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Company Number: 1376327

**REED AVIATION LIMITED**

**Financial Statements**

**for the year ended 31st December 1996**



# REED AVIATION LIMITED

## Company information

for the year ended 31st December 1996

### Directors

\*T Connor (Chairman)  
J A Bolton (Managing Director)  
\*D J Cole (resigned 21.5.96)  
\*W Cowley (appointed 24.5.96)  
\*G H Gracie (appointed 9.12.96)  
\*D Jared (resigned 12.4.96)  
\*P J Stewart (resigned 9.12.96)  
\*M P Timson  
\*P A Vickers  
C R White (Finance Director) (appointed 24.5.96)  
\*G H Williams (resigned 9.12.96)

\* Non-executive directors

### Secretary

T Keane

### Registered Office

Eaton House  
Proctor Way  
London Luton Airport  
Luton  
LU2 9PE

### Auditors

Keens Shay Keens  
Sovereign Court  
230 Upper 5th Street  
Central Milton Keynes  
MK9 2HR

### Bankers

Barclays Bank Plc

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3	Auditors' Report
4	Profit and Loss Account
5	Balance Sheet
6	Cash Flow Statement
7 to 14	Notes to the Financial Statements

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The directors submit their report together with the audited financial statements for the year ended 31st December 1996.

**Directors' Statement**

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 and of the profit 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;

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 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.

**Results and Dividends**

The trading profit for the year after taxation and dividends was £137,935 and it has been transferred to reserves.

An interim dividend of £600,000 was paid in the year.

**Principal Activity and Business Review**

The principal activity of the company continued to be the operation of an air charter business. In addition, the company provides ground handling services at London Luton, Coventry and Liverpool airports.

The directors are pleased with the results. The strong performance of the company was achieved with the continuing dedication and effort of all the company's employees and shareholders.

The directors believe that 1997 will again be a year of challenge during which the company will need to focus on the retention of existing business and developing business opportunities identified during 1996.

Directors' Report

for the year ended 31st December 1996

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**Directors**

The directors, none of whom is beneficially interested in the shares of the company, who served during the year were as follows:

T Connor (Chairman)  
J A Bolton (Managing Director)  
D J Cole (resigned 21.5.96)  
W Cowley (appointed 24.5.96)  
G H Gracie (appointed 9.12.96)  
D Jared (resigned 12.4.96)  
P J Stewart (resigned 9.12.96)  
M P Timson  
P A Vickers  
C R White (Finance Director) (appointed 24.5.96)  
G H Williams (resigned 9.12.96)

**Auditors**

The Auditors, Keens Shay Keens Chartered Accountants, have indicated that they are willing to be reappointed at the forthcoming Annual General Meeting.

By Order of the Board:



T Keane,  
COMPANY SECRETARY

26 June 1997 (date)

**Auditors' Report to the Shareholders**

**on the Accounts for the year ended 31st December 1996**

We have audited the financial statements on pages 4 to 14, which have been prepared under the historical cost convention and the accounting policies set out on page 7.

**Respective responsibilities of the directors and auditors**

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

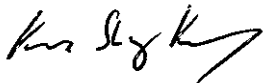
**Basis of Opinion**

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 information and explanations which we consider 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 other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the 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 31st December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Keens Shay Keens**  
**Chartered Accountants**  
**and Registered Auditors**

Sovereign Court  
230 Upper 5th Street  
Central Milton Keynes  
MK9 2HR

8 JULY 1997

**REED AVIATION LIMITED****Profit and Loss Account****for the year ended 31st December 1996**

	Notes	1996 £	1995 £
<b>Turnover</b>	2	15,451,627	14,019,220
Cost of sales		(12,924,511)	(11,759,699)
<b>Gross profit</b>		2,527,116	2,259,521
Administrative expenses		(1,567,444)	(1,154,720)
Other operating income		-	3,325
<b>Operating profit</b>	3	959,672	1,108,126
Interest receivable		102,548	117,282
Interest payable	4	(4,544)	(6,319)
<b>Profit on ordinary activities before Taxation</b>		1,057,676	1,219,089
Tax on profit on ordinary activities	6	(319,741)	(402,065)
<b>Profit on ordinary activities after Taxation</b>		737,935	817,024
Dividends	7	(600,000)	(600,000)
<b>Retained profit transferred to reserves</b>		137,935	217,024
Retained profit brought forward		1,360,517	1,143,493
<b>Retained profit carried forward</b>		1,498,452	1,360,517

*All amounts relate to continuing activities.*

*There have been no recognised gains or losses, other than the results for the financial year, and all profits or losses have been accounted for on an historical cost basis.*

*The notes on pages 7 to 14 form part of these financial statements.*

# REED AVIATION LIMITED

## Balance Sheet

as at 31st December 1996

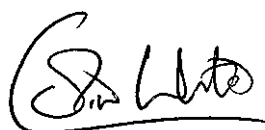
	Notes	1996 £	1996 £	1995 £	1995 £
<b>Fixed Assets</b>					
Tangible fixed assets	8		493,947		337,835
<b>Current Assets</b>					
Debtors	9	3,717,635		2,432,168	
Cash at bank and in-hand		731,177		2,717,868	
		<u>4,448,812</u>		<u>5,150,036</u>	
<b>Creditors:</b>					
Amounts falling due within one year	10	(3,394,307)		(4,060,524)	
<b>Net Current Assets</b>			1,054,505		1,089,512
<b>Total Assets Less Current Liabilities</b>			<u>1,548,452</u>		<u>1,427,347</u>
<b>Creditors:</b>					
Amounts falling due after more than one year	11		-		(16,830)
			<u>1,548,452</u>		<u>1,410,517</u>
<b>Capital and Reserves</b>					
Share capital	13		50,000		50,000
Profit and loss account			<u>1,498,452</u>		<u>1,360,517</u>
	14		<u>1,548,452</u>		<u>1,410,517</u>

The accounts on pages 4 to 14 were approved by the Board on 26/6/97 and were signed on its behalf by :-

J A Bolton  
Director



C R White  
Director



The notes on pages 7 to 14 form part of these financial statements.



**REED AVIATION LIMITED**

**Cash Flow Statement**

**for the year ended 31st December 1996**

	Notes	1996 £	1996 £	1995 £	1995 £
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>	19		(104,923)		2,129,597
<b>Returns on Investments and Servicing of Finance</b>					
Interest received		101,224		117,282	
Interest paid		(1,602)		-	
Interest element of finance lease rental payments		(2,942)		(6,319)	
Dividends paid		(1,200,000)		(111,000)	
<b>Net Cash (Outflow) from Returns on Investments and Servicing of Finance</b>			(1,103,320)		(37)
<b>Taxation</b>					
Corporation tax (paid)		(407,340)		(266,703)	
<b>Tax (Paid)</b>			(407,340)		(266,703)
<b>Investing Activities</b>					
Purchase of tangible fixed assets		(343,328)		(107,076)	
Proceeds from the sale of fixed assets		140		23,643	
<b>Net Cash (Outflow) from Investing Activities</b>			(343,188)		(83,433)
<b>Net Cashflow before Financing</b>			(1,958,771)		1,779,424
<b>Financing</b>					
Capital element of finance lease rentals		(27,921)		(34,535)	
<b>Net Cash (Outflow) from Financing</b>			(27,921)		(34,535)
<b>(Decrease)/Increase in Cash and Cash Equivalents</b>	20		(1,986,692)		1,744,889

*The notes on pages 7 to 14 form part of the financial statements.*

**1 Principal Accounting Policies**

***Accounting Convention***

The Financial Statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

***Turnover***

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

***Depreciation***

Depreciation is calculated to write down the cost, less estimated residual value, of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Motor vehicles	25% per annum on cost
Ground equipment	20-25% per annum on cost
Office equipment	20-25% per annum on cost

***Foreign Currencies***

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

***Contribution to Pension Funds***

The company is a participating employer in a defined benefit pension scheme administered by Hunting Plc. The contributions payable to the scheme represent, for the purposes of Statement of Standard Accounting Practice 24, the pension cost to the company. This amounted to £37,720, (1995 £27,007) in the year.

***Leased Assets***

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Profit and Loss Account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the Profit and Loss Account on a straight-line basis over the lease term.

# REED AVIATION LIMITED

## Notes to the Financial Statements

for the year ended 31st December 1996

### 2 Turnover

The turnover and operating profit for the year was derived from the company's principal activity.

Turnover relates to the following activities or business segments:

	1996 £	1995 £
Air charter services	12,571,621	10,793,972
Ground handling services and associated activities	2,880,006	3,225,248
	<u>15,451,627</u>	<u>14,019,220</u>

The geographical analysis of turnover is as follows:

	1996 £	1995 £
United Kingdom	14,374,593	13,280,827
Europe	1,024,727	738,393
Rest of the World	52,307	-
	<u>15,451,627</u>	<u>14,019,220</u>

### 3 Operating Profit

*The operating profit is stated after charging or crediting:*

	1996 £	1995 £
Hire of plant and machinery - operating leases	61,635	19,608
Other operating lease rentals	199,886	197,976
Amounts payable to the auditors in respect of audit services	13,769	12,086
Depreciation - owned assets	154,070	165,275
Depreciation - assets held under hire purchase or finance lease contracts	32,332	32,332
Loss/(Profit) on disposal of fixed assets	673	(2,644)
(Profit) on foreign exchange	(7,410)	-
	<u></u>	<u></u>

### 4 Interest Payable

	1996 £	1995 £
Bank loans and overdrafts	1,602	-
On hire purchase and finance leases	2,942	6,319
	<u>4,544</u>	<u>6,319</u>

**REED AVIATION LIMITED****Notes to the Financial Statements****for the year ended 31st December 1996****5 Directors and Employees**

Staff costs during the year were as follows:

	1996 £	1995 £
Wages and salaries	2,217,781	1,827,597
Social security costs	193,632	147,087
Other pension costs	37,720	27,007
	<u>2,449,133</u>	<u>2,001,691</u>

The average monthly number of employees, including directors, during the year was as follows:

	1996 Number	1995 Number
Administration and accounts	12	12
Newspaper and handling services	137	118
	<u>149</u>	<u>130</u>

Remuneration in respect of directors was as follows:

	1996 £	1995 £
Management remuneration	90,029	57,824
Pensions	5,506	3,834
Benefits in kind	10,768	6,896
	<u>106,303</u>	<u>68,554</u>

The emoluments, excluding pension contributions, of the chairman were £nil; and those of the highest paid director were £68,342 (1995 - £64,720).

Directors' emoluments, excluding pension contributions, fell within the following ranges:

	1996 Number	1995 Number
£0 - £5000	5	7
£35001 - £40000	1	-
£60001 - £65000	1	1

# REED AVIATION LIMITED

## Notes to the Financial Statements

for the year ended 31st December 1996

### 6 Tax on Profit on Ordinary Activities

	1996 £	1995 £
<i>Based on the profit for the year:</i>		
U.K. Corporation tax at 31.86% (1995: 32.60%)	314,466	402,065
Adjustments to previous year provisions	5,275	-
	<u>319,741</u>	<u>402,065</u>

### 7 Dividends

	1996 £	1995 £
<b>Equity</b>		
Ordinary shares - interim paid of £12.00 per share (1995 £12.00)	<u>600,000</u>	<u>600,000</u>

### 8 Tangible Fixed Assets

	Motor vehicles	Ground equipment	Office equipment	Total
<b>Cost</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1st January 1996	279,017	734,898	233,497	1,247,412
Additions	131,011	181,039	31,278	343,328
Disposals	(12,700)	(6,385)	(9,173)	(28,258)
At 31st December 1996	<u>397,328</u>	<u>909,552</u>	<u>255,602</u>	<u>1,562,482</u>
<b>Depreciation</b>				
At 1st January 1996	205,315	569,451	134,812	909,578
Charged for the year	46,699	139,703	-	186,402
Eliminated on disposal	(12,700)	(6,385)	(8,360)	(27,445)
At 31st December 1996	<u>239,314</u>	<u>702,769</u>	<u>126,452</u>	<u>1,068,535</u>
<b>Net Book Value</b>				
Owned assets	122,094	206,783	129,150	458,027
Leased assets	35,920	-	-	35,920
At 31st December 1996	<u>158,014</u>	<u>206,783</u>	<u>129,150</u>	<u>493,947</u>
Owned assets	5,447	165,447	98,685	269,579
Leased assets	68,255	-	-	68,255
At 31st December 1995	<u>73,702</u>	<u>165,447</u>	<u>98,685</u>	<u>337,834</u>

# REED AVIATION LIMITED

## Notes to the Financial Statements

for the year ended 31st December 1996

9	Debtors	1996 £	1995 £
	Trade debtors	2,333,908	2,006,863
	Amounts owed by related undertakings	984,042	315,372
	Other debtors	519	783
	Prepayments and accrued income	399,166	109,150
		<u>3,717,635</u>	<u>2,432,168</u>

10	Creditors: Amounts falling due within one year	1996 £	1995 £
	Net obligations under hire purchase and finance lease contracts	16,830	27,921
	Trade creditors	1,551,278	1,415,444
	Amounts owed to related undertakings	89,260	667,778
	Corporation tax	314,466	402,065
	Other taxes and social security	495,753	582,245
	Proposed dividends	-	600,000
	Other creditors	123,204	29,644
	Accruals and deferred income	803,516	335,427
		<u>3,394,307</u>	<u>4,060,524</u>

Obligations under hire purchase and finance lease contracts are secured on the assets concerned.

11	Creditors: Amounts falling due after one year	1996 £	1995 £
	Net obligations under hire purchase and finance lease contracts	-	16,830
		<u>-</u>	<u>16,830</u>

Obligations under hire purchase and finance lease contracts are secured on the assets concerned.

12	Obligations Under Hire Purchase & Finance Leases	1996 £	1995 £
	Obligations under finance leases and hire purchase contracts are analysed as follows:		
	Within one year	16,830	27,921
	Between one and two years	-	16,830
		<u>16,830</u>	<u>44,751</u>

Obligations under finance leases and hire purchase contracts are secured on the assets concerned.

# REED AVIATION LIMITED

## Notes to the Financial Statements

for the year ended 31st December 1996

### 13 Share Capital

Authorised	1996 £	1995 £
25,000 Ordinary 'A' shares of £1 each (1995: 25,000)	25,000	25,000
25,000 Ordinary 'B' shares of £1 each (1995: 25,000)	25,000	25,000
	<u>50,000</u>	<u>50,000</u>
 Allotted and fully paid	 1996 £	 1995 £
25,000 Ordinary 'A' shares of £1 each (1995: 25,000)	25,000	25,000
25,000 Ordinary 'B' shares of £1 each (1995: 25,000)	25,000	25,000
	<u>50,000</u>	<u>50,000</u>

### 14 Reconciliation of the movement in shareholders' funds

	1996 £	1995 £
Profit for the financial year	737,935	817,024
Dividends	(600,000)	(600,000)
Increase in shareholders' funds	<u>137,935</u>	<u>217,024</u>
Opening shareholders' funds	1,410,517	1,193,493
Closing shareholders' funds	<u>1,548,452</u>	<u>1,410,517</u>

### 15 Capital Commitments

	1996 £	1995 £
Capital commitments as at 31st December 1996 are as follows:		
Authorised and contracted for	<u>-</u>	<u>79,130</u>

**16 Ultimate Parent Undertaking**

The company is owned by Mirrorair Limited and Hunting Cargo Airlines Limited whose ultimate parent companies are Mirror Group Plc and Hunting Plc respectively. All of these companies are incorporated in Great Britain.

**17 Related Party Transactions**

The company has entered into transactions in the normal course of business with its parent undertakings. These transactions, which include air charter and ground handling services and associated activities, have been executed at arm's length.

**18 Operating lease commitments**

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the next financial year:

	1996 Land and buildings £	1996 Other £	1995 Land and buildings £	1995 Other £
Expiring:				
Within one year	13,077	-	29,842	-
Within two to five years	113,738	5,268	99,106	5,268
After five years	77,999	-	75,580	-
	<u>204,814</u>	<u>5,268</u>	<u>204,528</u>	<u>5,268</u>

**19 Reconciliation of Operating Profit to Net Cash Flow from Operating Activities**

	1996 £	1995 £
Operating profit	959,672	1,108,126
Depreciation	186,402	197,607
Loss/(Profit) on disposal of fixed assets	673	(2,644)
(Increase) in debtors	(1,284,143)	(207,416)
Increase in creditors	32,473	1,033,924
Net Cash (Outflow)/Inflow from Operating Activities	<u>(104,923)</u>	<u>2,129,597</u>



**REED AVIATION LIMITED****Notes to the Financial Statements****for the year ended 31st December 1996****20 Analysis of Changes in Cash and Cash Equivalents  
During the Year**

	1996	1995
	£	£
Balance at 1st January 1996	2,717,868	972,978
Balance at 31st December 1996	731,177	2,717,868
Net cash movement	<u>(1,986,691)</u>	<u>1,744,890</u>