REGISTRAR

Reed Aviation Limited

Report and Financial Statements

30 June 2007

Reed Aviation Limited
Registered No 1376327

Directors
K L Ludeman
N Swift
A Dodgson

Secretary
C Sephton

Auditor
Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers
The Royal Bank of Scotland plc
135 Bishopgate
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Solicitors
Dickinson Dees LLP
St Ann's Wharf
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Registered office
3rd Floor
41 - 51 Grey Street
Newcastle upon Tyne
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Reed Aviation Limited

Directors' report

The directors present their report and financial statements for the year ended 30 June 2007

Results and dividends

The profit for the year, after taxation, amounted to £65,000 (2006 profit of £310,000 - restated) The directors do not recommend the payment of any dividends

Principal activity and review of the business

The principal activity of the company during the year was the operation of an air freight forwarding and UK national newspaper export business

Domestic business volumes based on the Isle of Man and Irish road freight traffic remained stable throughout the year underpinning the core UK business Benefiting from this current general Publisher stability, the Transport and Poly-bagging operations performed well, with efficiency improvements and higher volume throughput gains resulting in improved profitability in both areas Publishers' requirements and attitude, both individually and collectively greatly influence this business and are therefore regularly discussed and reviewed

International business suffered during the year with the loss of Mirror Group Newspapers at the end of October 2006 This loss substantially impacted profitability in two key areas, those of Administration revenue and Export Air Freight revenue This in turn put pressure on air freight rates due to reduced airline consignment weights

In an effort to regain volume and to consolidate and strengthen our position in the direct supply chain between Publishers and foreign Distributors, in March 2007 we entered into a Firm Sale agreement with Independent Newspapers This agreement complements the similar arrangements we have with News International Publishing and the Telegraph Newspapers The company now purchases newspapers directly from these Publishers and exports and sells them on to foreign Distributors around the world The increase in this aspect of the business will increase our influence with the Distributors and should improve the performance of product sales within key export markets The stabilisation of prices and un-sold copy levels in many markets should also assist in sustainable profitability Constant monitoring of Distributor performance and copy sales is essential to maintaining the business moving forward To this end some management and staff reorganisation has taken place along with some staff reduction to streamline our operation and improve focus on sales and negotiations with customers and suppliers alike To further administrative and reporting efficiencies, a new bespoke computer system will be in place during the latter part of 2007 to improve reporting and availability of information along with an optional interactive link with our customers and suppliers

The prior year results have been adjusted by £969,000 in total in relation to the write off of an irrecoverable debtor balance

As with recent years, the coming year will be a difficult one in view of the many changes taking place in the newspaper publishing industry along with ever spiralling costs of transportation, primarily driven by fuel costs We do feel however, that we are well placed to combat these challenges with our knowledgeable and dedicated staff and a clear focus on our objectives to develop and improve the business wherever possible

Financial risk management objectives and policies

The main risks associated with the company's financial assets and liabilities are set out below Given that the majority of the risks below derive from transactions with other group companies, the company does not undertake any hedging activity locally Significant financial risks from a group perspective are addressed on a case-by-case basis at group level

Interest rate risk

All surplus cash is swept by the ultimate parent company, and is invested at a group level Interest is charged at a variable rate on group loans Therefore financial assets, liabilities, interest income and interest charges and cash flows can be affected by movements in interest rates However, the exposure is reduced because of the group control

Price risk

There is no significant exposure to changes in the carrying value of financial liabilities because all of these bear interest at floating rates

Reed Aviation Limited

Directors' report

Financial risk management objectives and policies (continued)

Credit risk

The company manages its debtors on an ongoing basis and significant resource is put into mitigating credit risk albeit this remains an area of exposure

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations in line with group policies A cash sweeping facility exists with the ultimate parent company and further information regarding the liquidity risk can be found in the group financial statements Capital expenditure is approved at group level

Directors

The directors who served the company during the year were as follows

K L Ludeman	(appointed 10 July 2006)
I P Butcher	(resigned 1 July 2007)
C Moyes	(resigned 8 July 2006)
A Dodgson	

Messrs Ludeman, Butcher and Moyes were directors of the ultimate parent company, The Go-Ahead Group plc during the year

Subsequent to the year end, the following was appointed as a director of the company

N Swift	(appointed 17 July 2007)

Creditor payment policy and practice

The company agrees terms and conditions for its business transactions with suppliers Payment is then made on these terms, subject to the terms and conditions being met by the suppliers

At 30 June 2007, the company had an average of 36 days (2006 24 days) purchases outstanding in trade creditors

Directors' responsibilities for audit information

In so far as the directors are aware

- There is no relevant audit information of which the company's auditors are unaware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Reed Aviation Limited
Directors' report

Auditor
A resolution in accordance with Section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually was passed on 17 October 2001 and accordingly Ernst & Young LLP shall be deemed reappointed as auditors

Registered office
3rd Floor
41 - 51 Grey Street
Newcastle upon Tyne
NE1 6EE

By order of the board

C Sephton
Secretary
17 June 2008

Reed Aviation Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these 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 UK 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Reed Aviation Limited

Independent auditor's report

to the members of Reed Aviation Limited

We have audited the company's financial statements for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20 These financial statements have been prepared under the accounting policies set out therein

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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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

Reed Aviation Limited

Independent auditor's report

to the members of Reed Aviation Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst + Young LLP

Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne

18 June 2008

Reed Aviation Limited

Profit and loss account

for the year ended 30 June 2007

	Notes	2007 £000	(restated) 2006 £000
Turnover	2	6,672	7,424
Operating costs	3	(6,593)	(7,094)
Operating profit	4	79	330
Bank interest receivable	6	14	43
Profit on ordinary activities before taxation		93	373
Tax on profit on ordinary activities	7	(28)	(63)
Profit retained for the financial year		65	310

Statement of total recognised gains and losses

for the year ended 30 June 2007

	2007 £000	(restated) 2006 £000
Profit for the financial year	65	310
Total recognised gains and losses relating to the year	65	310
Prior year adjustment (note 19)	(969)	
Total recognised gains and losses since last annual report	(904)	

Reed Aviation Limited

Balance sheet

at 30 June 2007

	Notes	2007 £000	(restated) 2006 £000
Fixed assets			
Tangible assets	8	335	233
Current assets			
Debtors	10	1,899	3,556
Cash at bank		–	3,186
		1,899	6,742
Creditors: amounts falling due within one year	11	3,524	8,351
Net current liabilities		(1,625)	(1,609)
Total assets less current liabilities		(1,290)	(1,376)
Provisions for liabilities	12	32	13
		(1,322)	(1,389)
Capital and reserves			
Equity share capital	16	50	50
Profit and loss account	17	(1,372)	(1,439)
Shareholders' deficit	17	(1,322)	(1,389)

N Swift
Director

17 June 2008

Reed Aviation Limited

Notes to the financial statements

at 30 June 2007

1. Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards

The company is exempt from the requirement to prepare group account by virtue of section 248 of the Companies Act 1985, and accordingly the financial statements present information about the company as an individual undertaking and not about its group

Fundamental accounting concept

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due

The company has net current liabilities of £1,625,000 and net liabilities of £1,322,000, including net amounts owed to other group undertakings of £2,430,000 The company meets its day to day working capital requirements through inter-company funding and continuing financial support from the ultimate parent undertaking In view of the circumstances referred to above, the directors are satisfied that financial support will be available to the company for the foreseeable future Accordingly, the directors of the company believe that it is appropriate to adopt the going concern basis in preparing the financial statements

However, should sufficient continuing finance not be available, the going concern basis would be invalid and adjustments would have to be made to provide for any further liabilities which might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities

Change in accounting policies

In preparing the financial statements for the current year, the group has adopted FRS 20 'share-based payment'

The adoption of FRS 20 has resulted in a change in accounting policy for share based-payment transactions FRS 20 requires the fair value of options and share awards which ultimately vest to be charged to the profit and loss account over the vesting or performance period For equity-settled transactions the fair value is determined at the date of the grant using an appropriate pricing model If an award fails to vest as the result of certain types of performance condition not being satisfied, the charge to the income statement will be adjusted to reflect this

Previously, the company did not recognise any cost in relation to these transactions Consequentially this change in accounting policy has impacted both the profit and loss account and the balance sheet

Additional staff costs of £2,000 (2006 Nil) have been charged to profit and £2,000 (2006 Nil) has been credited direct to reserves Additionally a deferred tax asset of £1,000 (2006 Nil) has been recognised in the balance sheet

Restatement of prior years

The comparative figures have been restated to remove an irrecoverable debtor as described in note 19

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Fixed assets and depreciation

Fixed assets are recorded at cost

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

Plant & machinery - 5 to 10 years

Reed Aviation Limited

Notes to the financial statements

at 30 June 2007

1. Accounting policies (continued)

Deferred taxation

The charge for taxation is based on the profit 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 provided for on all timing differences which have originated but not reversed at the balance sheet date Except where otherwise required by accounting standards, no timing differences are recognised in respect of

- Property revaluation surpluses where there is no commitment to sell the asset,
- Gains on sale of assets where those gains have been rolled over into replacement assets, and
- Deferred tax assets except to the extent that it is more likely than not that they will be recovered

Deferred tax is calculated at the enacted rates at which it is estimated the tax will be payable The deferred tax provision is not discounted to net present value

Insurance

The company limits its exposure to the cost of motor, employer and public liability claims through third party insurance policies These provide individual claim cover subject to high excess limits and an annual aggregate stop loss for total claims within the excess limits An accrual is made within "Creditors amounts falling due within one year" for the estimated cost to the company to settle claims for incidents occurring prior to the balance sheet date The estimation of the balance sheet insurance accrual is made after taking appropriate professional advice and is based on an assessment of the expected settlement on known claims, together with an estimate of settlements that will be made in respect of incidents occurring prior to the balance sheet date but which have not yet been reported to the company

Share-based payment transactions

The company participates in equity-settled share option schemes operated by the ultimate parent undertaking (The Go-Ahead Group plc), under which options have been granted to employees (including directors) The cost of options granted to employees is measured by reference to the fair value at the date at which they are granted, determined by an external valuation using an appropriate pricing model In valuing equity-settled options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of The Go-Ahead Group plc ('market conditions')

The cost of options is recognised in the profit and loss account over the period from grant to vesting date, being the date on which the relevant employees become fully entitled to the award, with a corresponding increase in reserves The cumulative cost recognised, at each reporting date, reflects the extent to which the period to vesting has expired and the director's best estimate of the number of options that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above

Reed Aviation Limited

Notes to the financial statements

at 30 June 2007

1. Accounting policies (continued)

No cost is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised for the award is recognised immediately

Pensions

The company is a member of the Go-Ahead Group Pension Scheme operated by The Go-Ahead Group plc for the majority of its employees The scheme is a multi-employer scheme for which individual employer asset shares cannot be identified and accordingly the company accounts for it as a defined contribution scheme

For the defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

2. Turnover

The turnover and profit before tax are attributable to the one continuing principal activity of the company

An analysis of turnover by geographical market is given below

	2007	*2006*
	£000	*£000*
United Kingdom	6,672	7,424

Reed Aviation Limited

Notes to the financial statements

at 30 June 2007

3. Operating costs

	2007 £000	(restated) 2006 £000
Materials and external charges	5,111	5,778
Staff costs	1,423	1,261
Depreciation of tangible fixed assets	59	55
	6,593	7,094

4. Operating profit

This is stated after charging

	2007 £000	2006 £000
Auditor's remuneration - audit services	4	–
Directors' emoluments	–	–
Depreciation of owned fixed assets	59	55
Operating lease rentals - property	121	119
Operating lease rentals - other	24	22

5. Staff costs

	2007 £000	2006 £000
Wages and salaries	1,257	1,115
Social security costs	142	123
Other pension costs	24	23
	1,423	1,261

Included in wages and salaries is a total expense of share based payments of £2,000 (2006 £Nil), all of which arises from transactions accounted for as equity settled share based payment transactions

Reed Aviation Limited

Notes to the financial statements

at 30 June 2007

5. Staff costs (continued)

The monthly average number of employees during the year was as follows

	2007	*2006*
	No	*No*
Administration and supervision	10	9
Operations	57	56
	67	65

The directors of the company are also directors of certain other fellow subsidiary undertakings within the group

The directors, excluding those who are directors of the ultimate parent undertaking, received total remuneration for the year of £424,000 (2006 £620,000), all of which was paid by aviance UK Limited The directors do not believe that it is practicable to apportion this amount between services as directors of the company and their services as directors of fellow subsidiary companies

6. Interest receivable

	2007	*2006*
	£000	*£000*
Bank interest receivable	14	43

7. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

		(restated)
	2007	*2006*
	£000	*£000*
Current tax		
UK corporation tax	9	130
Tax overprovided in previous years	–	(46)
Total current tax (note 7(b))	9	84
Deferred tax		
Origination and reversal of timing differences (note 12)	19	(21)
Tax on profit on ordinary activities	28	63

Reed Aviation Limited

Notes to the financial statements

at 30 June 2007

7. Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 - 30%)

	2007 £000	(restated) 2006 £000
Profit on ordinary activities before tax	93	373
Profit on ordinary activities by rate of tax	28	112
Deferred tax movement due to rate change	(2)	–
Capital allowances in excess of depreciation	(3)	4
Other short term timing differences	(18)	9
Expenses not deductible for tax purposes	4	5
Adjustment in respect of prior years	–	(46)
Total current tax (note 7(a))	9	84

(c) Deferred tax

	2007 £000	2006 £000
Capital allowances in advance of depreciation	(33)	(31)
Other timing differences	–	18
Share save asset	1	–
Provision for deferred taxation (note 12)	(32)	(13)

Reed Aviation Limited

Notes to the financial statements

at 30 June 2007

8. Tangible fixed assets

	Plant & machinery
	£000
Cost	
At 2 July 2006	359
Additions	185
Transfers	(52)
At 30 June 2007	492
Depreciation	
At 2 July 2006	126
Provided during the year	59
Transfers	(28)
At 30 June 2007	157
Net book value	
At 30 June 2007	335
At 2 July 2006	233

Reed Aviation Limited

Notes to the financial statements

at 30 June 2007

9. Investments

The company owns 100% of Reed Aviation Spain S L , an air charter business incorporated in Spain

10. Debtors

	2007 £000	(restated) 2006 £000
Trade debtors	1,269	718
Corporation tax recoverable	544	346
Other debtors	62	2,461
Prepayments and accrued income	24	31
	1,899	3,556

11. Creditors: amounts falling due within one year

	2007 £000	(restated) 2006 £000
Trade creditors	157	37
Amounts owed to group undertakings	2,430	4,460
Other taxation and social security	21	22
Accruals and deferred income	318	3,832
Other creditors	598	-
	3,524	8,351

12. Other provisions

	Deferred tax £000
At 2 July 2006	13
Deferred tax charge in profit and loss account (note 7(a))	19
At 30 June 2007 (note 7(c))	32

Reed Aviation Limited

Notes to the financial statements

at 30 June 2007

13. Pension commitments

The company participates in a scheme which is part of The Go-Ahead Group Pension Plan The assets of the scheme are held separately from those of the company in an independently administered fund

The most recent actuarial valuation of the scheme was at 5 April 2006 and was updated by Watson Wyatt LLP to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 June 2007 and 1 July 2006 The contributions paid to the scheme are paid in line with the schedule of contributions, being 11% and 10% of pensionable salaries paid to upper and lower tier sections respectively

The defined benefit scheme is effectively closed to new entrants As a result it can be expected that the service cost will increase in future, as a percentage of payroll However, this higher percentage is likely to be applied to a reducing total pensionable payroll

The scheme is a multi employer scheme and in accordance with FRS 17, the company has accounted for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify the company's share of the net assets and liabilities in the scheme on a consistent and reasonable basis The following disclosures provide details of the entire defined benefit scheme

Main assumptions

	2007	*2006*	*2005*
	%	*%*	*%*
Rate of increase in salaries	4 7	4 3	4 1
Rate of increase in deferred pensions	3 2	2 8	2 6
Discount rate	5 9	5 4	5 2
Inflation assumption	3 2	2 8	2 6

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting deficit are

		2007		*2006*		*2005*
	Long-term rate of return expected	*Value*	*Long-term rate of return expected*	*Value*	*Long-term rate of return expected*	*Value*
	%	*£000*	*%*	*£000*	*%*	*£000*
Equities	8 5	223,700	8 4	201,600	8 3	164,200
Bonds	5 9	43,600	5 2	41,600	4 8	40,500
Properties	6 9	26,600	6 6	23,300	6 5	19,500
Cash	5 5	38,300	4 3	21,700	4 1	17,900
Total market value of assets		332,200		288,200		242,100
Present value of scheme liabilities		(346,700)		(360,000)		(325,400)
Pension liability before deferred tax		(14,500)		(71,800)		(83,300)
Related deferred tax asset		4,350		21,540		25,000
Net pension liability		(10,150)		(50,260)		(58,300)

Reed Aviation Limited
Notes to the financial statements
at 30 June 2007

13. Pension commitments (continued)

Analysis of movements in deficit during the year

	2007 *£000*	*2006* *£000*
At start of year	(71,800)	(83,300)
Current service cost	(6,600)	(6,600)
Net other finance income	2,000	700
Actuarial gains and losses	55,700	14,100
Contributions	6,200	3,300
At end of year	(14,500)	(71,800)

An analysis of the defined benefit cost for the year ended 30 June is as follows

	2007 *£000*	*2006* *£000*
Current service cost	(6,600)	(6,600)
Total operating charge	(6,600)	(6,600)

	2007 £000	2006 £000
Other finance cost expected return on assets in the scheme	21,400	17,600
Other finance cost interest cost	(19,400)	(16,900)
Net other finance income	2,000	700
STRGL difference between expected and actual return on assets	23,900	27,200
STRGL experience losses arising from scheme liabilities	25,000	(3,100)
STRGL effect of changes in assumptions underlying the present value of scheme liabilities	6,800	(10,000)
Actuarial gains and losses	55,700	14,100

A history of experience gains and losses is shown below

	2007	*2006*	*2005*	*2004*	*2003*
Difference between expected return and actual return on pension scheme assets					
- amount (£000)	23,900	27,200	11,200	3,600	(16,800)
- % of scheme assets	7 2	9 4	4 6	2 0	(10 3)
Experience gains/(losses) arising on scheme liabilities					
- amount (£000)	25,000	(3,100)	900	(16,900)	(1,700)
- % of the present value of scheme liabilities	7 2	(0 9)	0 3	(6 6)	(0 7)
Total actuarial gains recognised in the statement of total recognised gains and losses					
- amount (£000)	55,700	14,100	(39,200)	7,900	(33,900)
- % of the present value of scheme liabilities	16 1	3 9	(16 2)	3 1	(14 2)

Reed Aviation Limited

Notes to the financial statements

at 30 June 2007

14. Commitments under operating leases

At 30 June 2007 the company had annual commitments under non-cancellable operating leases as set out below

	2007		2006	
	Land and buildings £000	*Other £000*	*Land and buildings £000*	*Other £000*
Operating leases which expire				
Within one year	121	5	120	5
In two to five years	–	19	–	18
	121	24	120	23

15. Related party transactions

The company is a 100% subsidiary of The Go-Ahead Group plc Advantage has been taken of the exemptions in paragraph 3 of Financial Reporting Standard 8 and transactions with entities that are part of the group have not been disclosed

16. Share capital

	Authorised	
	2007 £000	*2006 £000*
Ordinary 'A' shares of £1 each	25	25
Ordinary 'B' shares of £1 each	25	25
	50	50

	Allotted, called up and fully paid			
	2007		*2006*	
	No	*£000*	*No*	*£000*
Ordinary 'A' shares of £1 each	25,000	25	25,000	25
Ordinary 'B' shares of £1 each	25,000	25	25,000	25
		50		50

The 'A' ordinary shares and 'B' ordinary shares rank pari passu in all respects

17. Reconciliation of shareholders' deficit and movement on reserves

	Equity share capital £000	*Profit and loss account £000*	*Total share-holders' deficit £000*
At 2 July 2005 as previously reported	50	(965)	(915)
Prior year adjustment (note 19)	-	(784)	(784)
At 2 July 2005 (restated)	50	(1,749)	(1,699)
Retained profit for the year (restated)	–	310	310
At 1 July 2006 (restated)	50	(1,439)	(1,389)
Retained profit for the year	–	65	65
Share Based Payment	–	2	2
At 30 June 2007	50	(1,372)	(1,322)

Reed Aviation Limited
Notes to the financial statements
at 30 June 2007

18. Share based payment

Sharesave Scheme
The group operates an HM Revenue & Customs ('HMRC') approved savings-related share option scheme, known as The Go-Ahead Group plc Savings-Related Share Option Scheme 2003 (the 'Sharesave Scheme') The Sharesave Scheme is open to all group employees (including executive directors) who have completed at least six months' service with a group company at the date they are invited to participate in the scheme Qualifying employees are invited to save between £5 and £250 per month for a period of three to five years At the end of that period, employees can apply the amounts saved, together with a bonus, in acquiring shares in the company at a minimum price equal to 80% of their market price at the time of invitation

The expense recognised for these schemes during the year to 30 June 2007 was £2,000 (2006 Nil)

The following table illustrates the number (No) and weighted average exercise prices (WAEP) of share options for the SAYE

		2007		2006
	No	WAEP	No	WAEP
		£		£
Outstanding at the beginning of the year	1,263	13 41	7,639	4 84
Granted during the year	1,246	19 14	1,107	14 62
Forfeited during the year	(156)	4 84	(1,009)	4 88
Exercised during the year	–	–	(6,474)	4 84
Outstanding at the end of the year	2,353	17 01	1,263	13 41

The weighted average share price during the period was £22 47 (2006 – £15 90)

For share options outstanding as at 30 June 2007, the weighted average remaining contracted life is 2 49 years (2006 3 00 years)

The range of exercise prices for options outstanding at the end of the year was £14 62 - £19 14 (2006 £4 84 - £14 62)

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted The key assumptions input into the model used for the options granted in the year to 30 June 2007 were

	% per annum
Future share price volatility	20 0
Future dividend yield	2 5
Future risk-free interest rate	5 4
Forfeiture rate	10 0
Option life	3 years

The future share price volatility assumption is based on the daily share price movements over the three year period preceding the award date, rounded to the nearest 5%

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18. Share based payments (continued)

Share Incentive Plan

The company participates in an HMRC approved share incentive plan, operated by the ultimate parent undertaking, known as The Go-Ahead Group plc Share Incentive Plan (the "SIP") The SIP is open to all group employees (including executive directors) who have completed at least six month's service with a group company at the date they are invited to participate in the plan

The SIP permits The Go-Ahead Group plc to make four different types of awards to employees (free shares, partnership shares, matching shares and dividend shares), although the group has, so far, made awards of partnership shares only Under these awards, the group invites qualifying employees to apply between £10 and £125 per month in acquiring shares in the group at the prevailing market price Under the terms of the scheme, certain tax advantages are available to the group and employees

19. Prior year adjustment

The prior year adjustment relates to the write off of an irrecoverable debtor balance The impact of this adjustment on the prior year profit and loss account is shown below

	Total	*Materials and external charges*	*Taxation*	*Profit after taxation*
	£000	*£000*	*£000*	*£000*
Prior year adjustment				
Year ended 1 July 2006	185	264	(79)	185
Pre 2 July 2005	784	1,120	(336)	784
	969	1,384	(415)	969

The impact of this adjustment on the prior year balance sheet is to increase corporation tax recoverable by £415,000 and to reduce other debtors by £1,384,000

20. Ultimate parent company

The company's immediate parent undertaking is Reed Investments Limited In the directors' opinion the company's ultimate parent company and controlling party is The Go-Ahead Group plc which is also the parent undertaking of the group of undertakings for which group financial statements are drawn up The Go-Ahead Group plc is registered in England and Wales and copies of its financial statements can be obtained from Companies House, Cardiff