Company Registration No. 04380108

Astraeus Limited

Report and Financial Statements

31 December 2010

Astraeus Limited

Annual Report and Financial Statements 2010

Contents

Astraeus Limited

Annual Report and Financial Statements 2010

Officers and professional advisers

Directors

Skarphedinn Steinarsson - Chairman	Non executive
Mario Fulgoni	Chief Executive Officer
Palmi Haraldsson	Non executive

Secretary

Steve Clarke

Registered Office

Astraeus House
Faraday Court
Faraday Road
Crawley
West Sussex
RH10 9PU

Bankers

HBOS plc
33 Old Broad Street
London
EC2N 1HZ

Independent auditors

Deloitte LLP
Chartered Accountants
Crawley

'Astraeus Limited

Directors' report

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

Activities

The company's principal activities are that of a charter and scheduled airline operator and these will remain the principal activities going forward The company also operates aircraft on a wet lease basis to provide additional capacity for other airlines

Reclassification of shares

In April 2010, the £18 2 million of preference shares had their terms amended and were subsequently re-classified into £18 2 million of deferred shares which have no rights to dividends or return of capital

Going concern

The airline industry continues to face challenging times with consumers' spend levels having fallen as a result of the concerns of recession and the fear of unemployment, which has risen as a result of the global economic slowdown

The directors are of the opinion that the parent company's significant financial investment in April 2009, its ongoing operational contracts through a related company, Iceland Express, and its assurances to the UK Civil Aviation Authority justify the preparation of the accounts on a going concern basis notwithstanding the net liability position of the company However, given the difficult and unpredictable economic environment, and with the fact that no legally binding parental guarantee is in place to provide any future funding necessary, there is a material uncertainty which may cast significant doubt as to the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business (see note 1 to the financial statements for further discussion on going concern and the independent auditor's report on pages 6 and 7 which refer to an emphasis of matter concerning going concern)

Business review and future prospects

During the year, the fleet decreased from 12 to 11 with the planned handback of one Boeing 737-700 to its lessor at the end of its lease in January 2010 The average number of aircraft in the fleet was 11 in 2010 compared to 10 in 2009

At the date of this report, the fleet comprises 5 Boeing 757-200 aircraft, 2 Boeing 737-700 aircraft, 2 Boeing 737-300 aircraft, 1 Boeing 737-500 aircraft and 1 Airbus A320-200 aircraft

In addition to the charter and scheduled services, the company also operates aircraft on a wet lease basis to provide additional capacity for other airlines

In the year to 31 December 2010, turnover was £58 5 million compared with £53 5 million in the prior year reflecting the increase in average fleet size

In the year to 31 December 2010, cost of sales was £56 0 million compared with £48 2 million in the prior year to 31 December 2009 reflecting the increase in fleet size and crew numbers

The company recorded an operating loss of £2 0 million in 2010 compared to an operating profit of £1 4 million in the year to 31 December 2009 After taking account of accrued interest payable on shareholder funding, the company recorded a net loss of £2 9 million in 2010 compared with a net profit of £1 1 million in 2009

Due to the unfavourable economic environment in the aviation and travel industry in the first quarter of 2011, the directors anticipate at this stage that the company will incur a small loss in 2011 but return to profit in 2012

Key risk management objectives and policies

The company operates in a highly competitive environment There has been a significant movement away from consumers purchasing inclusive tours and the constituent parts are now increasingly being purchased separately with strong growth in internet bookings As the inclusive tour market has declined the company has refocused its business model away from full-plane charters operating to short-haul holiday destinations towards niche destinations which are not served by the low cost carriers In addition, the company continues to provide additional capacity to both third party airlines and tour operators on a wet lease basis, which removes a significant portion of the operating cost risk as such costs are met by the third party airline

Directors' report (continued)

Key risk management objectives and policies (continued)

Significant elements of the company's cost structure are denominated in currencies other than sterling Where operational hedging cannot be undertaken through invoicing customers in foreign currency the company seeks to minimise its transaction exposure by entering into forward contracts where financial resources permit

Jet fuel represents approximately 3% of the company's cost of sales and has a highly volatile price This is far lower than some charter airlines as the company's clients are generally responsible for purchasing fuel Where operational hedging cannot be undertaken through fuel surcharging the company seeks to minimise its transaction exposure by entering into forward contracts and options where the company's financial resources permit

The company's policies in respect of hedging foreign exchange and fuel exposures using financial derivatives are approved by the board of directors The company does not use financial derivatives for speculative purposes

The company maintains positive cash balances and has no external borrowing facilities In the event of short term working capital requirements exceeding available cash balances the company has historically bridged the gap through shareholder loans

The company manages its credit risk by minimising credit facilities offered to customers The vast majority of the company's receipts are in advance of flight date and so the credit risk of customers defaulting on payments is small Where the company provides wet lease services to other airlines a security deposit is required The company has a portfolio of customers so the effect on the company's financial position of a customer defaulting or moving its business to another airline is mitigated The directors consider they can find sufficient ad hoc or leasing customers for all the current aircraft in the fleet

Dividends

The directors do not propose payment of a dividend (2009 - £nil)

Directors

The directors who served throughout the year, were as follows

Petur Mar Halldorsson	- resigned 1 October 2010
Skarphedinn Steinarsson	- appointed 1 October 2010
Mario Fulgoni	
Palmi Haraldsson	

Directors' and officers' liability insurance

The company has Directors and Officer Liability insurance in place with an indemnity limit of £10,000,000

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of their employees

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company This is achieved through formal and informal meetings Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests

Directors' report (continued)

Independent auditor and statement of provision of information to the independent auditor

Deloitte LLP have expressed their willingness to continue in office as auditor of the company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Each of the persons who is a director at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the company's auditor are unaware, and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor are aware of that information

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

Approved by the Board of Directors
and signed on behalf of the Board

Mario Fulgoni
Director

30 June, 2011

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business (See note 1 to the financial statements)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditor's report to the members of Astraeus Limited

We have audited the financial statements of Astraeus Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet, the cash flow statement and notes to the cash flow statement and the related notes 1 to 17 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

Independent auditor's report to the members of Astraeus Limited (continued)

Emphasis of matter – Going concern

We draw attention to the disclosures made in note 1 of the financial statements concerning the company's ability to continue as a going concern The matters as set forth in note 1 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern as it is not practicable to determine or quantify them Our opinion is not qualified in respect of this matter

Graham C. Pickett

Graham C Pickett (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Crawley, United Kingdom

30 June, 2011

Astraeus Limited

Profit and loss account
Year ended 31 December 2010

	Note		2010		2009
		£	£	£	£
Turnover	2		58,498,834		53,452,004
Cost of sales			(56,021,203)		(48,181,562)
Gross profit			2,477,631		5,270,442
Administrative expenses			(4,441,618)		(3,846,054)
Operating (loss)/ profit	4		(1,963,987)		1,424,388
Interest receivable and similar income					
Bank interest receivable		4,685		2,795	
Waiver of preference share dividends		-		339,185	
			4,685		341 980
Interest payable and similar charges					
Finance charge on loan stock		(940,488)		(639,070)	
			(940,488)		(639,070)
(Loss)/profit on ordinary activities before taxation			(2 899,790)		1,127,298
Tax on (loss)/profit on ordinary activities	5		-		-
Retained (loss)/profit for the financial year	13		(2,899,790)		1,127,298

There are no other recognised gains and losses for the current and preceding financial years other than as stated in the profit and loss account Accordingly, no statement of total recognised gains and losses is presented

All activities derive from continuing operations

Astraeus Limited

Balance sheet
As at 31 December 2010

	Note	£	2010 £	£	2009 £
Fixed assets					
Tangible assets	6		3,127,463		2,224,785
Current assets					
Debtors - amounts falling due within one year	8	4,271,894		6,029,659	
- amounts falling due after one year		2,158,791		2,138,521	
Total debtors		6,430,685		8,168,180	
Cash at bank and in hand	D	2,674,437		4,263,756	
			9,105,122		12,431,936
Creditors: amounts falling due within one year	9		(12,413,012)		(13,091,913)
Net current liabilities			(3,307,890)		(659,977)
Total assets less current liabilities			(180,427)		1,564,808
Creditors: amounts falling due after more than one year	10		3,579,558		2,763,599
Provisions for liabilities	11		2,555,563		2,216,967
Capital and reserves					
Called up share capital	12,13	18,550,204		18,550 204	
Share premium account	13	652,370		652,370	
Profit and loss account – deficit	13	(25,518,122)		(22,618,332)	
Total shareholders' deficit	13		(6,315,548)		(3,415,758)
			(180,427)		1,564,808

The financial statements of Astraeus Limited, registered number 04380108, were approved by the Board of Directors and authorised for issue on 30 June, 2011

Signed on behalf of the Board of Directors

Mario Fulgoni
Director

Astraeus Limited

Cash flow statement
Year ended 31 December 2010

	Note	2010 £	2010 £	2009 £	2009 £
Net cash ınflow from operatıng actıvıtıes	A		1,534,291		969,659
Returns on ınvestments and servıcıng of finance					
Interest receıved		4,685		2,795	
			4,685		2,795
Capıtal expendıture and financıal ınvestment					
Payments to acquıre tangıble fixed assets		(3,128,295)		(2,776 837)	
			(3,128,295)		(2,776,837)
Cash outflow before management of lıquıd resources and financıng			(1,589,319)		(1,804,383)
Management of lıquıd resources					
Decrease ın restrıcted cash			(20 969)		645,960
Fınancıng					
Issue of ordınary shares		-		270,000	
Issue of loan stock		-		2,000,000	
			-		2,270,000
(Decrease)/ıncrease ın cash	B, C		(1,610,288)		1,111,577

Astraeus Limited

Notes to the cash flow statement
Year ended 31 December 2010

A Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2010 £	2009 £
Operating (loss)/profit	(1,963 987)	1,424,388
Depreciation	2,225,617	1,844,777
(Decrease)/increase in debtors and prepayments	1,737,495	(3,758,169)
(Decrease)/increase in creditors, accruals and deferred income	(803,430)	637,071
Increase in provisions	338,596	821,592
Net cash inflow from operating activities	1,534,291	969,659

B. Reconciliation of net cash flow to movement in net cash/(debt)

	2010 £	2009 £
(Decrease)/increase in cash in the period	(1,610,288)	1,111,577
Issue of loan stock	-	(2,000,000)
(Decrease)/increase in restricted cash	20,969	(645,960)
Movement in net debt resulting from cash flows	(1,589,319)	(1,534,383)
Reclassification of preference shares	-	18,191,597
Waiver of loan stock and preference share dividends	-	339,185
Accrued finance charges on loan stock	(940,488)	(639 070)
Movement in net debt in the year	(2,529,807)	16,357,329
Opening net cash/(debt)	1,624,687	(14,732,642)
Closing net (debt)/cash	(905,120)	1,624,687

C Analysis of changes in net debt

	1 January 2010 £	Cash flows £	Other non cash changes £	31 December 2010 £
Cash at bank and in hand	2,517,089	(1,610,288)	-	906,801
Debt due after more than one year	(2,639,069)	-	(940,488)	(3,579,557)
Restricted cash	1,746,667	20,969	-	1,767,636
Total	1,624,687	(1,589,319)	(940,488)	(905,120)

Notes to the cash flow statement (continued)
Year ended 31 December 2010

D Reconciliation of cash at bank and in hand

As described in note 15, charges have been registered over certain bank deposits to guarantee facilities provided by those banks These amounts do not meet the definition of cash at bank and in hand as per paragraph 2 of FRS1, accordingly, a reconciliation of cash at bank and in hand as defined by FRS1 to the amount disclosed in the balance sheet is presented below

	2010 £	2009 £
Cash at bank and in hand	906,801	2,517,089
Restricted cash	1,767,636	1,746,667
Cash at bank and in hand – balance sheet presentation	2,674,437	4,263,756

Astraeus Limited

Accounting policies
For year ended 31 December 2010

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards They are also prepared on a going concern basis – see note 1 for further information in this regard The principal accounting policies adopted are described below They have all been applied consistently throughout the current and preceding financial years

Turnover

Turnover is recognised on the date of aircraft departure Turnover from on board sales is recognised at the point of sale Turnover is recognised net of value added tax

Deferred income

Services invoiced and cash received in respect of aircraft departures in future accounting periods are carried forward as deferred income in the balance sheet and are only recognised once the related departure has taken place

Tangible fixed assets

Fixed assets are depreciated on cost, from the date when they are ready for use, at rates estimated to reduce them to their residual value over their estimated useful lives or the periods of applicable leases as follows

Refurbishment of operating lease aircraft	See below
Fixtures, fittings and equipment	Between 3 and 5 years straight line
Computer equipment	3 years straight line
Motor vehicles	3 years straight line

Expenditure on major aircraft overhauls are capitalised within tangible fixed assets These maintenance assets are then depreciated at a rate representative of the actual usage of the aircraft such that these assets are written off by the time the next major maintenance event is performed

Foreign currencies

Foreign currency transactions are translated at the rates ruling when they occur Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date Any differences are taken to the profit and loss account

The company's policy is to hedge a proportion of transactional currency exposures on future expected transactions using forward foreign currency contracts in order to mitigate foreign currency risk, where these are available resources to do so

Taxation

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

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term

Aircraft return costs

Aircraft return costs are provided for when the company is legally obliged to incur the expenditure under the terms of the aircraft lease

Accounting policies (continued)
For the year ended 31 December 2010

Pension costs

The company operates a defined contribution pension scheme Company contributions to the scheme are charged to the profit and loss account as they are incurred

Capital instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities

Provision is made for the interest and accrued premium payable on redemption of redeemable debt

Consolidation

The company has not prepared consolidated accounts on the basis that its only subsidiary is immaterial Further details regarding the company's subsidiary are included in note 7

Notes to the financial statements
For the year ended 31 December 2010

1. Going concern

The airline industry continues to face challenging times with consumers' spend levels having fallen as a result of the concerns of recession, disruption from global events, higher fuel prices and the fear of unemployment, all of which has risen as a result of the global economic slowdown

Against this background, the company has taken several steps to mitigate the impact on its financial resources through the development of its business of providing uplift capacity to other airlines or tour operators via wet lease and ACMI contracts where the contracting partner is responsible for ticket revenue and direct operating costs, including fuel

In October 2009 the shareholder amended the rights attached to previously issued preference shares such that these are now treated as equity rather than a liability During April 2009, the shareholder subscribed for £270,000 of new ordinary shares and £2 million of loan stock with an earliest redemption date of June 2011 The latter is required to be shown as a liability on the balance sheet but redemption and accrued interest can only be paid with the permission of the UK Civil Aviation Authority (UK CAA')

At 31 December 2010, the company had net liabilities of £6 3 million (2009 £3 4 million) The net liabilities figure includes shareholder loan stock and accrued interest thereon of £3 6 million (2009 £2 6 million) Excluding shareholder funding liabilities, the net liability position at 31 December 2010 is £2 7 million (2009 - £0 7 million) The company has an unrecognised deferred tax asset of £6 2 million (2009 - £5 9 million)

The company has no overdraft facilities and in the event of working capital requirements exceeding available free cash resources it has historically relied on shareholder support In April 2009, Fengur hf provided further additional funding of £2 3 million by way of £2 million of unsecured loan stock with a redemption date of June 2011 (and subsequently amended to June 2012), and £270,000 of ordinary share capital In addition to parent company loans, the company's related party, Iceland Express, is able to accelerate advance payments for flying when required

The UK CAA regularly reviews the company's financial position as part of the regulatory process No further funding requests have been made since April 2009

Due to the unfavourable economic environment the directors anticipate at this stage that the company will incur a small loss during 2011, but return to profit in 2012 and no further shareholder funding will be required during this period There is, however, no certainty that the budget projections will be achieved in the current difficult and uncertain industry climate, with the current cyclical downturn in the aviation industry likely to have an adverse impact on potential customers, and a budget shortfall could lead to further funds being required from the parent company Whilst the parent company has written to the directors confirming its intention to provide ongoing support, there is no legally binding guarantee for it to provide additional funding

The parent company has provided significant support to date, both directly via funding injections and indirectly through contracts with fellow subsidiary, Iceland Express Based on these factors, the Directors have formed the view that the company is a going concern and have prepared the accounts on a going concern basis However, given the difficult and uncertain economic environment in the aviation industry, together with the fact that no legally binding guarantee is in place from the company's parent entity should further funds be required, there is a material uncertainty which may cast significant doubt as to the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business

2. Turnover

Turnover represents the invoiced value of airline seat revenue and related income exclusive of any trade discounts, air passenger duties and value added tax Turnover is attributable to the principal activities, that of a charter and scheduled airline operator and is substantially derived within Europe

Notes to the financial statements
For the year ended 31 December 2010

3. Information regarding directors and employees

	2010 £	2009 £
Directors' remuneration		
Fees and emoluments	151,683	154,450

	2010 No.	2009 No.
Average number of persons employed (including directors)		
Flight crew	204	156
Ground based personnel	54	52
	258	208

	2010 £	2009 £
Staff costs during the year (including directors)		
Wages and salaries	11,586,195	9,519,597
Social security costs	952,256	908,920
Pension costs	202,893	191,851
	12,741,344	10,620,368

One director received remuneration for his services during the year (2009 one)

In addition to the above amounts, a management fee of £100 000 (2009 £nil) was paid to the parent company, Fengur hf, and £50,000 (2009 £nil) to Lausnir hf, a company controlled by former chairman, Petur Mar Halldorsson

4 Operating (loss)/profit

	2010 £	2009 £
Operating (loss)/profit is stated after charging/(crediting)		
Depreciation on owned assets	2,225,617	1,844,777
Foreign exchange gain/(loss)	171,662	(364,000)
Rentals under operating leases		
aircraft and engines	15,810,934	16,324,442
other equipment operating leases	51,625	66,002
land and buildings	130,593	124,593
Audit fees		
Fees payable to the company's auditors for the audit of the company's annual accounts	28,000	35,014
Non-audit fees - tax and other services	18,000	20,536

Notes to the financial statements
For the year ended 31 December 2010

5. **Tax on (loss)/profit on ordinary activities**

(a) **Tax on (loss)/profit on ordinary activities**

	2010	2009
	£	£
Current tax		
United Kingdom corporation tax at 28% (2009 – 28%) based on the (loss)/profit for the year	-	-

(b) **Factors affecting current tax for the year**

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are explained below

	2010	2009
	%	%
Standard tax rate for year as a percentage of loss/(profit)	28 0	(28 0)
Effects of		
Disallowed expenses and non-taxable income	(9 3)	(2 0)
Movement in tax losses not recognised	(15 1)	30 0
Capital allowances for period	(3 6)	-
Current tax rate as a percentage of loss	-	-

(c) **Factors that may affect future tax charge**

The Finance Act 2010, which provides for a reduction in the main rate of corporation tax from 28% to 27% effective from 1 April 2011, was substantively enacted on 21 July 2010 This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date

Subsequently, the Government has further reduced the main rate of corporation tax from 27% to 26% effective from 1 April 2011 As it was not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS21, as it is a non-adjusting event occurring after the reporting period

The Government intends to enact future reductions in the main tax rate of 1% each year down to 23% by 1 April 2014 We estimate that the future rate changes to 23% would further reduce the UK deferred tax asset not recognised at 31 December 2010 from £6,175,000 to £5,260,000 The actual impact will be dependent on the deferred tax position at that time

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses and depreciation in excess of capital allowances The amount of the asset not recognised is approximately £6,175,000 (2009 - £5,900,000) This asset would be recovered if the company has suitable future taxable profits

Notes to the financial statements
For the year ended 31 December 2010

6 Tangible fixed assets

	Refurbishment of operating lease aircraft	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2010	1,306,033	1,803,694	250,181	54,919	3,414,827
Additions	2,464,159	642,373	21,763	-	3,128,295
Disposals	(187,880)	(229,680)	(194,067)	-	(611,627)
At 31 December 2010	3,582,312	2,216,387	77,877	54,919	5,931,495
Accumulated depreciation					
At 1 January 2010	86,134	852,704	224,248	26,956	1,190,042
Charge for the year	1,762,712	427,572	20,303	15,030	2,225,617
Disposals	(187,880)	(229,680)	(194,067)	-	(611,627)
At 31 December 2010	1,660,966	1,050,596	50,484	41,986	2,804,032
Net book value					
At 31 December 2010	1,921,346	1,165,791	27,393	12,933	3,127,463
At 31 December 2009	1,219,899	950,990	25 933	27,963	2,224,785

7 Investments

The company has a wholly owned subsidiary Astraeus (Ireland) Limited This company is incorporated in the Republic of Ireland This company acts as the agent for Astraeus Limited in Ireland and has been dormant since November 2009 The company has made a profit for the financial year ended 31 December 2010 of €nil and has net assets of €1 at that date This subsidiary is considered immaterial to the group and consequently Astraeus Limited has not prepared consolidated accounts Application has been made to Companies House Ireland to strike off the company which was completed on 1 April 2010

8 Debtors

	2010	2009
	£	£
Amounts falling due within one year		
Trade debtors	1,692,481	4,993,198
Other debtors	252,928	130,250
Prepayments and accrued income	2,326,485	906,211
	4,271,894	6,029,659
Amounts falling due after more than one year		
Aircraft deposits	2,158,791	2,138,521
	6,430,685	8,168,180

Notes to the financial statements
For the year ended 31 December 2010

9 Creditors: amounts falling due within one year

	2010	2009
	£	£
Trade creditors	5,457,669	6,209,021
Taxation and social security	936,420	2,750,907
Other creditors	517,512	781,471
Accruals and deferred income	5,501,411	3,350 514
	12,413,012	13,091,913

10. Creditors: amounts falling due after more than one year

	2010	2009
	£	£
Loan stock	2,000,000	2,000,000
Accrued interest and redemption premium on loan stock	1,579,558	639,070
Other creditors	-	124,529
	3,579,558	2,763,599

In October 2009, the rights to the £18 2 million of preference shares were amended such that all accrued preference share dividends were waived and, going forward, dividend payments and redemption of preference shares would be solely at the discretion of the company

In April 2009, the shareholder subscribed for £270,000 of new ordinary shares and £2 million of loan stock which attracts a rate of 21% per annum, with an earliest redemption date of June 2011 (subsequently amended to June 2012) Redemption of the loan and accrued interest can only be paid with the permission of the UK Civil Aviation Authority ("UK CAA")

11. Provisions for liabilities

	Aircraft return costs
	£
At 1 January 2010	2,216,967
Charged to profit and loss account	338,596
Utilised in the year	-
At 31 December 2010	2,555,563

The above provision and charges during the year represent management's best estimate of the costs of returning aircraft to lessors at the normal due date for expiry of the leases These costs are in addition to the payments made to lessors for returning the aircraft charged as part of the normal monthly leasing cost

Notes to the financial statements
For the year ended 31 December 2010

12 Called up share capital

	2010	2009
	£	£
Called up, allotted and fully paid		
3,586,073 (2009 – 3,586,073) ordinary shares of 10p each	358,607	358,607
Nil (2009 – 18,191,597) preference shares of £1	-	18,191,597
18,191,597 (2009 – Nil) deferred shares of £1 each	18,191,597	-
	18,550,204	18,550,204

In April 2010, the £18 2 million of preference shares were re-classified into £18 2 million of deferred shares which have no rights to dividends or return of capital

13. Combined statement of movements on reserves and reconciliation of movements in shareholders' deficit

	Share capital	Share premium account	Profit and loss account	Total 2010	Total 2009
	£	£	£	£	£
At start of the year	18,550,204	652,370	(22,618,332)	(3,415,758)	(23,004,653)
Ordinary shares issued	-	-	-	-	270,000
Preference shares re-categorised – see note 10	-	-	-	-	18,191,597
Retained (loss)/ profit for the year	-	-	(2,899,790)	(2,899,790)	1,127,298
At end of the year	18,550,204	652,370	(25,518,122)	(6,315,548)	(3,415,758)

14 Operating lease commitments

At 31 December 2010, the company was committed to making the following payments during the next year in US dollars in respect of operating leases relating to aircraft and engines as follows

	2010	2009
	£	£
Leases which expire:		
Within one year	1,649,155	-
Within two to five years	12,491,936	13,816,763
	14,141,091	13,816,763

The above commitments have been converted to sterling using the period end sterling/US dollar rate of £1 - $1 56565 (2009 - $1 61485)

At 31 December 2010, the company was also committed to making the following payments during the next year in respect of operating leases as follows

	Land and buildings 2010	Other 2010	Land and buildings 2009	Other 2009
	£	£	£	£
Leases which expire.				
Within two to five years	130,593	51,625	124,593	66,002

Notes to the financial statements
For the year ended 31 December 2010

15 Financial commitments

Under the operating lease agreements in respect of all aircraft operated by the company, security deposits or bank guarantees (via letters of credit) are required in respect of each aircraft

	2010 £	2009 £
Letters of credit issued	1,767,636	1,746,667
Commitment covered by Blocked bank deposits – included in cash and bank balances	1,767,636	1,746,667

The above commitments have been converted to sterling using the period end sterling/US dollar rate of £1 - $1 56565 (2009 - $1 61485)

16. Related parties

The company considers Fengur hf and Iceland Express to be related parties as they are also controlled by companies owned by Mr P Haraldsson In the year to 31 December 2010, the company made sales of £16,833,000 (2009 £14,713,000) to Iceland Express At 31 December 2010, a balance of £539,000 (2009 £675,000) was owed by Iceland Express At 31 December 2009 and 31 December 2010, the loan stock of £2,000,000 (2009 £2,000,000) plus related accrued interest was all owed to Fengur hf In 2010, a management fee of £100,000 (2009 £nil) was paid to the parent company, Fengur hf, and £50,000 (2009 £nil) to Lausnir hf, a company controlled by former chairman, Petur Mar Halldorsson

There were no other transactions with or balances owed to/from related parties

17. Controlling party

100% of the issued share capital of the company is owned by Fengur hf, a company registered in Iceland Fengur hf is controlled by Mr P Haraldsson As such, the directors consider the controlling party to be Mr P Haraldsson