

Eastern Airways (UK) Limited

**Directors' report and financial
statements**

Registered number 03468489

31 December 2007



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Company information

Directors	Global Aviation Holdings Limited P&B Investment Holdings Limited Magnificent Obsessions Limited
Secretary	Mr J Derbyshire
Company number	03468489
Registered office	Charter House 56 High Street Sutton Coldfield B72 1UJ
Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
Business address	Schiphol House, Humberside International Airport Kirmington DN39 6YH
Bankers	NatWest Bank PLC 39 Grimsby Road Cleethorpes Lincolnshire DN35 7GB
Solicitors	Eversheds 1 Royal Standard Place Nottingham NG1 6FZ

Directors' report

The directors present the annual report and audited financial statements for the 15 month period ended 31 December 2007

Change of accounting date

During the period the accounting reference date was changed from 30 September to 31 December

Principal activity and business review

The principal activity of the company continues to be the operation of airline services

Business review

The results of the company for the period ended 31 December 2007 are as disclosed in the attached financial statements. The company is a subsidiary of Eastern Airways (Europe) Limited and the performance is reviewed on a group basis and is set out below

The group continues to provide scheduled airline services to Domestic and European destinations, provides dedicated and ad hoc chartering services and also provides ground handling services. It continues to enjoy an excellent reputation for its operational reliability, punctuality and quality of service.

Group turnover increased to £84.9m and pre-tax profit increased to £4.0m over the 15 month period. Turnover has grown by 6% and pre-tax profit by 32% over the comparable twelve month period in the prior year.

The significant growth in profit in the year was achieved across both the scheduled services and the charter operations of the group. The Saab 2000 fleet increased to 6 aircraft during the year, and together with the existing 20 Jetstream J41 aircraft, allowed greater flexibility in matching capacity to demand across the scheduled network.

This mix of aircraft has also allowed the group to successfully grow its charter and ACMI operations and further growth is expected in this market in 2008.

During the period the group entered into a new leasing structure for the majority of its Jetstream J41 aircraft which incorporated individual purchase options. The consolidated balance sheet reflects the capitalisation and financing of these aircraft.

Following successful negotiations with Kaupthing Singer & Friedlander, the group secured access to development capital funding to allow the pursuit of new opportunities and future growth for the group.

Principal risks and uncertainties

The directors feel the group has a good mix of business activities and is well-balanced to handle risks and uncertainties that it may face.

An uncertainty that faces the airline industry is the taxation levied on domestic travel. The government doubled the current APD charge per passenger (Air Passenger Duty) in February 2007 and a replacement tax cost per aircraft is currently under review, for possible implementation in 2009. The directors believe that, if the proposed change is implemented, the group would enjoy a competitive advantage due to its use of fuel-efficient turbo-prop aircraft.

In the latter months of 2007 and into 2008, fuel prices have increased substantially and the market is continuing to show volatility. This is affecting the airline industry as a whole and the group is no exception to this. However, due to the nature of the fuel efficient turbo-prop aircraft used in the group, the proportionate cost of fuel to other operating costs is significantly lower than the industry average.

The group attempts to match revenues and costs in each currency where possible. A large proportion of aircraft parts, leasing and other costs are priced in US dollars for which the group has little revenue to match against. To reduce the risk of significant movements in currency, the group uses forward currency contracts to cover part of this exposure.

Dividends

A dividend payment of £2,400,000 has been made in the period to 31 December 2007 (2006 £1,100,000).

Directors' report *(continued)*

Political and charitable contributions

Charitable contributions totalling £15,007 were made during the year (2006 £10,000)

Directors

The directors who served during the period were

Global Aviation Holdings Limited
P&B Investment Holdings Limited
Magnificent Obsessions Limited

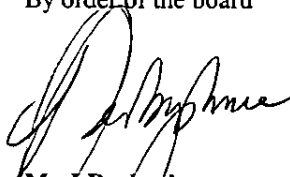
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director 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

Auditors

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



Mr J Derbyshire
Secretary

Registered Office:

Charter House
56 High Street
Sutton Coldfield
B72 1UJ

7 July 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

St Nicholas House

Park Row

Nottingham NG1 6FQ

United Kingdom

Independent auditors' report to the members of Eastern Airways (UK) Limited

We have audited the financial statements of Eastern Airways (UK) Limited for the 15 month period ended 31 December 2007 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditor's 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4.

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 other transactions 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 audit 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the period 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.

KPMG LLP

Chartered Accountants
Registered Auditor

20 August 2008

Profit and loss account
for the period ended 31 December 2007

	Note	15 months ended 31 December 2007 £000	Year ended 30 September 2006 £000
Turnover	2	73,005	60,145
Cost of sales		(54,442)	(45,195)
Gross profit		18,563	14,950
Administrative expenses - exceptional	7	-	(105)
Administrative expenses - other		(14,879)	(13,694)
Administrative expenses		(14,879)	(13,799)
Operating profit		3,684	1,151
Profit on disposal of fixed assets		109	410
Interest receivable and similar income	5	63	61
Interest payable and similar charges	6	(423)	(235)
Profit on ordinary activities before taxation	7	3,433	1,387
Tax on profit on ordinary activities	8	(989)	(345)
Profit on ordinary activities after taxation	18	2,444	1,042

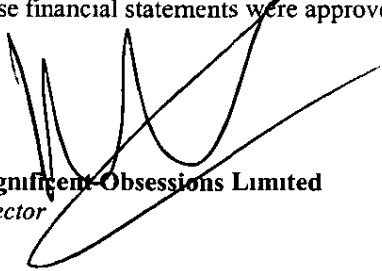
There were no recognised gains or losses in either the current or preceding periods other than those disclosed in the profit and loss account

In both the current and preceding periods, the company made no material acquisitions and had no discontinued operations

Balance sheet
at 31 December 2007

	<i>Note</i>	31 December 2007	30 September 2006
		£000	£000
Fixed assets			
Investments	<i>10</i>	4	-
Tangible assets	<i>11</i>	4,925	7,182
		<hr/>	<hr/>
		4,929	7,182
Current assets			
Stock	<i>12</i>	969	670
Debtors	<i>13</i>	7,379	9,354
Cash at bank and in hand		1,423	2,615
		<hr/>	<hr/>
		9,771	12,639
Creditors: amounts falling due within one year	<i>14</i>	(9,758)	(10,141)
		<hr/>	<hr/>
Net current assets		13	2,498
		<hr/>	<hr/>
Total assets less current liabilities		4,942	9,680
Creditors: amounts falling due after more than one year	<i>15</i>	(1,889)	(5,647)
Provisions for liabilities and charges	<i>16</i>	(763)	(1,787)
		<hr/>	<hr/>
Net assets		2,290	2,246
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	<i>17</i>	501	501
Profit and loss account	<i>18</i>	1,789	1,745
		<hr/>	<hr/>
Shareholders' funds	<i>19</i>	2,290	2,246
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 7 July 2008 and signed on its behalf by


Magnificent Obsessions Limited
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 20 'Share-based payments'

The adoption of FRS 20 'Share-based payments' has had no material effect on either the current or prior year profit and loss account or balance sheet

Basis of preparation

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

Cash flow statement

Under FRS 1 (Cash Flow Statements (Revised 1996)), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary

Tangible fixed assets and depreciation

Depreciation is provided to write off tangible fixed assets to their estimate residual value by equal instalments over their estimated useful economic lives as follows

Portable buildings	- 2-25% per annum
Fixtures, fittings and equipment	- 15-25% per annum
Motor vehicles and vessels	- 8-33% per annum
Aircraft rotables	- 5-10% per annum from the date of acquisition to estimated residual value
Aircraft improvements	- over the life or remaining lease period of the relevant aircraft

For those aircraft that are owned, part of the initial cost of the aircraft is attributed to major components. Depreciation is then charged against these components at a variable rate dependent on the actual usage of the aircraft. The remainder of the initial cost is depreciated to its residual value on a straight line basis over its estimated useful economic life of 20 years from date of manufacture.

Subsequent costs of periodic overhauls on these components are capitalised within tangible fixed assets and depreciated over the period benefiting from these enhancements.

Aircraft improvements include directly attributable finance costs in relation to the interest incurred on loans undertaken to finance the improvements in the period of their availability.

Maintenance costs

The costs of periodic overhauls on owned and finance leased aircraft are capitalised and depreciated within tangible fixed assets as noted above, unless the liability for those overhauls has been passed to a third party. All other costs relating to the general maintenance and repair of owned and finance leased aircraft are charged to the profit and loss account as incurred.

Provisions for periodic overhaul costs on aircraft held under operating leases are made with reference to the number of hours flown, or similar basis, over the lease period.

For certain owned and operating leased aircraft, arrangements have been entered into with maintenance providers under which monthly payments are made on a flying hour, or similar, basis which fix the costs associated with the maintenance of engines, airframe and landing gear. Under these arrangements no further liability will arise to the company in respect of the maintenance of these components and their costs are expensed as incurred.

Notes (continued)

1 Accounting policies (continued)

Leased assets

Annual rentals payable or receivable under operating leases are charged or credited to the profit and loss account on a straight line basis over the lease term, unless another systematic and more rational basis is appropriate

Stocks

Stocks are valued at the lower of cost and net realisable value including provision for obsolescence

Foreign currencies

Transactions denominated in foreign currency are translated into sterling at the exchange rate ruling at the dates of the transactions, except where a transaction is to be settled at a contracted rate, when that rate is used. Monetary assets and liabilities denominated in foreign currency are translated into sterling at the exchange rate ruling at the balance sheet date. Differences arising on translation are transferred to the profit and loss account

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19 (Deferred Tax)

A deferred tax asset is recognised to the extent that it is regarded as recoverable. Provision is made at rates of taxation anticipated to be in force when the timing differences are expected to reverse

Turnover

Turnover represents flown revenue from scheduled services, freight and other activities net of value added tax and Airport Passenger Duties

Ticket sales are recorded as current liabilities in a "forward sales" account and are included in creditors, within deferred income, until recognised as revenue when transportation occurs. Unused tickets are recognised as revenue when the right to travel expires which is determined by the terms and conditions of the ticket

All other revenue streams are recognised at the point of fulfilling the service or the date at which the right to receive consideration occurs

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Notes (continued)

2 Analysis of turnover

It is the view of the directors that all activities of the company fall within one class of business, that of airline operator

Analysis of turnover by geographical area

	15 months to 31 Dec 07 £000	Year to 30 Sep 06 £000
Within the British Isles	67,705	57,729
Between the British Isles and Europe	5,300	2,416
	<hr/> 73,005 <hr/>	<hr/> 60,145 <hr/>

Turnover within the British Isles comprises revenue from domestic flights. Turnover between the British Isles and Europe comprises revenue from inbound and outbound flights between the British Isles and Europe

The activities of the company are managed and administered on a central basis within the British Isles. As a result it would not be possible to provide a meaningful analysis of the operating results and net assets of the company on a route by route basis. Consequently the operating results and net assets of the company are not shown across the geographical areas defined

3 Remuneration of directors

	15 months to 31 Dec 07 £000	Year to 30 Sep 06 £000
<i>Directors' emoluments consist of</i>		
Remuneration for management services	375	780
	<hr/>	<hr/>

No retirement benefits were accruing for directors in either the current or prior year

The aggregate emoluments of the highest paid director were £225,000 (2006 £600,000). At the year end accrued pension benefits amounted to £nil (2006 £nil)

Notes (continued)

4 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	
	15 months to 31 Dec 07	Year to 30 Sep 06
Administration	70	64
Operations	209	156
	<hr/>	<hr/>
	279	220
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	15 months to 31 Dec 07 £000	Year to 30 Sep 06 £000
Wages and salaries	7,579	4,937
Social security costs	722	554
	<hr/>	<hr/>
	8,301	5,491
	<hr/>	<hr/>

5 Interest receivable and similar income

	15 months to 31 Dec 07 £000	Year to 30 Sep 06 £000
Bank interest	63	61
	<hr/>	<hr/>

6 Interest payable and similar charges

	15 months to 31 Dec 07 £000	Year to 30 Sep 06 £000
On bank loans and overdrafts	418	235
Other interest	5	-
	<hr/>	<hr/>
	423	235
	<hr/>	<hr/>

Notes (continued)

7 Profit on ordinary activities before taxation

	15 months to 31 Dec 07 £000	Year to 30 Sep 06 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation	1,128	889
Exceptional administrative expenses	-	105
Operating lease rentals to non group companies - aircraft	1,962	1,409
Operating lease rentals to non group companies - other plant	31	-
Operating lease rentals to group companies - aircraft	11,614	10,942
	<u> </u>	<u> </u>

Auditors' remuneration

	15 months to 31 Dec 07 £000	Year to 30 Sep 06 £000
Audit of these financial statements	29	33
	<u> </u>	<u> </u>

Exceptional administrative expenses in the prior year relate to legal and professional fees in respect of an aborted transaction

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent Eastern Airways (Europe) Limited

8 Taxation on profit on ordinary activities

	15 months to 31 Dec 07 £000	Year to 30 Sep 06 £000
a) Analysis of charge in the period		
<i>UK corporation tax</i>		
UK corporation tax at 30% (2006 30%)	1,066	285
Under/(over) provision in prior year	30	(28)
	<u> </u>	<u> </u>
Total current tax (note 8(b))	1,096	257
	<u> </u>	<u> </u>
<i>Deferred tax</i>		
(Reversal)/origination of timing differences	(26)	106
Adjustment in respect of prior periods	(81)	(18)
	<u> </u>	<u> </u>
Deferred tax (note 16)	(107)	88
	<u> </u>	<u> </u>
Total tax charge	989	345
	<u> </u>	<u> </u>

Notes (continued)

8 Taxation on profit on ordinary activities (continued)

b) Factors affecting the current tax charge for the year

The current tax charge is higher (2006 lower) than the standard rate of corporation tax in the UK of 30% (2006 30%)

	15 months to 31 Dec 07 £000	Year to 30 Sep 06 £000
Profit on ordinary activities before tax	3,430	1,387
Corporation tax at 30% (2006 30%)	1,029	416
Effects of		
Expenses not deductible for tax purposes	8	38
Capital allowances in excess of depreciation	29	(169)
Under/(over) provision in prior periods	30	(28)
Current tax charge for the period	1,096	257

9 Dividends

	15 months to 31 Dec 07 £000	Year to 30 Sep 06 £000
Interim dividends paid in respect of the current period	2,400	1,100

10 Fixed asset investments

	31 Dec 07 £000	30 Sep 06 £000
Investment in The Professional Darts Corporation Limited (0.6%)	4	-

Notes (continued)

11 Tangible fixed assets

	Portable buildings £000	Aircraft and aircraft improve- ments £000	Aircraft rotables £000	Fixtures, fittings and equipment £000	Boat and Motor Vehicles £000	Total £000
Cost						
At 1 October 2006	1,054	5,199	1,283	1,135	1,153	9,824
Additions	113	62	80	808	149	1,212
Transfers	-	-	-	(51)	51	-
Disposals	-	(2,177)	-	-	(833)	(3,010)
At 31 December 2007	1,167	3,084	1,363	1,892	520	8,026
Accumulated depreciation						
At 1 October 2006	414	1,233	93	665	237	2,642
Charge for year	77	450	116	328	157	1,128
Disposals	-	(540)	-	-	(129)	(669)
At 31 December 2007	491	1,143	209	993	265	3,101
Net book value						
At 31 December 2007	676	1,941	1,154	899	255	4,925
At 30 September 2006	640	3,966	1,190	470	916	7,182

12 Stocks

	31 Dec 07 £000	30 Sep 06 £000
Aircraft held for resale	601	-
Consumable stocks	368	670
	969	670

13 Debtors

	31 Dec 07 £000	30 Sep 06 £000
Trade debtors	1,554	2,340
Amounts owed by group undertakings	3,863	4,516
Other debtors	949	1,295
Prepayments and accrued income	1,013	1,203
	7,379	9,354

Notes (continued)

14 Creditors: amounts falling due within one year

	31 Dec 07 £000	30 Sep 06 £000
Bank loans and overdraft	855	1,634
Trade creditors	4,936	2,961
Corporation tax	270	90
Taxation and social security	193	153
Other creditors	624	732
Accruals and deferred income	2,880	4,571
	<u>9,758</u>	<u>10,141</u>

Loans of £2,408,000 (2006 £7,281,000) are repayable in equal monthly instalments and are secured on the aircraft owned by the group. Interest is charged at between 1.3% - 2% above LIBOR.

The group has an overdraft facility which is secured by a debenture incorporating a fixed and floating charge over the assets of the group.

The bank loans and overdraft are subject to a cross guarantee arrangement including Eastern Airways (Europe) Limited and Air Kilroe Limited as described in note 21.

15 Creditors: amounts falling due after more than one year

	31 Dec 07 £000	30 Sep 06 £000
Bank loans (see note 14)	1,889	5,647
<i>Repayments fall due as follows</i>		
Less than one year	519	1,634
Between one and two years	599	1,750
Between two and five years	1,290	3,897
	<u>2,408</u>	<u>7,281</u>

16 Provisions for liabilities and charges

	Deferred taxation £000	Maintenance provision £000	Total £000
Balance at 1 October 2006	870	917	1,787
(Credit)/charge to profit and loss account	(107)	25	(82)
Payments made	-	(942)	(942)
Balance at 31 December 2007	<u>763</u>	<u>-</u>	<u>763</u>

Notes (continued)

16 Provisions for liabilities and charges (continued)

Movement on deferred taxation

	31 Dec 07 £000	30 Sep 06 £000
At 1 October	870	782
(Credit)/charge to profit and loss account	(107)	88
	<hr/>	<hr/>
At 31 December	763	870
	<hr/>	<hr/>
Difference between accumulated depreciation and capital allowances	763	870
	<hr/>	<hr/>

17 Called up share capital

	31 Dec 07 £000	30 Sep 06 £000
<i>Authorised</i>		
Equity 1,000,000 Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity 501,000 Ordinary shares of £1 each	501	501
	<hr/>	<hr/>

18 Profit and loss account

	31 Dec 07 £000	30 Sep 06 £000
At 1 October	1,745	1,803
Profit for the financial period	2,444	1,042
Dividends on shares classified in shareholders' funds	(2,400)	(1,100)
	<hr/>	<hr/>
At 30 September	1,789	1,745
	<hr/>	<hr/>

19 Reconciliation of movements in shareholders' funds

	31 Dec 07 £000	30 Sep 06 £000
Profit for the financial period	2,444	1,042
Dividends on shares classified in shareholders' funds	(2,400)	(1,100)
	<hr/>	<hr/>
Net increase/(reduction) in shareholders' funds	44	(58)
Opening shareholders' funds	2,246	2,304
	<hr/>	<hr/>
Closing shareholders' funds	2,290	2,246
	<hr/>	<hr/>

Notes (continued)

20 Commitments

a) Capital commitments

At 31 December 2007, contracts for capital commitments amounted to £2,393,000 (2006 £108,000)

b) Annual commitments under non-cancellable operating leases are as follows

Other	31 Dec 07 £000	30 Sep 06 £000
Operating leases which expire		
In the second to fifth years inclusive	1,592	1,236
After fifth year	-	352
	<u>1,592</u>	<u>1,588</u>

21 Contingent liabilities

The Company, together with its parent Eastern Airways (Europe) Limited and other group companies, are part of a group for arranging borrowing requirements

The group companies are subject to cross guarantee arrangements and as such the Company has guaranteed certain of the bank loans and overdraft of Eastern Airways (Europe) Limited aggregating to £7,016,000 (2006 £nil) Certain of the aggregate bank loans and overdraft of Eastern Airways (UK) Limited amounting to £2,408,000 (2006 £5,315,000) are likewise guaranteed by Eastern Airways (Europe) Limited and other group companies

The company is also party to a guarantee for the bank loans of Eastern Airways Share Plan Limited ("EASP"), a minority share holder in the company's parent company Eastern Airways (Europe) Limited EASP had bank loans outstanding of £6 million at 31 December 2007

22 Related party disclosures

The company has taken advantage of the exemption contained within FRS 8 (Related Party Disclosures) and has therefore not disclosed transactions or balances with entities which form part of the group

By virtue of their shareholdings in Eastern Airways (Europe) Limited, Magnificent Obsessions Limited and P & B Investment Holdings Limited Eastern Airways Share Plan Limited ('EASP') is also a related party as it is owned by Messrs R Lake and B Huxford During the period EASP purchased 15% of the share capital of the company's parent company, Eastern Airways (Europe) Limited, for a consideration of £6 million All companies are registered in England and Wales

The transactions with these related parties are as follows

	31 Dec 07 £000	30 Sep 06 £000
Management charge payable to Magnificent Obsessions Limited	150	600
Management charge payable to P & B Investment Holdings Limited	225	180
	<u></u>	<u></u>
Balance due to at period end		
Magnificent Obsessions Limited	32	31
P & B Investment Holdings Limited	18	18
	<u></u>	<u></u>

Notes *(continued)*

23 Ultimate parent undertaking

Eastern Airways (UK) Limited is a wholly owned subsidiary of Eastern Airways (Europe) Limited, which is a company registered in England and Wales. A copy of the financial statements of Eastern Airways (Europe) Limited can be obtained from Charter House, 56 High Street, Sutton Coldfield, B72 1UL.

The ultimate controlling parties are Messrs R Lake and B Huxford.