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EUROPEAN AVIATION AIR CHARTER LIMITED

FINANCIAL STATEMENTS

For the year ended 31st March 2006

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EUROPEAN AVIATION AIR CHARTER LIMITED

FINANCIAL STATEMENTS AND REPORTS

For the year ended 31st March 2006

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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 2006**

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 2006

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

In the year under review the company has maintained both turnover and profitability despite a highly competitive and volatile trading climate. In view of difficult trading conditions the company, decided to terminate its B747 programme in the autumn of 2005, and concentrate on the more profitable B737 operations. A key performance indicator, the hours flown, (see below), and the results for the year, vindicate this decision

	<u>2006</u>	<u>2005</u>
<u>Hours flown</u>	<u>No</u>	<u>No</u>
B737	8,907	9,041
B747	1,804	3,351
	<hr/>	<hr/>
	10,711	12,392
	=====	=====

Despite the small overall reduction in hours flown the directors are pleased to report that the operating profit has increased by 26% to £1,820,067

2007 has proved to be more challenging with increased competition from other operators

The company is directly affected by the amount of flying activity in the aircraft industry and this in turn is influenced by the security environment, fuel prices, consumer confidence and general economic conditions. Though mitigated where possible these risk factors remain outside the company's control

RESULTS AND DIVIDENDS

The results for the year 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 year under review

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

REPORT OF THE DIRECTORS (CONTINUED)

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

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.

In so far as the directors are aware

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

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

Date - 3 SEP 2007

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

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We have audited the financial statements of European Aviation Air Charter Limited for the year ended 31st March 2006 on pages 6 to 17 which have been prepared on the basis of the accounting policies set out on pages 8 and 9

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

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

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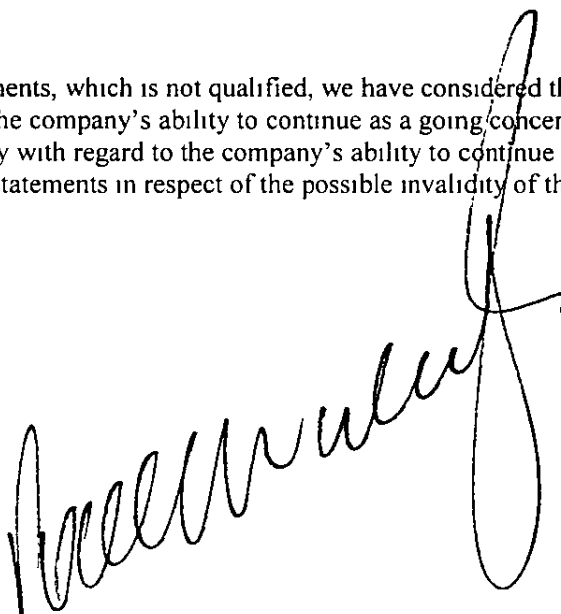
Opinion

In our opinion

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the company as at 31st March 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty with regard to the company's ability to continue as a going concern. No adjustments have been made to the financial statements in respect of the possible invalidity of the going concern basis.



POOLE WATERFIELD
Registered Auditors

Dudley,
West Midlands

Date

27 SEP 2007

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2006**

	Note	2006 £	2005 £
TURNOVER	2	34,021,586	33,892,750
Cost of sales		24,651,518	23,742,540
		<hr/>	<hr/>
GROSS PROFIT		9,370,068	10,150,210
Operating charges		8,913,049	9,262,764
		<hr/>	<hr/>
		457,019	887,446
Group balances written back		1,363,048	552,259
		<hr/>	<hr/>
OPERATING PROFIT	3	1,820,067	1,439,705
Exceptional items	6	--	80,004,236
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		1,820,067	81,443,941
Interest payable and similar charges	7	183,348	178,882
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,636,719	81,265,059
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	8	(48,807)	--
		<hr/>	<hr/>
PROFIT FOR THE YEAR	15	1,685,526	81,265,059
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 17 form part of these financial statements

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

The company does not have any recognised gains or losses other than the profit for the above two financial years

EUROPEAN AVIATION AIR CHARTER LIMITED

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**BALANCE SHEET
AS AT 31ST MARCH 2006**

	Note	£	2006 £	£	2005 £
FIXED ASSETS					
Tangible assets	9		1,071,189		1,817,134
CURRENT ASSETS					
Stocks	10	18,978		6,538	
Debtors	11	5,316,589		4,148,207	
Cash at bank and in hand		65,025		107,282	
		5,400,592		4,262,027	
CREDITORS Amounts falling due within one year	12	4,911,319		6,204,225	
NET CURRENT ASSETS/ (LIABILITIES)			489,273		(1,942,198)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,560,462		(125,064)
CAPITAL AND RESERVES					
Called up share capital	14		2		2
Profit and loss account	15		1,560,460		(125,066)
SHAREHOLDERS' FUNDS /(DEFICIENCY)	16		1,560,462		(125,064)

The notes on pages 8 to 17 form part of these financial statements

Approved by the Board of Directors on 22nd Sept 2007 and signed on their behalf by


P. G. Stoddart
Director

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2006****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

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.

Corporate Voluntary Arrangement

The Corporate Voluntary Arrangement entered into by the company on 7th April 2004 was completed on 30th September 2005. Adjustments resulting from the CVA were in the financial statements for the year ended 31st March 2005 and are shown in note 6.

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.

Pension costs

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

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2006**

1 ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2006

2 TURNOVER

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

Geographical analysis

	2006 £	2005 £
United Kingdom and other E U states	30,549,980	33,232,794
North America	36,734	--
Australia	1,697,510	--
Other	1,737,362	659,956
	<u>34,021,586</u>	<u>33,892,750</u>

3 OPERATING PROFIT

This is stated after charging/(crediting)

	2006 £	2005 £
Depreciation of owned fixed assets	714,921	307,092
Depreciation of assets subject to hire purchase or finance lease agreements	--	11,987
Aircraft leasing	922,273	1,957,915
Equipment hire	19,772	19,091
Auditors' remuneration	25,000	25,000
Non-audit services	5,000	5,000
Directors' remuneration (note 4)	89,175	64,642
Net losses/(gains) on foreign exchange translations	20,569	(182,361)
Group balances written back	(1,363,048)	(552,259)
	<u>=====</u>	<u>=====</u>

4 DIRECTORS' REMUNERATION

	2006 £	2005 £
Emoluments		
Management remuneration	67,597	45,062
Benefits in kind	19,793	18,730
Pension contributions	1,785	850
	<u>89,175</u>	<u>64,642</u>

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

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2006

5 STAFF COSTS

	2006 No	2005 No
The average number of persons employed by the company including directors was -		
Airline	206	212
Engineering	58	45
	<u>264</u>	<u>257</u>

The aggregate payroll costs of persons employed were -

	2006 £	2005 £
Wages and salaries	7,976,478	8,313,445
Social security costs	883,670	816,176
Pension contributions	191,568	159,002
	<u>9,051,716</u>	<u>9,288,623</u>

6 EXCEPTIONAL ITEMS

	2006 £	2005 £
Write offs arising from -		
Corporate Voluntary Arrangement	--	78,815,292
Hire purchase settlements	--	1,188,944
	<u>--</u>	<u>80,004,236</u>

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2006****7 INTEREST PAYABLE AND SIMILAR CHARGES**

	2006 £	2005 £
Bank interest	150,325	121,582
Hire purchase interest	4,449	11,752
Other interest	28,574	45,548
	<u>183,348</u>	<u>178,882</u>

8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
Surrender of tax losses to fellow group companies	<u>(48,807)</u>	<u>--</u>

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2006

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 2005	77,201	5,214,598	1,249,572	93,223	11,102	99,406	72,398	6,817,500
Additions	11,063	228,126	--	--	93,707	5,199	--	338,095
Disposals	--	(5,127,009)	--	--	--	--	--	(5,127,009)
At 31st March 2006	<u>88,264</u>	<u>315,715</u>	<u>1,249,572</u>	<u>93,223</u>	<u>104,809</u>	<u>104,605</u>	<u>72,398</u>	<u>2,028,586</u>

DEPRECIATION

At 1st April 2005	11,580	4,428,841	387,400	93,223	3,701	47,234	28,387	5,000,366
Charge for the year	13,240	530,548	114,960	--	24,167	21,146	10,860	714,921
Disposals	--	(4,757,890)	--	--	--	--	--	(4,757,890)
At 31st March 2006	<u>24,820</u>	<u>201,499</u>	<u>502,360</u>	<u>93,223</u>	<u>27,868</u>	<u>68,380</u>	<u>39,247</u>	<u>957,397</u>

NET BOOK VALUE

At 31st March 2006	<u>63,444</u>	<u>114,216</u>	<u>747,212</u>	<u>--</u>	<u>76,941</u>	<u>36,225</u>	<u>33,151</u>	<u>1,071,189</u>
At 31st March 2005	<u>65,621</u>	<u>785,757</u>	<u>862,172</u>	<u>--</u>	<u>7,401</u>	<u>52,172</u>	<u>44,011</u>	<u>1,817,134</u>

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2006

10 STOCKS

	2006 £	2005 £
Aircraft fuel and accessories	7,717	2,249
Goods for resale	11,261	4,289
	<hr/>	<hr/>
	18,978	6,538
	<hr/>	<hr/>

11 DEBTORS

	2006 £	2005 £
Trade debtors	561,231	2,415,680
Amounts due from related companies (note 18)	3,913,579	1,028,461
Directors' loan accounts (note 19)	177,818	131,004
Value added tax	11,201	32,566
Prepayments	652,760	540,496
	<hr/>	<hr/>
	5,316,589	4,148,207
	<hr/>	<hr/>

12 CREDITORS: Amounts falling due within one year

	2006 £	2005 £
Bank overdraft (note 13)	76,616	109,576
Trade creditors	1,839,554	3,888,105
Amounts due to group companies	1,502,272	--
Hire purchase commitments	--	7,120
Other taxation and social security	413,442	294,604
Accruals and other creditors	1,079,435	1,904,820
	<hr/>	<hr/>
	4,911,319	6,204,225
	<hr/>	<hr/>

Included in the above are aggregate secured creditors of £76,616 (2005 - £116,696)

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2006

13 SECURITY

Bank borrowing

At 31st March 2006 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.

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.

14 SHARE CAPITAL

	2006 £	2005 £
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

15 PROFIT AND LOSS ACCOUNT

	2006 £	2005 £
Profit for the year	1,685,526	81,265,059
Accumulated losses at 1st April 2005	(125,066)	(81,390,125)
Retained profits/(accumulated losses) at 31st March 2006	1,560,460	(125,066)

**16 RECONCILIATION OF MOVEMENTS IN
SHAREHOLDERS' FUNDS/(DEFICIENCY)**

	2006 £	2005 £
Profit for the year	1,685,526	81,265,059
Shareholders' deficiency as at 1st April 2005	(125,064)	(81,390,123)
Shareholders' funds/(deficiency) as at 31st March 2006	1,560,462	(125,064)

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2006

17 CONTINGENT LIABILITIES

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.

The company has been subject to a claim for £160,000 from a former employee. However the directors believe that no liability will arise and therefore have made no provision in the financial statements in this respect.

18 RELATED PARTY TRANSACTIONS

Amounts due from companies related by common directorship and shareholding -

	2006 £	2005 £
European Skybus Limited	2,018,045	866,780
Ozjet Airlines Pty Limited	--	129,689
European Minardi F1 Team Limited	1,895,534	31,992
	<u>3,913,579</u>	<u>1,028,461</u>

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

W A O'Neill, a director, is also a director of Withycourt Limited, a company which has charged the sum of £60,000 (2005 - £60,000) for services and facilities provided during the year.

During the year the company has been charged £2,044,164 (2005 - £4,657,077) in respect of aircraft leasing and maintenance charges by European Skybus Limited.

The company has charged European Skybus Limited £258,324 for aircraft maintenance (2005 - £Nil).

The company has charged European Skybus Limited £60,000 in respect of labour expenses (2005 - £Nil).

The company has charged Ozjet Airlines Pty Limited £3,072,846 for aircraft maintenance services and equipment (2005 - £Nil).

The company has charged European Minardi F1 Team Limited £257,426 for flights (2005 - £Nil).

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

**NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST MARCH 2006**

19 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 £177,818 (2005 - £131,004) which was the maximum outstanding during the year (2005 - £146,964).

20 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.