

2850499

EUROPEAN AVIATION AIR CHARTER LIMITED

FINANCIAL STATEMENTS

For the year ended 31st March 2005



EUROPEAN AVIATION AIR CHARTER LIMITED

FINANCIAL STATEMENTS AND REPORTS

For the year ended 31st March 2005

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The following pages do not form part of the statutory accounts

Trading and Profit and Loss Account

**DIRECTORS AND OFFICERS
FOR THE YEAR ENDED 31ST MARCH 2005**

Directors:

P. G. Stoddart
W.A. O'Neill
S. B. Penton (appointed 4th October 2005)

Secretary:

J. W. Lailey, A.C.M.A.

Registered Office:

"Wolverton House",
14, Wolverton Road,
Dudley,
West Midlands,
DY2 7PL.

Auditors:

Poole Waterfield,
Registered Auditors,
"Wolverton House",
14, Wolverton Road,
Dudley,
West Midlands,
DY2 7PL.

Bankers:

Barclays Bank PLC.,
P. O. Box 612,
Ocean Way,
Ocean Village,
Southampton,
SO14 2XP.

Company Number:

2850499

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31st March 2005.

PRINCIPAL ACTIVITIES

The company's principal activity during the year was that of air charter operations and the provision of aircraft maintenance services.

RESULTS AND DIVIDENDS

The results for the period after taxation and the appropriation thereof, are set out in the profit and loss account on page 6. The directors do not recommend the payment of a dividend on the issued share capital for the period under review.

BUSINESS REVIEW

The company entered into a Corporate Voluntary Arrangement (CVA) on 7th April 2004.

During the year under review the company has traded profitably and has now satisfied the terms and conditions of the CVA. A Notice of Completion was filed on 30th September 2005, and in view of this the financial statements for the year ended 31st March 2005 reflect all the adjustments arising from the completion of the CVA.

Material events that have occurred since the end of the financial year are disclosed in note 18.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year, none of whom had interests in the share capital of the company, were:

P. G. Stoddart (Chairman)
W. A. O'Neill (Managing)

S. B. Penton was appointed as a director on 4th October 2005.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which 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 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;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * prepare the statements on a going concern basis unless it is inappropriate to presume the company will continue in business.

REPORT OF THE DIRECTORS (CONTINUED)

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.

FIXED ASSETS

The movement in fixed assets during the year is shown in note 9.

DISABLED PERSONS


The company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

Disabled employees receive appropriate training to promote their career development within the company. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts.

EMPLOYEE INVOLVEMENT

Meetings are held between senior management and employees to discuss matters of concern. Employees are kept informed about the progress and position of the company by means of meetings and newsletters.

By order of the board.

.....

P. G. Stoddart
Director

30th August 2006
.....

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EUROPEAN AVIATION AIR CHARTER LIMITED

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We have audited the financial statements on pages 6 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders 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 are set out in the Statement of Directors' Responsibilities on pages 2 and 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 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 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.

Fundamental uncertainty

The directors have disclosed in the accounting policies that they consider it appropriate to use the going concern basis for the production of these financial statements.

Should the company fail to trade profitably and generate positive cashflow, it is unlikely that it would be able to continue to trade without financial support from fellow group members. In this event the going concern basis would not be appropriate.

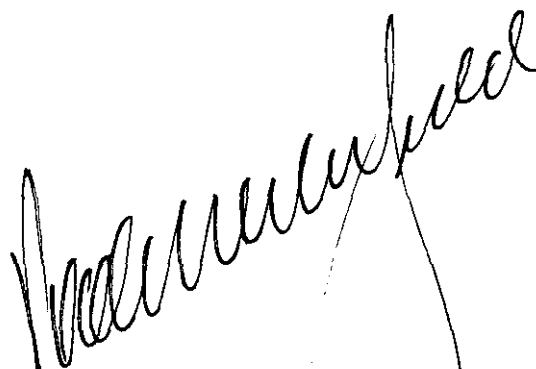
Our opinion is not qualified in this respect.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
EUROPEAN AVIATION AIR CHARTER LIMITED**

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Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



POOLE WATERFIELD
Registered Auditors

Dudley,
West Midlands.

1st September 2006

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2005**

	Note	31-03-2005 £	11 months ended 31-03-2004 £
TURNOVER	2	33,892,750	67,188,717
Cost of sales		23,742,540	73,338,862
		<hr/>	<hr/>
GROSS PROFIT/(LOSS)		10,150,210	(6,150,145)
Operating charges		9,262,764	28,953,665
		<hr/>	<hr/>
		887,446	(35,103,810)
Group balances written back		552,259	2,247,494
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)	3	1,439,705	(32,856,316)
Exceptional items	6	80,004,236	--
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		81,443,941	(32,856,316)
Interest payable and similar charges	7	178,882	399,473
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		81,265,059	(33,255,789)
TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	8	--	--
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE YEAR/PERIOD	16	81,265,059	(33,255,789)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 20 form part of these financial statements.

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the above two financial periods.

TOTAL RECOGNISED GAINS AND LOSSES

The company does not have any recognised gains or losses other than the profit/loss for the above two financial periods.

EUROPEAN AVIATION AIR CHARTER LIMITED

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BALANCE SHEET
AS AT 31ST MARCH 2005

	Note	£	2005 £	£	2004 £
FIXED ASSETS					
Tangible assets	9		1,817,134		3,615,775
CURRENT ASSETS					
Stocks	10	6,538		18,588	
Debtors	11	4,148,207		2,123,327	
Cash at bank and in hand		107,282		537,542	
			<hr/>	<hr/>	
		4,262,027		2,679,457	
CREDITORS: Amounts falling due within one year	12	6,204,225		86,490,735	
		<hr/>		<hr/>	
NET CURRENT LIABILITIES			(1,942,198)		(83,811,278)
			<hr/>	<hr/>	
TOTAL ASSETS LESS CURRENT LIABILITIES			(125,064)		(80,195,503)
CREDITORS: Amounts falling due after more than one year	13		--		1,194,620
			<hr/>		<hr/>
NET LIABILITIES			(125,064)		(81,390,123)
			=====		=====
CAPITAL AND RESERVES					
Issued share capital	15		2		2
Profit and loss account	16		(125,066)		(81,390,125)
			<hr/>		<hr/>
SHAREHOLDERS' DEFICIENCY	17		(125,064)		(81,390,123)
			=====		=====

The notes on pages 8 to 20 form part of these financial statements.

Approved by the Board of Directors on 30th August 2006 and signed on their behalf by:

.....
P. G. Stoddart
Director

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2005****1 ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the financial statements are set out below.

Basis of accounting

The accounts have been prepared in accordance with the historical cost convention and in accordance with Section 228, and Schedule 4 to, the Companies Act 1985, and applicable accounting standards.

The company as a wholly-owned subsidiary has taken advantage of the exemption in FRS 1 and has not produced a cash flow statement.

Corporate Voluntary Arrangement

Adjustments have been made in these financial statements that result from the Corporate Voluntary Arrangement dated 7th April 2004, which was completed on 30th September 2005. These are shown in note 6 to the financial statements.

Going concern basis

The financial statements have been prepared on a going concern basis. The validity of this basis may depend upon the availability of financial support from the company's fellow group members. No adjustments have been made to the financial statements in respect of the possible invalidity of the going concern basis.

Depreciation

Depreciation is provided on the cost of tangible fixed assets in order to write off such cost after taking account of residual values over the expected useful lives as follows:-

Aircraft enhancement	33 1/3% straight line where applicable
Aircraft simulators & training facilities	10% straight line
Aircraft and fitted hushkits	10% straight line
Motor vehicles	25% straight line
Fixtures and fittings	At rates varying between 15% and 33 1/3% on a straight line basis
Plant and machinery	15% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on anticipated selling price after taking into account all further costs expected to be incurred on disposal.

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2005****1 ACCOUNTING POLICIES (CONTINUED)****Pension costs**

The company operates a contributory defined contribution group personal pension scheme. Premiums payable are charged against revenue when paid.

Taxation

Tax losses are surrendered between wholly-owned trading subsidiaries and their immediate holding company in the accounting period in which the losses arise. The benefits of any transfers are reflected in the relevant company accounts at the monetary value applicable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Hire purchase and leased assets

Tangible fixed assets acquired under hire purchase and finance lease contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges are included in creditors.

The interest element of the rental obligation is charged to the profit and loss account over the period of the contract when falling due.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2005

1 ACCOUNTING POLICIES (CONTINUED)

Foreign exchange

Transactions denominated in a foreign currency are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances at the year end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date. All differences are transferred to the profit and loss account.

2 TURNOVER

Turnover represents the value (excluding Value Added Tax) of goods and services supplied to third parties during the year.

Geographical analysis:

	31-03-2005	11 months ended 31-03-2004
	£	£
United Kingdom and other E.U. states	33,232,794	63,152,957
North America	--	61,536
Other	659,956	3,974,224
	<hr/>	<hr/>
	33,892,750	67,188,717
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2005

3 OPERATING PROFIT/(LOSS)

This is stated after charging/(crediting):

	31-03-2005	11 months ended 31-03-2004
	£	£
Depreciation of owned fixed assets	307,092	372,576
Depreciation of assets subject to hire purchase or finance lease agreements	11,987	1,191,619
Impairment loss	--	4,877,453
Loss on disposal of fixed assets	--	677
Aircraft leasing	1,957,915	10,335,172
Equipment hire	19,091	85,975
Auditors' remuneration	25,000	25,000
Non-audit services	5,000	5,000
Directors' remuneration (note 4)	64,642	312,835
Net gains on foreign exchange translations	(182,361)	(1,100,443)
Group balances written back	(552,259)	(2,247,494)
	=====	=====

4 DIRECTORS' REMUNERATION

	31-03-2005	11 months ended 31-03-2004
	£	£
Emoluments:		
Management remuneration	45,062	272,846
Benefits in kind	18,730	28,942
Pension contributions	850	11,047
	-----	-----
	64,642	312,835
	=====	=====

	31-03-2005	11 months ended 31-03-2004
	£	£
Emoluments of highest paid director:-		
Management remuneration and benefits in kind	44,051	71,184
Pension contributions	--	3,116
	-----	-----
	44,051	74,300
	=====	=====

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2005

4 DIRECTORS' REMUNERATION (CONTINUED)

None of the directors have waived their right to receive remuneration.

The number of directors who are members of the company contributory defined contribution pension scheme is 1.

5 STAFF COSTS

	31-03-2005	11 months ended 31-03-2004
	No.	No.
The average number of persons employed by the company including directors was:-		
Airline	212	596
Engineering	45	97
	<hr/>	<hr/>
	257	693
	=====	=====

The aggregate payroll costs of persons employed were:-

	31-03-2005	11 months ended 31-03-2004
	£	£
Wages and salaries	8,313,445	16,520,938
Social security costs	816,176	1,591,635
Pension contributions	159,002	314,283
	<hr/>	<hr/>
	9,288,623	18,426,856
	=====	=====

6 EXCEPTIONAL ITEMS

	31-03-2005	11 months ended 31-03-2004
	£	£
Write offs arising from:-		
Corporate Voluntary Arrangement	78,815,292	--
Hire purchase settlements	1,188,944	--
	<hr/>	<hr/>
	80,004,236	--
	=====	=====

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2005****7 INTEREST PAYABLE AND SIMILAR CHARGES**

	31-03-2005	11 months ended 31-03-2004
	£	£
Hire purchase interest	11,752	343,680
Other interest	167,130	55,793
	<hr/>	<hr/>
	178,882	399,473
	=====	=====

8 TAXATION ON LOSS ON ORDINARY ACTIVITIES

	31-03-2005	11 months ended 31-03-2004
	£	£
Corporation tax	--	--
	=====	=====

9 TANGIBLE FIXED ASSETS

COST	Aircraft & fitted hushkits £	Aircraft enhancement costs £	Aircraft simulators & training facilities £	Expenditure on leasehold buildings £	Fixtures & fittings £	Motor vehicles £	Plant & machinery £	Total £
At 1st April								
2004	13,135,858	4,269,631	2,267,339	93,223	1,093,631	173,886	577,140	21,610,708
Additions	77,201	944,967	--	--	11,100	60,656	14,700	1,108,624
Disposals	(13,135,858)	--	(1,017,767)	--	(1,093,629)	(135,136)	(519,442)	(15,901,832)
At 31st March								
2005	77,201	5,214,598	1,249,572	93,223	11,102	99,406	72,398	6,817,500

At 1st April								
2004	10,649,671	4,269,631	1,260,207	93,223	1,068,631	154,657	498,913	17,994,933
Charge for the year	11,580	159,210	114,960	--	3,700	20,713	8,916	319,079
Disposals	(10,649,671)	--	(987,767)	--	(1,068,630)	(128,136)	(479,442)	(13,313,646)
<hr/>								
At 31st March								
2005	11,580	4,428,841	387,400	93,223	3,701	47,234	28,387	5,000,366
<hr/>								

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NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2005

9 TANGIBLE FIXED ASSETS (CONTINUED)

The following fixed assets are subject to hire purchase or other secured borrowing as referred to in note 14.

	Aircraft & fitted hushkits £	Aircraft simulators & training facilities £	Motor vehicles £	Plant & machinery £	Total £
COST					
At 1st April 2004	11,582,152	1,149,571	38,750	57,698	12,828,171
Disposals/contracts completed during the year	(11,582,152)	(1,149,571)	--	--	(12,731,723)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st March 2005	--	--	38,750	57,698	96,448
	=====	=====	=====	=====	=====
DEPRECIATION					
At 1st April 2004	9,182,864	172,440	26,521	19,471	9,401,296
Charge for the year	--	--	5,549	6,438	11,987
Depreciation on disposals/ contracts completed during year	(9,182,864)	(172,440)	--	--	(9,355,304)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st March 2005	--	--	32,070	25,909	57,979
	=====	=====	=====	=====	=====
NET BOOK VALUE					
At 31st March 2005	--	--	6,680	31,789	38,469
	=====	=====	=====	=====	=====
At 31st March 2004	2,399,288	977,131	12,229	38,227	3,426,875
	=====	=====	=====	=====	=====

10 STOCKS

	2005 £	2004 £
Aircraft fuel and accessories	2,249	613
Goods for resale	4,289	17,975
	<u> </u>	<u> </u>
	6,538	18,588
	=====	=====

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2005

11 DEBTORS

	2005 £	2004 £
Trade debtors	2,415,680	1,833,094
Amounts due from related companies (note 20)	1,028,461	--
Directors' loan accounts (note 21)	131,004	131,444
Section 419 tax recoverable	--	24,901
Value added tax	32,566	17,185
Prepayments	540,496	116,703
	<hr/>	<hr/>
	4,148,207	2,123,327
	=====	=====

12 CREDITORS: Amounts falling due within one year

	2005 £	2004 £
Bank overdraft (note 14)	109,576	--
Trade creditors	3,888,105	45,601,618
Amount due to fellow subsidiary companies	--	1,092,859
Amount due to related company (note 20)	--	21,850,625
Hire purchase commitments (note 14)	7,120	2,776,470
Corporation tax	--	164,802
Other taxation and social security	294,604	6,438,588
Section 419 tax	--	24,901
Accruals and other creditors	1,904,820	8,540,872
	<hr/>	<hr/>
	6,204,225	86,490,735
	=====	=====

13 CREDITORS: Amounts falling due after more than one year

	2005 £	2004 £
Hire purchase commitments		
Due between 2 and 5 years (note 14)	--	1,194,620
	=====	=====

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2005****14 SECURITY****a. Bank borrowing**

At 31st March 2005 the company's bank borrowing was secured by a limited guarantee given by European Skybus Limited (a fellow subsidiary company) for £100,000 dated 12th October 2004. Another limited guarantee was given by European Skybus Limited for £190,000 on 14th April 2005.

b. Hire Purchase

- (i) On 26th November 1998 a chattel mortgage was registered in favour of Lombard North Central PLC., over the company's flight simulator equipment. The liability to which this charge relates has been settled and a Memorandum of Satisfaction was filed on 14th July 2005.
- (ii) On 9th March 2001 aircraft mortgages of even date were registered in favour of Girobank PLC., over four B737 aircraft, by way of a first legal mortgage. The liability to which this charge relates has been settled and a Memorandum of Satisfaction was filed on 14th July 2005.
- (iii) On 9th March 2001 a lightweight floating charge of even date was registered in favour of Girobank PLC., by way of a floating charge over the company's assets. The liability to which this charge relates has been settled and a Memorandum of Satisfaction was filed on 14th July 2005.
- (iv) On 9th March 2001 a charge on cash of even date was registered in favour of Girobank PLC., by way of a fixed charge on deposit monies, as referred to in the registered charge document. The liability to which this charge relates has been settled and a Memorandum of Satisfaction was filed on 14th July 2005.
- (v) On 9th March 2001 an assignment of insurances of even date was registered in favour of Girobank PLC., whereby all rights, title and interest in respect of insurances are assigned. The liability to which this charge relates has been settled and a Memorandum of Satisfaction was filed on 14th July 2005.
- (vi) On 1st October 2002 two aircraft mortgages were separately registered in favour of Girobank PLC., over two BAC 1-11 aircraft. Memoranda of Satisfaction in respect of these charges were filed on 14th July 2005.
- (vii) On 31st July 2002 a chattel mortgage was registered in favour of British Airways PLC over B747 flight simulator equipment in respect of US\$1,500,000 due or to become due from the company to the chargee. A Memorandum of Satisfaction in respect of this charge was filed on 14th July 2005.

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2005

14 SECURITY (CONTINUED)

c. Other security

- (i) On 23rd November 2002 a legal charge was registered in favour of R. E. Bath Travel Service (Palmail) Limited over the entire share capital of European Aviation Air Charter Limited in respect of all monies due, or to become due, to the chargee by the parent company, European Aviation Limited. The directors believe that this charge was registered in error. A Memorandum of Satisfaction in respect of this charge was filed on 1st March 2006.
- (ii) On 24th December 2002 a charge over shares was registered in favour of R. E. Bath Travel Service (Palmail) Limited and The Really Great Holiday Company PLC over the entire issued share capital of European Aviation Air Charter Limited together with all stocks shares or other securities and all dividends in respect of all monies due, or to become due from the company to the chargee. A Memorandum of Satisfaction in respect of this charge was filed on 1st March 2006.
- (iii) On 3rd April 2002 a mortgage was registered in favour of Barclays Bank PLC., over all insurances and any compensation rights and any lease relating to a specified B747 aircraft which is owned by European Skybus Limited, a related company, in respect of all monies due or to become due from European Skybus Limited to the chargee. A Memorandum of Satisfaction in respect of this charge was filed on 14th July 2005.

15 SHARE CAPITAL

	2005 £	2004 £
Authorised:		
1,000,000 ordinary shares of £1 each	1,000,000 =====	1,000,000 =====
Issued and fully paid:		
2 ordinary shares of £1 each	2 =====	2 =====

16 PROFIT AND LOSS ACCOUNT

	2005 £	2004 £
Profit/(loss) for the year/period	81,265,059	(33,255,789)
Accumulated losses at 1st April 2004	(81,390,125)	(48,134,336)
	-----	-----
Accumulated losses at 31st March 2005	(125,066) =====	(81,390,125) =====

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2005

**17 RECONCILIATION OF MOVEMENTS IN
 SHAREHOLDERS' DEFICIENCY**

	2005 £	2004 £
Profit/(loss) for the year/period	81,265,059	(33,255,789)
Shareholders' deficiency as at 1st April 2004	(81,390,123)	(48,134,334)
	<hr/>	<hr/>
Shareholders' deficiency as at 31st March 2005	(125,064)	(81,390,123)
	<hr/>	<hr/>

18 POST BALANCE SHEET EVENTS

- (a) The Corporate Voluntary Arrangement was completed on 30th September 2005.
- (b) Those legal charges which have been satisfied since the year end are disclosed in note 14.
- (c) On 5th April 2006 a cross guarantee relationship was created between the company, European Aviation Limited and European Skybus Limited in respect of bank borrowing facilities from Barclays Bank PLC.

19 CONTINGENT LIABILITIES

There are several Employment Tribunal cases pending, all of which are being rigorously defended. The directors believe that no liability will arise and therefore have made no provision in the financial statements in this respect.

The company is subject to H M Revenue and Customs enquiries in respect of earlier years Returns. The directors do not consider that any provisions are necessary in this respect.

20 RELATED PARTY TRANSACTIONS

Amounts due from companies related by common directorship and shareholding:-

	2005 £	2004 £
European Skybus Limited	866,780	--
Ozjet Airlines Pty Limited	129,689	--
European Minardi F1 Team Limited	31,992	--
	<hr/>	<hr/>
	1,028,461	--
	<hr/>	<hr/>

The balances above are unsecured, interest free and repayable on demand.

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2005

20 RELATED PARTY TRANSACTIONS (CONTINUED)

Amounts due to company related by common directorship and shareholding:-

	2005 £	2004 £
European Skybus Limited	-- =====	21,850,625 =====

W. A. O'Neill, a director, is also a director of Withycourt Limited, a company which has charged the sum of £60,000 (2004 - £46,542) for services and facilities provided during the year.

During the year the company has been charged £4,657,077 (2004 - £10,708,733) in respect of aircraft leasing and maintenance charges by European Skybus Limited.

The company sold aircraft to European Skybus Limited for a consideration of \$4,500,000.

The company, as a wholly owned subsidiary, has taken advantage of the exemption under FRS8, not to disclose separate transactions with other group companies.

21 DIRECTORS' LOANS

P. G. Stoddart has negotiated an unsecured interest free loan with the company which is repayable on demand. The amount outstanding at the balance sheet date was £131,004 (2004 - £131,444). The maximum outstanding during the year was £146,964 (2004 - £147,874).

22 HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of European Aviation Limited, whose consolidated financial statements can be obtained from the registered office. The ultimate holding company is Gannet Investments Limited, a company registered in Liberia.