

# The Airline Seat Company Limited

## REPORT AND FINANCIAL STATEMENTS

30 September 2004



# The Airline Seat Company Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

A Rayner  
I Willatt  
N Roberts  
C Hedley  
K Munro  
K Tam

### SECRETARY

I Willatt

### REGISTERED OFFICE

Hillgate House  
13 Hillgate Street  
London W8 7SP

### AUDITORS

Baker Tilly  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

# The Airline Seat Company Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of The Airline Seat Company Limited for the year ended 30 September 2004.

### PRINCIPAL ACTIVITIES

The principal activity of the company during the year continued to be acting as a travel company specialising in airline seat sales and ancillary services.

### REVIEW OF THE BUSINESS

The directors are satisfied with the results for the year, and the financial position at the year end, and continue to seek increased turnover and profitability.

### DIVIDENDS

The directors recommend a final dividend on the ordinary shares of £12.50 per share amounting to £1,000,000 which leaves a profit of £166,241 to be retained.

### DIRECTORS AND THEIR INTERESTS

The following directors have held office since 1 October 2003:

A Rayner	
I Willatt	
N Roberts	
C Hedley	
R Meara	(resigned 28 November 2003)
K Munro	(appointed 13 April 2004)
K Tam	(appointed 13 April 2004)

A Rayner had an interest in 39,200 'A' Ordinary shares of £1 each at the beginning and end of the year.

### AUDITORS

The company has elected by elective resolution to dispense with the annual reappointment of auditors. Accordingly, Baker Tilly, Chartered Accountants, will continue as auditors within the provisions of section 386 of the Companies Act 1985.

By order of the board



I Willatt  
Secretary

20 December 2004

# The Airline Seat Company Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE AIRLINE SEAT COMPANY LIMITED

We have audited the financial statements on pages 5 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion 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 law and United Kingdom Accounting Standards 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 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

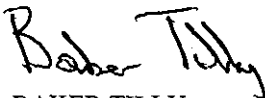
### **Basis of opinion**

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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

Registered Auditor  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

20 December 2004

# The Airline Seat Company Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 30 September 2004

	<i>Notes</i>	2004 £	2003 £
TURNOVER		53,719,333	42,106,839
External charges		(49,285,225)	(37,840,029)
Staff costs	3	(1,699,098)	(1,431,304)
Depreciation		(45,415)	(41,078)
Other operating charges		(977,613)	(1,025,037)
TRADING PROFIT BEFORE PROFIT DISTRIBUTION		1,711,982	1,769,391
Profit distribution to directors and employees	3	(449,564)	(453,535)
OPERATING PROFIT	1	1,262,418	1,315,856
Interest receivable		434,615	255,557
Interest payable	2	(27,423)	(27,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,669,610	1,544,413
Tax on profit on ordinary activities	4	(503,369)	(456,822)
PROFIT FOR THE FINANCIAL YEAR		1,166,241	1,087,591
Dividends	5	(1,000,000)	(1,000,000)
RETAINED PROFIT FOR THE YEAR	12	166,241	87,591

The operating profit for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

# The Airline Seat Company Limited

## BALANCE SHEET

30 September 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	6	78,694	92,107
Investments	7	2	2
		<u>78,696</u>	<u>92,109</u>
CURRENT ASSETS			
Debtors	8	1,491,032	1,196,357
Cash at bank and in hand		13,631,122	8,918,029
		<u>15,122,154</u>	<u>10,114,386</u>
CREDITORS: Amounts falling due within one year	9	(12,607,651)	(7,779,537)
NET CURRENT ASSETS		<u>2,514,503</u>	<u>2,334,849</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,593,199	2,426,958
CREDITORS: Amounts falling due after more than one year	10	(270,000)	(270,000)
NET ASSETS		<u>2,323,199</u>	<u>2,156,958</u>
CAPITAL AND RESERVES			
Called up share capital	11	80,000	80,000
Profit and loss account	12	2,243,199	2,076,958
SHAREHOLDERS' FUNDS	13	<u>2,323,199</u>	<u>2,156,958</u>

Approved by the board on 20 December 2004



I Willatt - Director

# The Airline Seat Company Limited

## CASH FLOW STATEMENT

for the year ended 30 September 2004

	<i>Notes</i>	2004 £	2003 £
Cash flow from operating activities	14a	5,940,504	2,403,385
Returns on investments and servicing of finance	14b	407,192	228,557
Taxation		(602,601)	(645,588)
Capital expenditure	14b	(32,002)	(46,032)
Equity dividends paid		(1,000,000)	(1,000,000)
CASH INFLOW BEFORE FINANCING		<u>4,713,093</u>	<u>940,322</u>
Management of liquid resources			
Increase in treasury deposit account		(4,885,965)	(500,000)
(DECREASE)/INCREASE IN CASH IN THE YEAR		<u>(172,872)</u>	<u>440,322</u>

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

		2004 £	2003 £
(Decrease)/increase in cash in the year		(172,872)	440,322
Cash inflow from increase in liquid resources		4,885,965	500,000
MOVEMENT IN NET FUNDS IN THE YEAR		<u>4,713,093</u>	<u>940,322</u>
NET FUNDS AT 1 OCTOBER 2003		8,648,029	7,707,707
NET FUNDS AT 30 SEPTEMBER 2004	14c	<u>13,361,122</u>	<u>8,648,029</u>



# The Airline Seat Company Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

### BASIS OF CONSOLIDATION

The company has taken advantage of section 229(2) Companies Act 1985 not to prepare consolidated accounts as the inclusion of its only subsidiary is not material for the purpose of giving a true and fair view. Therefore these financial statements present information about the company as an individual undertaking and not about its group.

### TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Leasehold premium	year of lease.
Plant and machinery	25%/33⅓% straight line basis

### INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value.

### 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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

### TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of services provided to customers.

### FOREIGN CURRENCY

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

### PENSIONS

The company operates two defined contribution pension schemes. Pension costs charged against profits represent the amounts payable to the schemes in respect of the year.

# The Airline Seat Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004

1	OPERATING PROFIT	2004 £	2003 £
	Operating profit is stated after charging:-		
	Rentals under operating leases:		
	Plant and machinery	34,196	20,945
	Other operating leases	138,300	153,300
	Auditors' remuneration	15,000	14,000
		<u>          </u>	<u>          </u>
2	INTEREST PAYABLE	2004 £	2003 £
	On subordinated and other loans	27,423	27,000
		<u>          </u>	<u>          </u>
3	EMPLOYEES	2004 No	2003 No
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Office and management	11	8
	Sales	48	42
		<u>          </u>	<u>          </u>
		59	50
		<u>          </u>	<u>          </u>
		2004 £	2003 £
	Staff costs for the above persons:		
	Wages and salaries	1,880,502	1,644,277
	Social security costs	207,246	180,388
	Other pension costs	60,914	60,174
		<u>          </u>	<u>          </u>
		2,148,662	1,884,839
		<u>          </u>	<u>          </u>
		2004 £	2003 £
	DIRECTORS' EMOLUMENTS		
	Remuneration	771,455	707,694
	Contribution to money purchase pension schemes	23,737	20,692
		<u>          </u>	<u>          </u>
		795,192	728,386
		<u>          </u>	<u>          </u>

The contribution to the money purchase scheme pension schemes relate to six (2003: four) directors.

The Airline Seat Company Limited  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 September 2004

3	EMPLOYEES ( <i>continued</i> )	2004 £	2003 £
	Emoluments in respect of the highest paid director amounted to:		
	Remuneration	380,633	370,581
4	TAXATION	2004 £	2003 £
	Current tax:		
	UK corporation tax on profits of the year	503,444	465,101
	Adjustments in respect of previous years	-	(4,182)
	Total current tax	503,444	460,919
	Deferred taxation:		
	Origination and reversal of timing differences	(75)	(4,097)
	Tax on profit on ordinary activities	503,369	456,822
	Factors affecting tax charge for year:	2004 £	2003 £
	The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	Profit on ordinary activities before tax	1,669,610	1,544,413
	Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2003 30%)	500,887	463,324
	Effects of:		
	Expenses not deductible for tax purposes	(1,417)	191
	Depreciation in excess of capital allowances	3,977	1,586
	Adjustment to tax charge in respect of previous years	-	(4,182)
	Tax charge for year	503,447	460,919
5	DIVIDENDS	2004 £	2003 £
	Proposed	1,000,000	1,000,000

# The Airline Seat Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004

6	TANGIBLE FIXED ASSETS	Short leasehold £	Plant and machinery £	Total £
	Cost			
	1 October 2003	62,024	517,884	579,908
	Additions	-	32,002	32,002
	30 September 2004	62,024	549,886	611,910
	Depreciation			
	1 October 2003	34,091	453,710	487,801
	Charged in the year	6,052	39,363	45,415
	30 September 2004	40,143	493,073	533,216
	Net book value			
	30 September 2004	21,881	56,813	78,694
	30 September 2003	27,933	64,174	92,107

7	FIXED ASSET INVESTMENTS	Shares in subsidiary undertakings £
	Cost:	
	1 October 2003 and 30 September 2004	2

This represents 100% of the issued share capital of Australian Affair Limited, a dormant company, which has not traded since its incorporation.

8	DEBTORS	2004 £	2003 £
	Due within one year:		
	Trade debtors	206,039	40,971
	Other debtors	117,475	133,141
	Prepayments and accrued income	1,152,940	1,007,742
		1,476,454	1,181,854
	Due in more than one year:		
	Deferred taxation asset	14,578	14,503
		1,491,032	1,196,357

The deferred taxation asset relates mainly to depreciation in excess of capital allowances.

# The Airline Seat Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004

9	CREDITORS: Amounts falling due within one year	2004 £	2003 £
	Trade creditors	5,531,378	3,341,742
	Corporation tax	12,944	112,101
	Other taxation and social security costs	59,256	46,651
	Proposed dividends	1,000,000	1,000,000
	Accruals and deferred income	6,004,073	3,279,043
		<u>12,607,651</u>	<u>7,779,537</u>

10	CREDITORS: Amounts falling due in more than one year	2004 £	2003 £
	Subordinated loans	<u>270,000</u>	<u>270,000</u>

The subordinated loans were made to the company by the shareholders. Under the terms of the loans, no part of the loans may be repaid (other than with the consent of the Civil Aviation Authority) until such time as all other liabilities incurred while the company holds an Air Travel Organisers' Licence have been settled in full. The company currently holds such a licence and will apply for its annual renewal.

11	SHARE CAPITAL	2004 £	2003 £
	Authorised:		
	39,200 'A' ordinary shares of £1 each	39,200	39,200
	40,800 'B' ordinary shares of £1 each	40,800	40,800
	170,000 Unclassified ordinary shares of £1 each	170,000	170,000
		<u>250,000</u>	<u>250,000</u>
	Allotted, issued and fully paid:		
	39,200 'A' ordinary shares of £1 each	39,200	39,200
	40,800 'B' ordinary shares of £1 each	40,800	40,800
		<u>80,000</u>	<u>80,000</u>

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

12	PROFIT AND LOSS ACCOUNT	2004 £	2003 £
	1 October 2003	2,076,958	1,989,367
	Profit for the financial year	1,166,241	1,087,591
	Dividends	(1,000,000)	(1,000,000)
	30 September 2004	<u>2,243,199</u>	<u>2,076,958</u>

# The Airline Seat Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004

13	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2004 £	2003 £	
	Profit for the financial year	1,166,241	1,087,591	
	Dividends	(1,000,000)	(1,000,000)	
	Net addition to shareholders' funds	166,241	87,591	
	Opening shareholders' funds	2,156,958	2,069,367	
	Closing shareholders' funds	2,323,199	2,156,958	
14	CASH FLOWS	2004 £	2003 £	
a	Reconciliation of operating profit to net cash inflow from operating activities			
	Operating profit	1,262,418	1,315,856	
	Depreciation	45,415	41,078	
	(Increase)/decrease in debtors	(294,600)	351,561	
	Increase in creditors	4,927,271	694,890	
	Net cash flow from operating activities	5,940,504	2,403,385	
		2004 £	2003 £	
b	Analysis of cash flows for headings netted in the cash flow			
	<b>Returns on investments and servicing of finance</b>			
	Interest received	434,615	255,557	
	Interest paid	(27,423)	(27,000)	
	<b>Net cash inflow for returns on investment and servicing of finance</b>	407,192	228,557	
	<b>Capital expenditure</b>			
	Purchase of tangible fixed assets	32,002	46,032	
	<b>Net cash outflow for capital expenditure</b>	32,002	46,032	
c	Analysis of net funds	<i>At 1 October 2003 £</i>	<i>Cash flow £</i>	
			<i>At 30 September 2004 £</i>	
	Cash in hand, at bank	1,918,029	(172,872)	1,745,157
	Debt due after 1 year	(270,000)	-	(270,000)
	Short term bank deposits	7,000,000	4,885,965	11,885,965
	Total	8,648,029	4,713,093	13,361,122

# The Airline Seat Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004

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### 15 RELATED PARTY TRANSACTION

A consultancy fee of £60,000 (2003: £60,000) has been charged to the company by Aerospace Management Limited which company is under the control of Mr E. Cossey. Mr Cossey is a beneficiary of a trust which owns shares in the company.

### 16 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is B Jeeves and A Jeeves.

### 17 COMMITMENTS UNDER OPERATING LEASES

At 30 September 2004 the company had annual commitments under non-cancellable operating leases as follows:

	2004 £	2003 £
Land and buildings		
expiring in the second to fifth year	150,800	130,800
Other		
expiring within one year	13,559	4,035
expiring in the second to fifth year	27,262	29,842
	<u>191,621</u>	<u>164,677</u>

### 18 GUARANTEES

The company has granted a charge to its bank over bank deposits totalling £110,000 (2003: £110,000) in connection with certain letters of credit and guarantees given by the bank on behalf of the company.