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SPACEGRAND LIMITED

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MAY 1983



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

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 1983.

SHARE CAPITAL

On 1st June 1983 the company's authorised and issued share capital was increased from 50,000 to 1,000,000 ordinary shares of £1 each, fully paid.

COMPANY NAME

The company changed its name from Spacegrand Aviation Services Limited to Spacegrand Limited on 18th August 1983.

ACTIVITIES

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

RESULTS

The profit and loss account on page 4 shows a loss after taxation of £284,775. The directors do not recommend a dividend be paid, but that the deficit of £292,540 be carried forward.

DIRECTORS AND INTERESTS IN SHARES

The directors of the company during the year company were as follows:

J. Riley

F. Walker (appointed 11th April 1983)

C.D. Butterworth (resigned 11th April 1983)

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

	<u>At 31st May 1983</u>	<u>At 1st June 1982</u>
	<u>Ordinary £1 shares</u>	<u>Ordinary £1 shares</u>
C.D. Butterworth	£ -	£5,000
	=====	=====

CLOSE COMPANY

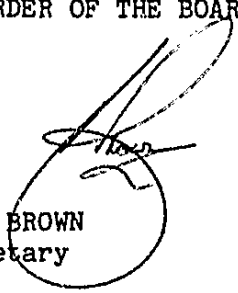
The directors consider that the company is a close company within the provisions of the Income and Corporation Taxes Act 1970, as amended.

DIRECTORS' REPORT - CONTINUED

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

24TH NOVEMBER 1983

REGISTERED OFFICE - Walker Industrial Estate, Guide, Blackburn.

AUDITORS' REPORT

YEAR ENDED 31ST MAY 1983

TO THE MEMBERS OF SPACEGRAND LIMITED

We have audited the financial statements on pages 4 to 10 in accordance with approved Auditing Standards.

As stated in Note 1, 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 1983 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.

PORTER MATTHEWS & MARSDEN
Chartered Accountants
Blackburn

24TH NOVEMBER 1983

PROFIT & LOSS ACCOUNT

YEAR ENDED 31ST MAY 1983

	NOTES	<u>1983</u>	<u>1982</u>
TURNOVER	1	£ 982,528	£ 273,745
		<u> </u>	<u> </u>
TRADING LOSS FOR THE YEAR	2	(373,184)	(114,125)
TAXATION	4	(108,409)	(46,381)
		<u> </u>	<u> </u>
LOSS AFTER TAXATION		(284,775)	(67,744)
DEFICIT BROUGHT FORWARD		(113,771)	(46,027)
		<u> </u>	<u> </u>
DEFICIT CARRIED FORWARD		£(398,546)	£(113,771)
		<u> </u>	<u> </u>

BALANCE SHEET

31ST MAY 1983

	NOTE	<u>1983</u>	<u>1982</u>
<u>NET ASSETS</u>			
Fixed assets	5	1,361,474	906,863
Engine and propellor maintenance reserve		(59,370)	(12,288)
Interests in group companies	6	(178,066)	(727,339)
<u>CURRENT ASSETS</u>			
Stock of aviation fuel		6,911	261
Debtors		204,886	67,139
Cash and bank balances		16,278	854
		<u>228,075</u>	<u>68,254</u>
<u>CURRENT LIABILITIES</u>			
Creditors		254,590	127,492
Short term borrowings	7	-	11,769
		<u>254,590</u>	<u>139,261</u>
NET CURRENT LIABILITIES		(26,515)	(71,007)
		<u>£1,097,523</u>	<u>£ 96,229</u>
<u>CAPITAL EMPLOYED</u>			
SHARE CAPITAL	8	50,000	50,000
REVENUE RESERVE		(398,546)	(113,771)
		<u>(348,546)</u>	<u>(63,771)</u>
<u>LOAN ACCOUNTS</u>			
Ultimate holding company		1,446,069	144,000
Directors		-	16,000
		<u>£1,097,523</u>	<u>£ 96,229</u>

Approved by the board on 24th November 1983

DIRECTORS

J. RILEY

F. WALKER



SOURCE AND APPLICATION OF FUNDS STATEMENT

YEAR ENDED 31ST MAY 1983

	<u>1983</u> <u>£000</u>	<u>1982</u> <u>£000</u>
<u>SOURCE OF FUNDS</u>		
Trading loss before taxation	(393)	(114)
Adjustment for items not involving the movement of funds -		
Depreciation	116	38
Maintenance reserve	47	3
	<u> </u>	<u> </u>
TOTAL GENERATED FROM OPERATIONS	(230)	(73)
<u>FUNDS FROM OTHER SOURCES</u>		
Proceeds of sale of fixed assets	445	21
Receipts from share issue	-	50
	<u> </u>	<u> </u>
	445	71
	<u> </u>	<u> </u>
	215	(2)
<u>APPLICATION OF FUNDS</u>		
Purchase of fixed assets	1,016	796
Group relief received	(108)	(46)
	<u> </u>	<u> </u>
	(908)	(750)
	<u> </u>	<u> </u>
	(693)	(752)
<u>INCREASE (DECREASE) IN WORKING CAPITAL</u>		
Stocks	7	-
Debtors	137	40
Creditors	(127)	(106)
Directors' loan account	16	-
Liquid funds	27	(8)
Inter-company borrowings	(753)	(678)
	<u> </u>	<u> </u>
	£(693)	£(752)
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MAY 1983

1. ACCOUNTING POLICIES

a) Companies Act 1981 -

The financial statements have been prepared in compliance with section 149A of, and Schedule 8A to the Companies Act 1948, as permitted by Schedule 2 to the Companies Act 1981.

b) 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.

c) Turnover -

Turnover comprises amounts invoiced to customers less eurocharges, landing fees recharged and value added tax, and excluding inter-group transactions.

d) Depreciation of fixed assets -

Depreciation has been computed to write off the cost of fixed assets over their expected useful lives, using the following rates:-

Aircraft hull, engines and propellers	10% of cost per annum
Engineering equipment	10% of cost per annum
Office fixtures and fittings	10% of cost per annum
Motor vehicles	20% of cost per annum

e) Deferred taxation -

Deferred taxation is accounted for on the liability method and provision is made at the current rate of corporation tax for the cumulative excess of capital allowances over corresponding depreciation, and restricted by available tax losses.

f) Stock of aviation fuel -

The stock of aviation fuel is valued at cost.

2. TRADING RESULT

The trading result for the year has been arrived at after charging:-

	<u>1983</u>	<u>1982</u>
Depreciation	116,353	38,394
Engine and propeller maintenance reserve	47,082	2,977
Directors' emoluments (Note 3)	37,500	7,000
Auditors' remuneration	800	750
Short term interest	113,259	5,386
	<u>116,353</u>	<u>38,394</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31ST MAY 1983

3. <u>DIRECTORS' EMOLUMENTS</u>		<u>1983</u>	<u>1982</u>
a)	Salaries in respect of services as directors were	£12,500	£ 7,000
b)	Compensation for loss of office paid to a former director amounted to	£25,000	£ ..
c)	The individual emoluments of all the directors who served during the year were:-		
	£ NIL - £ 5,000	2	1
	£ 5,001 - £10,000	-	1
	£10,001 - £15,000	1	-
	The emoluments of the chairman amounted to	£ NIL	£ NIL
	The emoluments of the highest paid director were	£12,500	£ 7,000
4. <u>TAXATION</u>		<u>1983</u>	<u>1982</u>
	Group relief received	(109,607)	£(46,381)
	Adjustment to earlier year	1,198	-
		<u>£(108,409)</u>	<u>£(46,381)</u>

No provision has been made in these financial statements for tax losses, expressed in tax terms, amounting to £47,016.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31ST MAY 1983

5. <u>FIXED ASSETS</u>	<u>Total</u>	<u>Aircraft hull, engines & propellers</u>	<u>Engineering equipment</u>	<u>Office fixtures and fittings</u>	<u>Motor vehicles</u>
a) COST					
At 31st May 1982	362,256	946,837	-	8,827	6,592
Additions	1,016,116	979,310	9,712	7,660	19,434
Inter-group	2,726	-	-	-	2,726
	<u>1,981,098</u>	<u>1,926,147</u>	<u>9,712</u>	<u>16,487</u>	<u>28,752</u>
Disposals	(441,338)	(435,689)	-	-	(5,649)
Inter-group	(12,192)	-	-	-	(12,192)
	<u>£1,527,568</u>	<u>£1,490,458</u>	<u>£9,712</u>	<u>£16,487</u>	<u>£10,911</u>
DEPRECIATION					
At 31st May 1982	55,393	47,783	-	1,018	6,592
Charge for the year	117,303	110,795	971	1,648	3,889
Inter-group additions	2,716	-	-	-	2,716
	<u>175,412</u>	<u>158,578</u>	<u>971</u>	<u>2,666</u>	<u>13,197</u>
Eliminated on disposals	(5,649)	-	-	-	(5,649)
Inter-group disposals	(3,669)	-	-	-	(3,669)
	<u>£ 166,094</u>	<u>£ 158,578</u>	<u>£ 971</u>	<u>£ 2,666</u>	<u>£ 3,879</u>
WRITTEN DOWN VALUES					
31st May 1983	<u>£1,361,474</u>	<u>£1,331,880</u>	<u>£8,741</u>	<u>£13,82</u>	<u>£ 7,030</u>
31st May 1982	<u>£ 906,863</u>	<u>£ 899,054</u>	<u>£ -</u>	<u>£ 7,809</u>	<u>£ -</u>
b. CAPITAL COMMITMENTS				<u>1983</u>	<u>1982</u>
Contracted for				9,500	-
Authorised but not contracted for				-	-
				<u>£9,500</u>	<u>£ -</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED 31ST MAY 1983

6. INTERESTS IN GROUP COMPANIES

	<u>1983</u>	<u>1982</u>
Amounts due from fellow subsidiary companies	161,936	53,833
Amounts due (to) ultimate holding company	(340,002)	(781,172)
	<u> </u>	<u> </u>
	£(178,066)	£(727,339)
	<u> </u>	<u> </u>

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

7. SHORT TERM BORROWINGS

Bank overdraft, secured by way of a debenture on the assets of this company and guaranteed by the ultimate holding company.

8. SHARE CAPITAL

	<u>1983</u>	<u>1982</u>
Authorised issued and fully paid -		
50,000 ordinary shares of £1 each	£50,000	£50,000
	<u> </u>	<u> </u>