

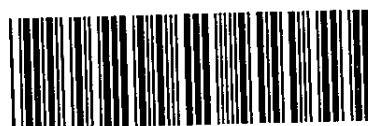
Flybe Limited

Annual report and financial statements

Registered number 2769768

31 March 2010

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2010

Business review and principal activities

The principal activities of the company throughout the year were those of an airline operator and the provision of aircraft technical support services

The company results for the year are shown in the profit and loss account on page 7 of these financial statements

The company is a member of the group headed by Flybe Group Limited. Flybe Group Limited manages its operations on a combined basis. For this reason, the company's directors believe that further key performance indicators are not necessary for an understanding of the development, performance or position of the business. The performance of the company is discussed within the Directors' Report of Flybe Group Limited for the year ended 31 March 2010, which does not form part of this report

Dividends

The directors cannot recommend a final dividend (2009 £nil)

Directors

The directors who held office during the year and to date are as follows

Jim French CBE	(Chairman)
David Brown	(resigned 8 July 2010)
Mark Chown	
Andrew Knuckey	
Mike Rutter	
Andrew Strong	

Employees

It is the policy of the company to ensure that employees are aware of their individual roles and responsibilities, and are informed about the trading performance and progress of the company. The company ensures that the disabled continue to receive consideration for employment which is equal to that given to the able-bodied, taking account of their particular abilities and job requirements. All possible efforts are made to maintain continuity of employment for existing employees who become disabled.

Political and charitable contributions

The company made no political or charitable contributions during the year (2009 £nil)

Directors' report *(continued)*

Principal risks and uncertainties

The principal operational and financial risks are set out below

Operational risk

The company's main operational risks are as follows

- Safety - the company's primary concern is safety and every employee and department in the company has responsibility for safety. At board level, safety is monitored by the Safety Committee
- Revenues - the company optimises its airline revenues through active management of load factor (number of passengers per flight) and yield (revenue per passenger), a range of ancillary revenue streams, and a number of other initiatives such as promotions and an innovative Frequent Flyer Program. Maintaining high frequencies on key routes helps ensure the loyalty of business customers
- Route selection - the network is continually reviewed to ensure it is consistent with Flybe's business model and strategy, meets the needs of the customer and optimises operational profitability. New routes are added when opportunities arise, following rigorous market assessment
- Investment in new aircraft – the company has completed its transition to a modern, fuel-efficient fleet, operating 54 Q400 and 14 Embraer 195 aircraft with an average age of just 3.3 years. The company has options for further aircraft, and strong relationships with the manufacturers which will help secure future development
- Maintenance of the brand – the brand continues to strengthen and to be recognised as a market leader. The company makes continual investment to protect the brand through channels such as its operations, marketing and the development of the web site

Financial risk

The company is exposed to financial risks in respect of foreign exchange, interest rates, fuel price and liquidity. A description of each risk, together with the company's policy for managing that risk, is given below

- Foreign exchange - the company purchases aircraft, spare parts and fuel in US dollars. To mitigate this risk, the company enters into a series of forward contracts in order to gain certainty over a significant proportion of its future dollar payments
- Interest rates - the company has borrowings in order to finance the purchase of aircraft and engines. To mitigate interest rate risk, the company enters into a mix of fixed and floating borrowing arrangements to gain certainty over a significant proportion of its future interest payments
- Fuel prices - the company purchases fuel on the open market from recognised fuel suppliers in order to operate its fleet of aircraft. To mitigate fuel price risk, the company enters into forward contracts to gain certainty over a significant proportion of its future short-term fuel payments
- Liquidity - as described below, the company has adequate cash holdings to meet its short-term creditors as they fall due. The company also arranges operating leases or secured loans in order to finance purchases of aircraft and engines

Directors' report *(continued)*

Going concern

The company is a wholly owned subsidiary of Flybe Group Limited (the "Group"). The directors of Flybe Limited have therefore reviewed the financial performance and forecasts of the group in considering the going concern basis of accounting for Flybe Limited. The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review of Flybe Group Limited's 2010 Annual Report and Accounts ('the Report'). The financial position of the group, its cash flows, liquidity position and borrowing facilities, are described in section 2 of the Chairman's Statement and this information is relevant to Flybe Limited, the main trading entity in the group.

The directors have considered the uncertainties presented by current economic conditions in relation to passenger volumes and yields, fuel prices, foreign exchange, route selection and investment in new aircraft.

The group has met all of its operating lease commitments and debt repayment obligations as they have fallen due.

The group has prepared a detailed trading budget and cash flow forecast which indicates that the group will be able to trade using operating cash flows for at least 12 months from the date of signing these accounts and will be able to meet its operating lease commitments and debt repayments as they become due.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The balance sheet on page 8 presents a shareholders' deficit of £72m at 31 March 2010. Included within this balance sheet is an inter-company balance due to British Regional Air Lines Group Limited (a fellow subsidiary) of £67.5m. The company has received assurances from this fellow subsidiary that the inter-company balance will not be repayable for at least 12 months from the date of approval of these financial statements (August 2010). The group intends to undertake partial forgiveness of this inter-company balance which, when combined with cancellation of the company's preference share capital, will effectively eliminate the shareholders' deficit.

Derivatives and other financial instruments

The company's principal financial instruments, other than derivatives, comprise aircraft mortgages, finance leases, cash and other short-term deposits. The main purpose of these financial instruments is to provide finance for the company's operations. The company also has various other financial instruments, such as trade debtors and trade creditors, that arise directly from its operations.

Outstanding derivative transactions at the year-end relate to foreign currency and aviation fuel hedging instruments. The purpose of these is to manage the currency risks and fuel price arising from the company's operations and sources of finance. The company's treasury policy permits the use of such instruments to manage these risks. It is the company's policy that no trading in financial instruments shall be undertaken.

The fair value of the company's derivatives at 31 March 2010 was a net asset of £7.3m (2009: £26.0m net liability).

Directors' report *(continued)*

Auditors

In the case of each of the persons who are directors of the company at the date when this report is approved

- (1) so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to continue as the company's auditors and a resolution for their re-appointment is to be proposed at the forthcoming Annual General meeting

By order of the board

Chris Simpson
Company Secretary



Jack Walker House
Exeter International Airport
Exeter
Devon
EX5 2HL

4th August 2010

Directors' responsibilities statement in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent auditors' report to the members of Flybe Limited

We have audited the financial statements of Flybe Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

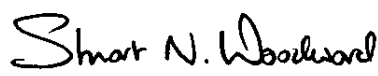
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Stuart Woodward (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Bristol, United Kingdom

4 August 2010

Profit and loss account
for the year ended 31 March 2010

	<i>Note</i>	2010 £m	2009 (as restated see note 1) £m
Turnover	<i>1</i>	570.6	568.9
Cost of sales		(510.5)	(531.8)
Gross profit		60.1	37.1
<i>Other administrative expenses</i>		<i>(54.0)</i>	<i>(50.5)</i>
<i>Exceptional administrative expenses</i>	<i>3</i>	<i>(1.9)</i>	<i>(2.8)</i>
Administrative expenses		(55.9)	(53.3)
<i>Operating profit/(loss) before exceptional items</i>		<i>6.1</i>	<i>(13.4)</i>
<i>Exceptional items</i>	<i>3</i>	<i>(1.9)</i>	<i>(2.8)</i>
Operating profit/(loss)		4.2	(16.2)
Profit on sale of fixed assets		0.5	0.2
Profit/(loss) on ordinary activities before interest		4.7	(16.0)
Interest receivable and similar income	<i>7</i>	0.2	1.8
Interest payable and similar charges	<i>8</i>	(1.4)	(4.2)
Profit/(loss) on ordinary activities before taxation	<i>2</i>	3.5	(18.4)
Tax on profit/(loss) on ordinary activities	<i>9</i>	1.3	2.1
Profit/(loss) for the financial year	<i>22</i>	4.8	(16.3)

All activities of the company are regarded as continuing

Statement of total recognised gains and losses
for the year ended 31 March 2010

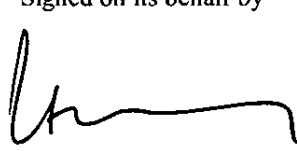
	<i>Note</i>	2010 £m	2009 £m
Profit/(loss) for the financial year		4.8	(16.3)
Actuarial losses on defined benefit scheme	<i>20</i>	(4.7)	-
Total recognised gains/(losses) since last annual report and financial statements		0.1	(16.3)

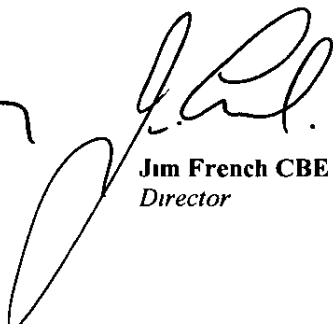
Balance sheet
as at 31 March 2010

	<i>Note</i>	2010	2009
		£m	£m
Fixed assets			
Investments	10	-	-
Intangible assets	11	8.5	4.1
Tangible assets	12	86.6	89.1
		95.1	93.2
Current assets			
Stocks	13	6.1	7.5
Debtors – due within one year	14	74.8	97.7
Debtors – due after more than one year	14	35.9	28.3
Cash at bank and in hand		62.1	56.6
		178.9	190.1
Creditors: amounts falling due within one year	15	(250.9)	(265.2)
Net current liabilities		(72.0)	(75.1)
Total assets less current liabilities, being net assets		23.1	18.1
Creditors: amounts falling due after more than one year	16	47.5	49.2
Provisions for liabilities	17	42.8	41.0
Pension liabilities			
Total of defined benefit schemes with net liabilities	20	4.8	-
Capital and reserves			
Called up share capital	21	1.0	1.0
Profit and loss account	22	(73.0)	(73.1)
Shareholders' deficit	23	(72.0)	(72.1)
		23.1	18.1

The financial statements of Flybe Limited, registered number 2769768, were approved by the board of directors and authorised for issue on 4th August 2010

Signed on its behalf by


Andrew Knuckey
Director


Jim French CBE
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in the current and preceding year in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The company is exempt from the requirements of FRS 1 (Revised) 'Cash flow statements' to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Flybe Group Limited and its cash flows are included within the consolidated cash flow statement of that company

The company is exempt from the requirement of FRS 8 'Related party disclosures' to disclose related party transactions with Flybe Group Limited and its associated undertakings on the grounds that it is a wholly owned subsidiary undertaking of Flybe Group Limited (the "Group")

Going concern

The company is a wholly owned subsidiary of Flybe Group Limited (the "Group") The directors of Flybe Limited have therefore reviewed the financial performance and forecasts of the group in considering the going concern basis of accounting for Flybe Limited The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review of Flybe Group Limited's 2010 Annual Report and Accounts ('the Report') The financial position of the group, its cash flows, liquidity position and borrowing facilities, are described in section 2 of the Chairman's Statement and this information is relevant to Flybe Limited, the main trading entity in the group

The directors have considered the uncertainties presented by current economic conditions in relation to passenger volumes and yields, fuel prices, foreign exchange, route selection and investment in new aircraft

The group has met all of its operating lease commitments and debt repayment obligations as they have fallen due

The group has prepared a detailed trading budget and cash flow forecast which indicates that the group will be able to trade using operating cash flows for at least 12 months from the date of signing these accounts and will be able to meet its operating lease commitments and debt repayments as they become due

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Intangible fixed assets

Airport landing and take-off slots are valued at cost or initially at fair value if acquired as part of a business Slots have a value where the airport is constrained by the number of aircraft that can land and demand exceeds supply In the directors' opinion, this condition is likely to persist in the long term for major UK airports, such as Heathrow and Gatwick, and residual values for slots will not decrease Accordingly, airport slots are considered to have an indefinite life and are not amortised Instead, they are subject to an annual impairment review and a provision is booked for any identified impairment

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less provision for impairment Income from investments relates to dividends received which are recognised at the date the dividend distribution is formally approved

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are recorded at cost net of depreciation and any provision for impairment

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold land	-	nil
Freehold and short leasehold buildings	-	10% per annum/lease term
Plant and equipment	-	10% - 50% per annum
Motor vehicles	-	20% - 25% per annum
Aircraft	-	7% - 20% per annum of cost less residual value
Rotable aircraft parts	-	10% - 15% per annum

No depreciation is provided on assets in the course of construction

Estimated residual values are set at the acquisition of the asset and are reviewed annually, with reference to external valuations to ensure that they remain achievable. If estimated residual values are found to have diminished, then this change is allowed for in the depreciation charged over the remaining useful economic life of the asset.

An element of the cost of new aircraft is attributed on acquisition to prepaid maintenance of its engines and airframe and is amortised over a period ranging from one year from the date of purchase to the end of its estimated economic life. Subsequent costs incurred which provide enhancement to future periods, such as long-term scheduled maintenance and major overhauls of aircraft, are capitalised and amortised over the length of the period benefiting from these enhancements. All other costs relating to maintenance are charged to the profit and loss account as incurred.

Interest costs incurred on borrowings that specifically fund progress payments on assets under construction, principally aircraft, are capitalised up to the date of completion and included as part of the asset.

Impairment

At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Provisions

Provisions are recognised when the company has a present obligation and, as a result of a past event, it is probable that the company will have to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using future cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows, discounted at a rate representing the risk inherent in the liability.

Notes (continued)

1 Accounting policies (continued)

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease.

Pension and other post-retirement benefits

The company operates four defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

The company operates a defined benefits scheme, which was closed to new contributions and future benefit accruals during the year ended 31 March 2008. Amounts charged to the profit and loss account are the current service costs and gains and losses on settlements and curtailments, they are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Stocks

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

Aircraft consumables

These comprise aircraft 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

Engine overhaul and maintenance work in progress valuation is based upon direct cost together with attributable overheads and profit is based on the stage of completion of the contract. Materials issued from stores are valued as detailed above. Other direct materials are valued at actual cost. Labour and attributable overhead rates are based upon normal levels of activity.

Notes (continued)

1 Accounting policies (continued)

Leased aircraft maintenance costs

The company incurs liabilities for maintenance costs in respect of aircraft leased under operating leases during the term of the lease. These arise from the legal and constructive contractual obligations relating to the condition of the aircraft when it is returned to the lessor. To discharge these obligations, the company will either need to compensate the lessor for the element of the life of the component or maintenance interval used or carry out the maintenance check before return of the aircraft to the lessor.

The provisions recorded and charged to the profit and loss account are dependent on the life of the component or maintenance interval used and the individual terms of the lease, split into three categories:

- No charge is recorded during the initial period of lease agreements where no compensation or maintenance is required prior to hand-back.
- After a component or maintenance interval passes half-life (or another measure depending on the individual lease) and compensation would be due to the lessor, a provision and matching profit and loss account charge is recorded equal to the amount of compensation that would be required based on the hours or cycles flown at the balance sheet date.
- Once the component or maintenance interval has passed the trigger point such that the company is contractually obliged to carry out the related work, a full provision for the work is recorded. To the extent that this provision represents an increase to the half-life compensation provision already recorded, a maintenance asset is established within property, plant and equipment. The asset is depreciated over the expected period to the next half-life compensation point, or the end of the lease, whichever is sooner.

Where maintenance is provided under 'power by the hour' contracts, and non-refundable maintenance deposits are paid to maintenance providers to cover the cost of the work, these payments are expensed as incurred and maintenance provisions are reduced to reflect the fact that the company has already paid for the related maintenance work. Other maintenance deposits which are refundable are recorded as other debtors.

Estimates are required for the likely utilisation of the aircraft, the expected cost of the maintenance check at the time it is expected to occur, the condition of the aircraft and the lifespan of the life limited parts. The bases of all estimates are reviewed once each year and also when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased utilisation, or unanticipated changes in the cost of heavy maintenance services.

Taxation

Current tax is provided at amounts expected to be paid, or recovered, using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover (excluding value added tax and its overseas equivalent) comprises

Airline operations

Scheduled and charter passenger ticket sales, net of passenger taxes and discounts, are recorded in a 'forward sales' account and are included in creditors, within deferred income, until recognised as revenue when transportation occurs. For flights purchased by members of the 'Frequent Flyer Program', an element of revenue representing the sales value of flights which these customers may take in future at no cost is deferred and recognised when the related free flights have been taken. The amount of deferral is based on the value of an equivalent flight. Unused tickets are recognised as revenue when the right to travel expires and the company's obligation to refund ceases, which is determined by both the terms and conditions of these tickets.

Ancillary revenues, comprising principally baggage carriage, advanced seat assignment, commissions, change fees and credit card fees, are recognised as revenue on the date the right to receive consideration occurs. In respect of credit card fees and hotel and insurance commission, this occurs when each flight is booked and paid for. For the remaining ancillary revenue, this occurs on the date of transportation, as this is when the service is generally provided.

Commission received from the issue of Flybe branded credit cards by a third party provider is allocated between the sales value of free flights and revenue. Revenue associated with free flights is recognised when the related flights are taken and remaining revenue is recognised on receipt, provided that it is not refundable and there are no further obligations on the group.

Cargo revenues are recognised in the period in which the services are provided.

Technical support services

This represents the amounts derived from the provision of goods and services to customers during the year, including aircraft maintenance, overhauls and the associated rotatable and consumable parts.

The amount of profit attributable to the stage of completion of a maintenance overhaul contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Share-based payments

The company has applied the requirements of FRS 20 'Share-based payments'. The company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value, excluding the effect of non market-based vesting conditions, at the date of the grant. The fair value determined at the grant date is expensed to the profit and loss account evenly over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Exceptional items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the company and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size of incidence if the financial statements are to give a true and fair view. Items which relate to ongoing operations are recorded within the operating result for the year. Those items which relate to a fundamental restructuring of the business are recorded as a separate item after operating result.

Notes (continued)

1 Accounting policies (continued)

Government grants

Government grants related to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned

Derivative financial instruments

The company uses derivative contracts to reduce exposure to foreign exchange and fuel price risk. The company does not hold or issue derivative financial instruments for speculative purposes.

Fuel

The company has not adopted the fair value accounting rules of FRS25 and FRS26 and recognises gains and losses of fuel derivative contracts as they mature.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies which are not hedged are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Where derivative financial instruments are terminated before their contractual maturity date, but the underlying transactions which they were intended to hedge are still expected to occur, the gain or loss on termination of the instrument is deferred and recognised in line with the underlying hedged transactions.

Comparatives

Previously, foreign exchange gains/losses relating to operating activities were recognised within administrative expenses. In the current period, and in line with best practice, the directors have decided that it is more appropriate for these to be split between cost of sales and administrative expenses depending on their nature. The comparative figures have been restated accordingly with an impact being a £17m decrease in the prior period gross profit margin.

2 Profit/(loss) on ordinary activities before taxation

	2010 £m	2009 £m
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off tangible assets		
Owned	13.0	16.9
Profit on disposal of tangible fixed assets	(0.5)	(0.2)
Impairment recognised in respect of owned aircraft	-	1.8
Operating leases		
Land and buildings	3.4	3.8
Plant and machinery	0.2	0.2
Aircraft	73.3	64.9
Exchange (gains)/losses	(2.0)	3.6
Net impact of change in maintenance estimates	-	(3.6)

The methodology for calculating obligations for maintenance of aircraft held on operating leases was updated in 2009 in accordance with the accounting policies in note 1. Under this method, at 31 March 2009 the company recognised additional fixed assets with a net book value of £11.0m, other debtors of £13.1m and additional maintenance provisions of £20.5m. The net impact of this change in estimate of £3.6m was recognised in the profit and loss account in the year to 31 March 2009.

Notes (continued)

2 Profit/(loss) on ordinary activities before taxation (continued)

Auditors' remuneration

	2010 £m	2009 £m
Fees payable to the company's auditors and their associates for the audit of the company's annual financial statements	-	-
Audit of financial statements of subsidiaries pursuant to legislation	0.2	0.2
Non-statutory audit of interim financial statements	0.2	-
	<hr/>	<hr/>
Total audit fees	0.4	0.2
	<hr/>	<hr/>
<i>Fees payable to the company's auditors and their associates in respect of</i>		
Tax services	0.1	0.1
Expenses in connection with a strategic project	0.4	-
All other services	0.1	-
	<hr/>	<hr/>
Total non-audit fees	0.6	0.1
	<hr/>	<hr/>

3 Exceptional items

	2010 £m	2009 £m
<i>Exceptional items reported in operating profit/(loss)</i>		
Legal and professional fees in connection with a strategic project	(1.1)	-
Impairment of aircraft	-	(1.8)
Impairment charge on amount owed by group undertakings	(0.8)	(1.0)
	<hr/>	<hr/>
	(1.9)	(2.8)
	<hr/>	<hr/>

Items reported in operating profit/(loss)

During the year to March 2010, the company incurred legal and professional fees in connection with a strategic project of £1.1m (2009 £nil)

On 5 March 2007, the group acquired the business of British Regional Air Lines Group Limited. As part of the significant restructuring programme that followed, five owned BAe 146 aircraft were withdrawn from service. In the prior period an impairment of £1.8m was recognised against the carrying value of three owned aircraft which were disposed of in the current period.

During the year, an impairment charge of £0.8m (2009 £1.0m) has been recognised in relation to a balance due from a fellow subsidiary undertaking with net liabilities. This charge has been recognised within administrative expenses.

The impact on tax of exceptional items in total is a credit of £0.5m (2009 credit of £0.7m)

Notes (continued)

4 Segmental information

The segmental analysis by activity and geographical market, as required by Statement of Standard Accounting Practice No 25, has not been disclosed as in the opinion of the directors it would be seriously prejudicial to the interests of the company

5 Remuneration of directors

	2010 £m	2009 £m
Directors' emoluments	1.6	1.2
Company contributions to personal pension schemes	0.1	0.1

The aggregate emoluments of the highest paid director were £0.6m (2009 £0.5m) and company pension contributions of £0.1m (2009 £0.1m) were made to a personal pension scheme on his behalf

In 2010, pension contributions for four (2009 four) directors were made to defined contribution personal pension schemes on their behalf

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees 2010	2009
Technical support services	828	823
Administration	539	572
Flight and maintenance	1,431	1,465
	2,798	2,860

The aggregate payroll costs of these persons were as follows

	2010 £m	2009 £m
Wages and salaries	91.7	93.4
Social security costs	10.1	10.2
Other pension costs (see note 20)	5.5	5.2
Share-based payments charge (see note 19)	0.4	0.3
	107.7	109.1

In addition to the above, actuarial losses of £4.7m (2009 £nil) were recognised in the statement of total recognised gains and losses in respect of defined benefit pension schemes

Notes (continued)

7 Interest receivable and similar income

	2010 £m	2009 £m
Bank interest	0.2	1.8
	<u>0.2</u>	<u>1.8</u>

8 Interest payable and similar charges

	2010 £m	2009 £m
On bank loans and overdrafts	2.1	4.4
Less interest capitalised	(0.1)	(0.7)
(Gains)/losses arising on retranslation of foreign currency loans and deposits used to fund aircraft purchases	(0.7)	0.5
Net finance charge in respect of pension scheme liabilities	0.1	-
	<u>1.4</u>	<u>4.2</u>

Interest payable and similar charges includes gains and losses arising on retranslation of loans and deposits used to fund aircraft purchases as the directors believe that this is appropriate for the nature of the transactions

9 Taxation

Analysis of credit in period

	2010 £m	2009 £m
<i>Deferred tax (see note 18)</i>		
Tax credit for the year	1.3	2.1
	<u>1.3</u>	<u>2.1</u>
Tax credit on profit/(loss) on ordinary activities	1.3	2.1
	<u>1.3</u>	<u>2.1</u>

No current tax was payable in this or the preceding year

Notes (continued)

9 Taxation (continued)

The current tax credit for the period is different to the tax charge which arises under the standard rate of corporation tax in the UK, of 28% (2009 28%). The differences are explained below

	2010 £m	2009 £m
Current tax reconciliation		
Profit/(loss) on ordinary activities before taxation	3.5	(18.4)
	<hr/>	<hr/>
Current tax at 28% (2009 28%)	1.0	(5.2)
Effects of		
Expenses not deductible for tax purposes	0.1	0.1
Capital allowances for period less than depreciation	4.5	4.6
Utilisation of tax losses brought forward and group relief	(5.8)	(0.5)
Origination and reversal of timing differences	-	0.7
Disallowed cost in respect of impairment of inter-company debtor	0.2	0.3
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>

10 Investments

	2010 £m	2009 £m
Cost		
At the beginning and end of the year	-	-
	<hr/>	<hr/>

Details of the company's principal subsidiary undertakings at 31 March 2010 are as follows

Name	Country of incorporation	Nature of business	% owned by ordinary shares
British European Limited	England	Dormant	100%
British European com Limited	England	Dormant	100%
British European Airlines Limited	England	Dormant	100%
Irish European Limited	England	Dormant	100%

Notes (continued)

11 Intangible fixed assets

Airport slots	£m
<i>Cost</i>	
At beginning of year	4.1
Additions	4.4
	<hr/>
At end of year	8.5
	<hr/>
<i>Amortisation</i>	
At beginning and end of year	-
	<hr/>
<i>Net book value</i>	
At 31 March 2010	8.5
	<hr/>
At 31 March 2009	4.1
	<hr/>

Airport slots represent amounts paid to third parties to secure permission to operate aircraft at UK and overseas airports at a designated time. As explained in accounting policy note 1, airport slots are subject to an impairment review rather than amortisation.

Notes (continued)

12 Tangible fixed assets

	Freehold land and buildings	Short leasehold buildings	Plant, equipment and motor vehicles	Aircraft	Assets under construction	Total
	£m	£m	£m	£m	£m	£m
Cost						
At beginning of year	11.4	0.3	19.4	112.9	-	144.0
Additions	-	-	1.6	86.0	3.2	90.8
Disposals	(0.2)	-	(1.3)	(105.9)	-	(107.4)
At end of year	11.2	0.3	19.7	93.0	3.2	127.4
Depreciation						
At beginning of year	2.9	0.1	11.5	40.4	-	54.9
Charge for year	0.5	-	2.6	9.9	-	13.0
On disposals	(0.2)	-	(1.3)	(25.6)	-	(27.1)
At end of year	3.2	0.1	12.8	24.7	-	40.8
Net book value						
At 31 March 2010	8.0	0.2	6.9	68.3	3.2	86.6
At 31 March 2009	8.5	0.2	7.9	72.5	-	89.1

Included in the total cost of aircraft is £nil (2009 £1.0m) in respect of capitalised interest. During the year, £0.1m was capitalised using rates of interest between 4.3% and 4.9%. The reduction in capitalised interest is due to aircraft pre-delivery deposits being repaid during the year and, on delivery, the capitalised interest is transferred from fixed assets to a prepayment account. The value of the land component of the freehold land and buildings is not available.

13 Stocks

	2010 £m	2009 £m
Work in progress	1.1	1.1
Goods held for resale	0.7	1.0
Aircraft consumables	4.3	5.4
	6.1	7.5

Notes (continued)

14 Debtors

	2010		2009	
	£m	£m	£m	£m
Due within one year				
Trade debtors	29.5		33.1	
Amounts recoverable on contracts	1.3		1.4	
Amounts owed by group undertakings	0.8		3.1	
Other taxation and social security	2.3		1.7	
Aircraft deposits	0.7		25.9	
Other debtors	19.2		12.9	
Prepayments and accrued income	18.0		16.6	
Deferred tax asset (see note 18)	3.0		3.0	
		74.8		97.7
Due after one year				
Aircraft lease deposits	7.5		5.3	
Deferred tax asset (see note 18)	3.8		2.5	
Other debtors	24.6		20.5	
		35.9		28.3
Total debtors		110.7		126.0

15 Creditors: amounts falling due within one year

	2010	2009
	£m	£m
Preference shares (see note 21)	17.5	17.5
Bank loans (see note 16)	5.5	25.0
Trade creditors	26.9	28.4
Amounts owed to group undertakings	75.0	71.4
Other creditors including taxation and social security		
Other taxation and social security	18.7	18.3
Other creditors	9.5	7.6
Accruals	33.4	23.6
Deferred income	64.4	73.4
	250.9	265.2

Bank loans are secured on the assets to which they relate. For further details of these loans, see note 16.

All amounts owed to subsidiaries of the ultimate holding company are interest-free.

Notes (continued)

16 Creditors: amounts falling due after more than one year

	2010 £m	2009 £m
Secured bank loans	38.6	38.7
Deferred income	8.9	10.5
	<u>47.5</u>	<u>49.2</u>

The maturity of shares classified as liabilities (see note 15) falls due within one year from the balance sheet date

The maturity of bank loans is as follows

	2010 £000	2009 £m
In one year or less, or on demand	5.5	25.0
Between one and two years	8.2	3.4
Between two and five years	12.1	10.9
In five years or more	18.3	24.4
	<u>44.1</u>	<u>63.7</u>

Rates of interest charged on bank loans vary between 1.7% (2009 3.8%) and 4.3% (2009 8.8%) The bank loans are secured on the assets to which they relate

17 Provisions for liabilities

	Onerous leases £m	Leased aircraft maintenance costs £m	Property costs £m	Total £m
At beginning of year	1.6	39.3	0.1	41.0
Charge for the year in the profit and loss account	-	22.9	-	22.9
Utilised during year	(1.5)	(19.5)	(0.1)	(21.1)
At end of year	<u>0.1</u>	<u>42.7</u>	<u>-</u>	<u>42.8</u>

Provisions for staff and property costs have been substantially utilised

Onerous lease provisions will be substantially utilised within 12 months

Provisions are made in respect of contractual obligations to maintain aircraft under operating lease contracts. The amount and timing of the maintenance costs are dependent on future usage of the relevant aircraft. Typically this will be written-off over a range of one to two years. As set out in the accounting policies and note 2, the calculation methodology for maintenance provisions was modified during the preceding year to account more accurately for maintenance obligations due to lessors.

Notes (continued)

18 Deferred taxation

	£m
Asset at 1 April 2009	5.5
Credit to the profit and loss account in the year	1.3
Asset at 31 March 2010	6.8

The elements of deferred taxation are as follows

	Recognised deferred tax asset		Unrecognised deferred tax asset	
	2010 £m	2009 £m	2010 £m	2009 £m
Difference between accumulated depreciation and capital allowances	6.8	29.2	12.3	18.0
Other timing differences	-	(27.5)	-	-
Tax losses	-	3.8	-	2.7
Undiscounted deferred tax (see note below)	6.8	5.5	12.3	20.7

Where carried forward losses or unclaimed capital allowances are available, they are recognised to the extent that taxable profits are forecast to arise in the next 12 months. No deferred tax assets have been recognised in respect of tax losses in excess of one year's forecast taxable profits due to uncertainty as to when these assets will be realised.

Notes (continued)

19 Equity-settled share scheme

The Employees' Trust has a share distribution scheme for all employees whereby qualifying employees acquire beneficial interests at nil cost in a given number of shares in Flybe Group Limited (the parent company) which are held in the Employees' Trust. The employees will have an option to sell their shares if there is a flotation or trade sale. The interest in the shares does not expire except that the shares are forfeited if the employee leaves the group before a flotation or trade sale.

Details of the shares in issue are as follows

	2010 Number of shares	2009 Number of shares
Outstanding at the beginning of the period	98,292	104,476
Forfeited during the period	(3,432)	(6,184)
	<hr/>	<hr/>
Outstanding at the end of the period	94,860	98,292
	<hr/>	<hr/>
Exercisable at the end of the period	-	-
	<hr/>	<hr/>

The fair value of the share awards granted is determined with reference to the fair values of the shares at the date of grant. No shares were awarded in 2010 (2009 nil).

Under FRS20, Share-based payments, a charge of £0.4m (2009 £0.3m) has been recognised in the profit and loss account of the company to reflect the fair value of the awards given.

20 Pension liabilities

British Regional Air Lines Group Pension Scheme

Composition of the scheme

This scheme was acquired on 5 March 2007 as part of the acquisition of British Regional Air Lines Group Limited. The scheme was closed to new contributions and further benefit accrual during the year ended 31 March 2008 and its members now contribute to the company's defined contribution scheme.

A formal actuarial valuation was carried out as at 1 April 2007. The results of this have been updated on an FRS 17 'Retirement Benefits' basis at 31 March 2008, 31 March 2009 and 31 March 2010 by an independent qualified actuary. The service costs have been calculated using the Projected Unit method.

Contributions of £nil were payable to the fund at year-end (2009 £nil).

The following assumptions have been adopted in determining the pension liability

	2010	2009
Discount rate	5.7%	6.4%
Expected return on scheme assets at start of period	6.3%	6.6%
Rate of increase in pensions in payment accrued before 1 October 2006	3.6%	3.25%
Rate of increase in pensions in payment accrued after 1 October 2006	2.5%	2.5%
Inflation assumption	3.6%	3.25%
Mortality table	PA92lc	PA92lc
	<hr/>	<hr/>

Notes (continued)

20 Pension liabilities (continued)

A formal actuarial valuation is underway and will be completed later in 2010/11. There is no certainty at the date of approval of these financial statements as to the level of contribution, if any, that may be required to address any deficit that may be determined by the Scheme's actuary.

Scheme assets

The assets in the scheme and the expected rates of return were

	Long-term rate of return 31 March 2010	Value at 31 March 2010 £m	Long-term rate of return 31 March 2009	Value at 31 March 2009 £m
Equities	8.0%	42.9	8.5%	26.9
Bonds	5.25%	68.5	5.9%	68.0
Cash	3.0%	0.5	3.0%	0.1
Total market value of assets		111.9		95.0
Actuarial value of liability		(116.7)		(91.7)
(Deficit)/surplus in the scheme		(4.8)		3.3
Amount of surplus not recognised		-		(3.3)
Net pension liability		(4.8)		-

The rates quoted above are the expected net rates of return after allowance for expenses.

Movements in the scheme liabilities during the year:

	2010 £m	2009 £m
Opening liability	(91.7)	(101.2)
Interest cost	(5.8)	(6.0)
Benefits paid	3.3	2.7
Actuarial (loss)/gain	(22.5)	12.8
Closing liability	(116.7)	(91.7)

Movements in the scheme assets during the year:

	2010 £m	2009 £m
Opening assets	95.0	105.2
Expected return on assets	5.7	6.0
Benefits paid	(3.3)	(2.7)
Actuarial gain/(loss)	14.5	(13.5)
Closing assets	111.9	95.0

Notes (continued)

20 Pension liabilities (continued)

Analysis of amounts credited to net finance charges:

	2010 £m	2009 £m
Interest cost	5.8	6.0
Expected return on assets	(5.7)	(6.0)
Net return	0.1	-

Analysis of amount recognised in statement of total recognised gains and losses:

	2010 £m	2009 £m
Actuarial gain/(loss) on scheme assets	14.5	(13.5)
Actuarial (loss)/gain arising on scheme liabilities	(22.5)	12.8
Adjustment to amount not recognised as an asset	3.3	0.7
Net loss recognised	(4.7)	-

History of experience gains and losses:

	2010 £m	2009 £m	2008 £m
Actuarial gain/(loss) on scheme assets	14.5	(13.5)	(7.7)
Percentage of year-end scheme assets	13%	14%	7%
Actuarial (loss)/gain arising on scheme liabilities	(22.5)	12.8	13.4
Percentage of present value of year-end scheme liabilities	19%	13%	14%
Adjustment to reflect unrecognised asset	3.3	0.7	(3.9)
Actuarial loss recognised in statement of total recognised and losses	(4.7)	-	1.8
Percentage of present value of year-end scheme liabilities	4%	n/a	2%

Other schemes

The company also operates defined contribution pension schemes. The pension cost charge for the period represents contributions payable by the company to the schemes and amounted to £5.5m (2009: £5.2m).

There are no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Notes (continued)

21 Share capital

	2010 £m	2009 £m
Authorised		
1,000,000 ordinary shares of £1 each	1 0	1 0
17,500,000 redeemable preference shares of £1 each	17 5	17 5
	<u>18 5</u>	<u>18 5</u>
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	1 0	1 0
17,500,000 redeemable preference shares of £1 each	17.5	17 5
	<u>18.5</u>	<u>18 5</u>
Shares classified as equity	1.0	1 0
Shares classified as liabilities (see note 15)	17.5	17 5
	<u>18.5</u>	<u>18 5</u>

The redeemable preference shares are redeemable immediately prior to a sale or listing. The company may also redeem the preference shares at any time. No premium will be payable on redemption and the redeemable preference shares have no dividend rights.

In the event of a liquidation of the company, the assets of the company available for distribution shall be applied to holders of redeemable preference shares in priority to holders of ordinary shares.

22 Statement of movements on reserves

	Profit and loss account £m
At beginning of year	(73 1)
Profit for the financial year	4 8
Losses related to the pension scheme	(4 7)
At end of year	<u>(73 0)</u>

23 Statement of movement in shareholders' deficit

	2010 £m	2009 £m
At beginning of year	(72 1)	(55 8)
Profit/(loss) for the financial year	4 8	(16 3)
Losses related to the pension scheme	(4.7)	-
At end of year	<u>(72.0)</u>	<u>(72 1)</u>

Notes (continued)

24 Contingent liabilities and guarantees

The company has given guarantees in favour of Lloyds TSB Cardnet, the company's credit card acquirers, for £14m (2009 £14m)

The company has also placed bonds in favour of various handling agents, fuel suppliers and customs offices totalling £7.8m (2009 £10.0m)

25 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2010		2009	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Operating leases which expire				
Within one year	2.0	0.8	1.3	1.1
In the second to fifth years inclusive	1.3	10.5	1.4	6.8
Over five years	0.6	65.4	0.8	60.9
	<u>3.9</u>	<u>76.7</u>	<u>3.5</u>	<u>68.8</u>

Capital expenditure authorised and contracted for but not provided in the financial statements amounts to US\$100m (£66m) (2009 US\$275m (£192m)). This is in respect of four (2009 11) Bombardier Dash 8 Q400 aircraft. This amount is based on the gross cost of the aircraft. The company has negotiated discounts which will reduce the total cost. The aircraft are scheduled for delivery over the next two years. It is intended that these aircraft will be financed partly through cash flow and partly through external financing and leasing arrangements.

Capital expenditure which is authorised but not contracted for at 31 March 2010 amounts to US\$699m (£461m) (2009 US\$735m (£514m)). This is in respect of options entered into for 15 (2009 15) Bombardier Q400 aircraft and 12 (2009 12) Embraer 195 aircraft on the same valuation basis as above.

The company is also contractually committed to spend £7.7m as at 31 March 2010 on the construction of a new building for the Group's Training Academy. Work commenced on this building in January 2010 and is expected to be completed by January 2011.

26 Fair value of assets and liabilities

The company has derivative financial instruments that it has not recognised at fair value as follows

- Foreign currency derivatives with a mark-to-market net asset at 31 March 2010 totalling £7.6m (2009 £25.4m net asset)
- Aircraft fuel derivatives with a mark-to-market net liability at 31 March 2010 totalling £0.3m (2009 £51.4m net liability)

The foreign currency derivative instruments represent 45 open contracts comprising swaps, forwards and options with maturity dates ranging from April 2010 to March 2011 and are to purchase either US dollars or Euros to meet business requirements.

The fuel derivative instruments represent 24 open contracts comprising swaps, collars and options with maturity dates ranging from April 2010 to March 2011 and are to purchase aviation fuel and Brent crude oil.

Both the foreign currency and the fuel derivatives are to meet demands stemming from the normal course of business and are utilised to manage and limit the risk of future fluctuations in currency values and fuel prices. They are not used to generate speculative returns. All open contracts are entered into with UK offices of recognised banks and financial institutions and are conducted on an open market basis.

Notes (continued)

27 Related party transactions

The company entered into the following transactions with related parties which are not members of the Group

	Sales of services		Amounts owed by related parties	
	2010 £m	2009 £m	2010 £m	2009 £m
Preston Travel (CI) Limited	<u>1.4</u>	<u>1.5</u>	<u>0.1</u>	<u>0.1</u>
	Purchases of services		Amounts owed by related parties	
	2010 £m	2009 £m	2010 £m	2009 £m
Edenfield Investments Limited	<u>0.2</u>	<u>0.2</u>	<u>-</u>	<u>-</u>
Downham Properties Limited	<u>0.2</u>	<u>0.2</u>	<u>-</u>	<u>-</u>

The company provided services to Preston Travel (CI) Limited, a subsidiary of Rosedale (JW) Investments Limited

The transactions with Edenfield Investments Limited and Downham Properties Limited are disclosed, although there is no holding/subsidiary company relationship between these two companies and Rosedale (JW) Investments Limited. These two companies are owned and controlled by the Eleanor J Walker 1964 settlement, established by the former wife of the late Mr Jack Walker, this trust is separate for tax purposes from the Jack Walker Settlement which controls Rosedale (JW) Investments Limited. The company purchased property services from Edenfield Investments Limited and from Downham Properties Limited.

At 31 March, the company had made the following loans to directors, prior to their appointment as directors, to enable them to acquire a beneficial interest in shares in Flybe Group Limited

	2010 £000s	2009 £000s
Andrew Knuckey	20	20
Mike Rutter	<u>63</u>	<u>63</u>

In addition, the following directors had received loans from the group's immediate parent company, Rosedale Aviation Holdings Limited, to enable them to acquire an interest in shares in Flybe Group Limited

	2010 £000s	2009 £000s
Andrew Knuckey	134	134
Andrew Strong	<u>36</u>	<u>36</u>

The loans made by the group and Rosedale Aviation Holdings Limited total £253,000 (2009 £253,000), bear no interest and are repayable in the event of a flotation or trade sale of the group and at the discretion of Rosedale Aviation Holdings Limited.

Notes *(continued)*

28 Ultimate parent company and parent undertaking of larger group of which the company is a member

The directors regard Rosedale (JW) Investments Limited, incorporated in Jersey, as the ultimate parent company
The ultimate controlling party is the Jack Walker Settlement

The largest and smallest group in which the results of the company are consolidated is that headed by Flybe Group Limited, incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of the group are available to the public and may be obtained from the Registrar of Companies, Crown Way, Maindy, Cardiff CF14 3UZ