASING COMMITMENTS

The group has annual commitments under operating leases as follows:

Expiring within two to five years:

Land and buildings	114,793	72,330
Other	2,880,000	562,500
Expiring after five years - Land and buildings	36,750	6,600
	<u>£ 3,031,543</u>	<u>£ 641,430</u>

19. RESERVES

	<u>Profit and Loss Account</u>	
	<u>Group</u>	<u>Company</u>
Balance at 1st April 1990	(8,145,913)	(6,120,287)
Loss for the year	(4,708,389)	-
Exceptional item - reduction in reserves against amounts due from group companies	-	641,180
Balance at 31st March 1991	<u>£(12,854,302)</u>	<u>£(5,479,107)</u>

20. HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Rosedale Aviation Holdings Limited, incorporated in Jersey.

The directors regard Rosedale (JW) Investments Limited, incorporated in Jersey, as the company's ultimate holding company.

21. PENSION COSTS

The group operates a funded defined benefit scheme. Pension cost is based on the actuarial valuation made as at 6th April 1989 by a qualified actuary using the method of discounted cash flow. The main assumptions used were:

Rate of interest	9%
Rate of salary growth	7½%
Rate of dividend growth	4%
Rate of pension increases	3%
Rate of growth in the lower Earnings Limit	5½%

The market value of the pension scheme assets at 6th April 1989 was £189,369 and this was sufficient to cover liabilities arising from pensions in payment and contingent widows pensions preserved benefits for former employees and accrued benefits for current employees based on current pensionable salaries plus revaluation to which they would have become entitled had they left at the valuation date.

WALKER AVIATION LIMITED

TRADING ACCOUNT

YEAR ENDED 31ST MARCH 1991

	<u>Year Ended</u> <u>31st March 1991</u>	<u>43 Weeks Ended</u> <u>31st March 1990</u>
Management fees receivable	127,864	-
ADMINISTRATION EXPENSES		
Consultancy	26,315	-
Motor expenses	15,541	-
Telephone	455	-
Repairs and renewals	596	-
Salaries	72,113	-
Pension costs	5,175	-
Health insurance	830	-
Legal and professional	1,629	-
Printing and stationery	1,740	-
Travelling and subsistence	9,819	-
Bank charges	187	-
Sundry expenses	3,419	-
Depreciation	751	-
	<u>138,770</u>	<u>-</u>
TRADING LOSS	(10,906)	-
NON TRADING INCOME		
Bank interest received	10,906	-
NET PROFIT FOR THE YEAR BEFORE TAXATION AND EXTRAORDINARY ITEMS	<u>£ -</u>	<u>£ -</u>