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SPACEGRAND LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MAY 1984

PORTER MATTHEWS & MARSDEN
Chartered Accountants
Oakmount
6 East Park Road
Blackburn



SPACEGRAND LIMITED

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DIRECTORS' REPORT

DIRECTORS

J. Riley (Chairman)
F. Walker

The directors submit their report and the financial statements of the company for the year ended 31st May 1984.

RESULTS

The trading loss for the year, after taxation, was £96,339. 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 of £494,885 be carried forward.

REVIEW OF THE BUSINESS

The principal activity of the company throughout the year was that of airline operators.

During the year the company ceased scheduled flights between Blackpool and Dublin due to excessive losses. This resulted in an improvement in the operating result for the year and it is hoped that this trend will continue into the future.

SHARE CAPITAL

In order to provide additional working capital the authorised share capital of the company was increased during the year to 1,000,000 ordinary shares of £1 each. 950,000 ordinary shares of £1 credited as fully paid, were issued for cash at par on 28th November 1983.

DIRECTORS AND THEIR INTERESTS

The directors throughout the year were as stated at the head of this report.

As Messrs. J. Riley and F. Walker are directors of C. Walker & Sons Limited, this company's ultimate holding company their interests are not required to be recorded in this company's register of directors' interests.

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,



D.M. BROWN
Secretary.

5TH NOVEMBER 1984

REGISTERED OFFICE - Walker Industrial Estate, Guide, Blackburn.

AUDITORS' REPORT

YEAR ENDED 31ST MAY 1984

TO THE MEMBERS OF SPACEGRAND LIMITED

We have audited the financial statements on pages 3 to 10 in accordance with approved Auditing Standards.

As stated in the statement of accounting policies the company is dependent upon the financial support of the holding company. The financial statements have been drawn up on a going concern basis, which assumes that this support will continue.

Subject to the above, in our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at 31st May 1984 and of its loss and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.

PORTER MATTHEWS & MARSDEN
Chartered Accountants
Blackburn

6TH NOVEMBER 1984

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST MAY 1984

	NOTES	<u>1984</u>	<u>1983</u>
TURNOVER	1	1,508,218	1,010,189
Cost of sales		<u>1,514,018</u>	<u>1,110,286</u>
GROSS LOSS		(5,800)	(100,097)
Administrative and selling expenses		<u>278,311</u>	<u>179,828</u>
		(284,111)	(279,925)
Interest receivable	3	<u>(12,885)</u>	<u>-</u>
		(271,226)	(279,925)
Interest payable	4	<u>1,703</u>	<u>113,259</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(272,929)	(393,184)
Tax on loss on ordinary activities	6	<u>(176,590)</u>	<u>(108,409)</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(96,339)	(284,775)
Deficit brought forward		<u>(398,546)</u>	<u>(113,771)</u>
DEFICIT CARRIED FORWARD		<u>£(494,885)</u>	<u>£(398,546)</u>

BALANCE SHEET

31ST MAY 1984

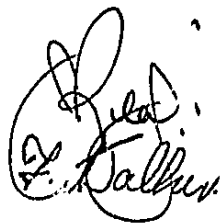
	NOTES	<u>1984</u>	<u>1983</u>
FIXED ASSETS			
Tangible assets	7	1,269,020	1,361,474
CURRENT ASSETS			
Stocks	8	14,525	6,911
Debtors	9	614,198	366,822
Cash at bank and in hand		5,370	16,278
		<u>634,093</u>	<u>390,011</u>
CREDITORS - amounts falling due within one year	10	1,353,645	2,100,031
NET CURRENT LIABILITIES		(719,552)	(1,710,020)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>549,468</u>	<u>(348,546)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	11	(44,353)	-
		<u>£ 505,115</u>	<u>£(348,546)</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,000,000	50,000
Profit and loss account		(494,885)	(398,546)
		<u>£ 505,115</u>	<u>£(348,546)</u>

Approved by the board on 5th November 1984

DIRECTORS

J. RILEY

F. WALKER



SOURCE AND APPLICATION OF FUNDS STATEMENT

YEAR ENDED 31ST MAY 1984

SOURCE OF FUNDS	<u>1984</u> <u>£'000</u>	<u>1983</u> <u>£'000</u>
Loss on ordinary activities before taxation	(273)	(393)
Adjustment for items not involving the movement of working capital:		
Depreciation	161	116
Maintenance reserve	76	47
	<u>237</u>	<u>163</u>
TOTAL ABSORBED BY OPERATIONS	(36)	(230)
FUNDS FROM OTHER SOURCES		
Proceeds of disposal of tangible fixed assets	2	445
Share capital issued	950	-
Group relief received	221	108
	<u>1,173</u>	<u>553</u>
	<u>1,137</u>	<u>323</u>
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	(71)	(1,016)
WORKING CAPITAL - INCREASE (DECREASE)	£ 1,066	£(693)
INCREASE (DECREASE) IN WORKING CAPITAL		
Stocks	7	7
Debtors	247	137
Creditors - due within one year	896	(864)
	<u>1,150</u>	<u>(720)</u>
MOVEMENTS IN NET LIQUID FUNDS		
Cash at bank and in hand	5	27
Bank loans and overdrafts	(89)	-
	<u>(84)</u>	<u>27</u>
	<u>£ 1,066</u>	<u>£(693)</u>

STATEMENT OF ACCOUNTING POLICIES

YEAR ENDED 31ST MAY 1984

1. ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

2. GOING CONCERN

The company is dependent upon the financial support of the holding company. The financial statements are prepared on a going concern basis, which assumes that this support will continue.

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	10 % of cost per annum
Fixtures, fittings, plant and machinery	10 % of cost per annum
Motor vehicles - private and commercial	20 % of cost per annum

4. STOCKS

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

5. ENGINE AND PROPELLER MAINTENANCE RESERVE

Monies are set aside to cover the estimated costs that will be incurred upon the major servicing of the engines and propellers in accordance with the service intervals laid down by the Civil Aviation Authority. The estimated costs are accrued evenly in the proportion of hours usage to the hourly intervals between major services.

6. DEFERRED TAXATION

Deferred taxation is provided on the liability method at 45% on all timing differences, other than those which are not expected to reverse in the future, as follows:

The cumulative excess of capital allowances over corresponding depreciation.

The provision has been restricted by virtue of available tax losses.

* NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MAY 1984

1. TURNOVER

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

The turnover and loss on ordinary activities before taxation is attributable to the activity of airline operators. The business was carried on solely within Great Britain and Eire.

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

1984	1983
<u>£</u>	<u>£</u>

The loss is stated after charging:

Depreciation and losses less profits on disposal
of fixed assets

160,675	116,353
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Directors' emoluments

-	37,500
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Auditors' remuneration

1,000	800
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Engine and propeller maintenance reserve

76,207	47,082
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3. INTEREST RECEIVABLE

Bank interest receivable

£(12,885)	£ -
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4. INTEREST PAYABLE

On bank loans and overdrafts and loans wholly
repayable within five years

1,703	1,926
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On balance with group companies

-	111,333
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£ 1,703	£113,259
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5. EMPLOYEES

(a) Total employee costs (including directors)

<u>No.</u>	<u>No.</u>
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The average weekly number of employees during the
year was made up as follows:-

Flight and maintenance

18	13
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Administration

15	9
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33	22
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Employee costs during the year amounted to:

Wages and salaries

203,285	135,150
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Social Security costs

17,067	9,654
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Other pension costs

6,097	1,155
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£226,449	£145,959
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* NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31ST MAY 1984

	<u>1984</u>	<u>1983</u>
5. EMPLOYEES - (Cont'd)		
(b) Directors' remuneration		
Emoluments (including pension contributions)	-	12,500
Compensation for loss of office	-	25,000
	<u>£ Nil</u>	<u>£ 37,500</u>
Emoluments (excluding pension contributions) of the:		
Chairman	<u>£ Nil</u>	<u>£ Nil</u>
Highest paid director	<u>£ -</u>	<u>£ 12,500</u>
The individual emoluments of all the directors who served during the year were:	<u>No.</u>	<u>No.</u>
£ NIL - £ 5,000	2	2
£ 5,001 - £10,000	-	-
£10,001 - £15,000	-	1
6. TAX ON LOSS ON ORDINARY ACTIVITIES	<u>1984</u>	<u>1983</u>
Group relief at 50% (1983 - 52%)	(222,552)	(109,607)
Deferred taxation at 45% (1983 - 52%)	44,353	-
	<u>(178,199)</u>	<u>(109,607)</u>
Taxation underprovided in previous year	1,609	1,198
	<u>£(176,590)</u>	<u>£(108,409)</u>
The taxation credit for the year has been increased by:		
Accelerated capital allowances	-	20,654
Stock appreciation relief	122	-
	<u>£ 122</u>	<u>£ 20,654</u>

United Kingdom taxation losses of £Nil (1983 - £90,416) are carried forward and not reflected in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31ST MAY 1984

7. TANGIBLE FIXED ASSETS

Plant and
Machinery

COST

At 31st May 1983	1,527,568
Additions - External	69,992
- Inter-group	3,935
Disposals - External	(2,000)

At 31st May 1984	£1,599,495
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DEPRECIATION

At 31st May 1983	166,094
Charge for the year	161,432
Additions - Inter-group	3,149
Disposals - External	(200)

At 31st May 1984	£ 330,475
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NET BOOK VALUE

At 31st May 1984	£1,269,020
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At 31st May 1983	£1,361,474
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8. STOCKS

19841983

Raw materials	£ 14,525	£ 6,911
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9. DEBTORS

Trade debtors	154,282	178,814
Amounts owed by group companies	372,853	161,936
Taxation and Social Security	73,947	19,758
Prepayments and accrued income	13,116	6,314

£ 614,198	£ 366,822
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31ST MAY 1984

10. CREDITORS - amounts falling due within one year	<u>1984</u>	<u>1983</u>
Bank overdraft	73,328	-
Trade creditors	399,452	301,703
Amounts owed to group companies	861,456	1,786,071
Taxation and Social Security	217	253
Other creditors	10,439	5,159
Accruals and deferred income	8,753	6,845
	<u>£1,353,645</u>	<u>£2,100,031</u>

The bank overdraft is secured by a first fixed and floating charge on the undertaking and assets of the company.

11. PROVISION FOR LIABILITIES AND CHARGES	<u>Full Potential Liability</u>	
DEFERRED TAXATION	<u>1984</u>	<u>1983</u>
Accelerated capital allowances	85,040	-
Unutilised tax losses	(40,687)	-
	<u>£ 44,353</u>	<u>£ -</u>

12. CALLED UP SHARE CAPITAL

Authorised, allotted and fully paid -

1,000,000 ordinary shares of £1 each	<u>£1,000,000</u>	<u>£ 50,000</u>
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During the year the authorised share capital was increased from 50,000 to 1,000,000 ordinary shares of £1 each. Subsequently the issued share capital was increased by the issuing of 950,000 ordinary shares of £1 credited as fully paid at par.

13. CAPITAL COMMITMENTS

Contracted for	<u>£ 52,000</u>	<u>£ 9,500</u>
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14. ULTIMATE HOLDING COMPANY

The directors regard C. Walker & Sons Limited, incorporated in Great Britain, as the company's ultimate holding company.