Company Registration No. 04380108

Astraeus Limited

Report and Financial Statements

31 December 2009

Astraeus Limited

Annual Report and Financial Statements 2009

Contents

Astraeus Limited

Annual Report and Financial Statements 2009

Officers and professional advisers

Directors

Petur Mar Halldorsson - 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

Directors' report (continued)

The directors present their report and the audited financial statements for the year ended 31 December 2009

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

Issue of shares and significant post balance sheet events

In February 2009, the ownership of the company was transferred from Fons hf to Fengur hf Both companies are controlled by Mr P Haraldsson

In April 2009, Fengur hf provided further additional cash funding of £2 270 million by way of £2 million of unsecured loan stock with a first redemption date of June 2010 and £270,000 of ordinary share capital The terms of the loan stock were later amended so that the first redemption date was June 2011

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 This had the effect of transferring the shares from long term liabilities to equity on the balance sheet

In April 2010, the £18 2 million of preference shares had their terms amended and were consequently 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 economic environment, 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)

Business review and future prospects

During the year, the fleet increased from 8 to 12 as follows

- One Boeing 737-500 in May 2009
- One Boeing 737-700 in May 2009
- One Boeing 757-200 in July 2009
- One Airbus A320-200 in October 2009

Subsequent to the year end, one Boeing 737-700 was returned to its lessor at the end of its lease in January 2010

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 2009, turnover was £53.5 million compared with £60 5 million in the prior year

In the year to 31 December 2009, cost of sales were £48 2 million compared with £61 8 million in the prior year to 31 December 2008 The reduction in sales and cost of sales is principally the result of a change in the company's customer profile mid way through 2008 with the majority of contracts now being "ACMI" rather than "fully-inclusive" Under an ACMI contract, the customer is responsible for paying suppliers the direct operating costs (fuel, landing, navigation etc) and consequently these costs of sale – and the related turnover – are no longer reflected in the company's profit and loss account

Directors' report (continued)

Business review and future prospects (continued)

The company recorded an operating profit of £1 4 million in the year to 31 December 2009 compared with a loss of £5 4 million in the prior year to 31 December 2008 The prior year loss was offset by the sale of various slot rights at Gatwick Airport giving rise to an exceptional gain of £3 7 million After taking account of bank interest and accrued interest payable on shareholder funding, the company recorded a net profit of £1 1 million compared with a net loss of £1 0 million in 2008

Despite the unfavourable economic environment the directors anticipate the company will remain profitable in 2010 and 2011

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

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 2% of the company's cost of sales and has a highly volatile price This is a much lower percentage than in prior years (2008 25%) due to the change in customer profile as noted above 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 (2008 - £nil)

Directors

The directors who served throughout the year, were as follows

Petur Mar Halldorsson
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

Directors' report (continued)

Directors' report (continued)

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

Deloitte LLP have expressed their willingness to continue in office as auditors 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 auditors 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 auditors 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

29 September , 2010

Astraeus Limited

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

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 auditors' report to the members of Astraeus Limited

We have audited the financial statements of Astraeus Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet, the cash flow statement and notes to the cash flow statement, the accounting policies and the related notes 1 to 19 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 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 opinions we have formed

Respective responsibilities of directors and auditors

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 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

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 2009 and of its profit 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 auditors' report to the members of Astraeus Limited (continued)

Emphasis of matter – Going concern

Without qualifying our opinion, 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

Graham C Pickett (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Crawley, United Kingdom
29 September, 2010

Profit and loss account
Year ended 31 December 2009

	Note		2009		2008
		£	£	£	£
Turnover	2		53,452,004		60,536,942
Cost of sales			(48,181,562)		(61,810,759)
Gross profit/(loss)			5,270,442		(1,273,817)
Administrative expenses			(3,846,054)		(4,154,744)
Operating profit/(loss)	4		1,424,388		(5,428,561)
Profit on sale of fixed assets	5		-		3,723,602
Interest receivable and similar income					
Bank interest receivable		2,795		78,128	
Waiver of finance charges on loan stock		-		401,025	
Waiver of preference share dividends		339,185		589,683	
			341,980		1,068,836
Interest payable and similar charges					
Finance charge on loan stock		(639,070)		-	
Accrued preference share dividends		-		(339,185)	
			(639,070)		(339,185)
Profit/(loss) on ordinary activities before taxation			1,127,298		(975,308)
Tax on profit/(loss) on ordinary activities	6		-		-
Retained profit/(loss) for the financial year	14		1,127,298		(975,308)

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 2009

	Note	£	2009 £	£	2008 £
Fixed assets					
Tangible assets	7		2,224,785		1,292,725
Current assets					
Debtors - amounts falling due after one year	9	2,138,521		1,617,806	
- amounts falling due within one year	9	6,029,659		2,792,205	
Total debtors		8,168,180		4,410,011	
Cash at bank and in hand	D	4,263,756		3,798,139	
			12,431,936		8,208,150
Creditors: amounts falling due within one year	10		(13,091,913)		(12,579,371)
Net current liabilities			(659,977)		(4,371,221)
Total assets less current liabilities			1,564,808		(3,078,496)
Creditors: amounts falling due after more than one year	11		2,763,599		18,530,782
Provisions for liabilities	12		2,216,967		1,395,375
Capital and reserves					
Called up share capital	13,14	18,550,204		88,607	
Share premium account	14	652,370		652,370	
Profit and loss account – deficit	14	(22,618,332)		(23,745,630)	
Total shareholders' deficit	14		(3,415,758)		(23,004,653)
			1,564,808		(3,078,496)

The financial statements of Astraeus Limited, registered number 04380108, were approved by the board of directors and authorised for issue on 29 September, 2010

Signed on behalf of the Board of Directors

Mario Fulgoni
Director

Astraeus Limited

Cash flow statement
Year ended 31 December 2009

	Note	2009 £	2009 £	2008 £	2008 £
Net cash inflow/(outflow) from operating activities	A		969,659		(7,111,029)
Returns on investments and servicing of finance					
Interest received		2,795		78,128	
			2,795		78,128
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(2,776,837)		(1,998,289)	
Cash received on disposal of fixed assets		-		3,723,603	
			(2,776,837)		1,725,314
Cash outflow before management of liquid resources and financing			(1,804,383)		(5,307,587)
Management of liquid resources					
Decrease/(increase) in restricted cash			645,960		(1,197,009)
Financing					
Issue of preference shares		-		5,000,000	
Issue of ordinary shares		270,000		-	
Issue of loan stock		2,000,000		-	
			2,270,000		5,000,000
Increase/(decrease) in cash	B, C		1,111,577		(1,504,596)

Notes to the cash flow statement
Year ended 31 December 2009

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

	2009 £	2008 £
Operating profit/(loss)	1,424,388	(5,428,561)
Depreciation	1,844,777	2,457,222
Increase in debtors and prepayments	(3,758,169)	(652,143)
Increase/(decrease) in creditors, accruals and deferred income	637,071	(3,597,717)
Increase in provisions	821,592	110,170
Net cash inflow/(outflow) from operating activities	969,659	(7,111,029)

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

	2009 £	2008 £
Increase/(decrease) in cash in the period	1,111,577	(1,504,596)
Issue of preference shares	-	(5,000,000)
Issue of loan stock	(2,000,000)	-
(Decrease)/increase in restricted cash	(645,960)	1,197,009
Movement in net debt resulting from cash flows	(1,534,383)	(5,307,587)
Reclassification of preference shares	18,191,597	-
Waiver of loan stock and preference share dividends	339,185	990,708
Accrued preference share dividends	-	(339,185)
Accrued finance charges on loan stock	(639,070)	-
Movement in net debt in the year	16,357,329	(4,656,064)
Opening net debt	(14,732,642)	(10,076,578)
Closing net cash/(debt)	1,624,687	(14,732,642)

C. Analysis of changes in net debt

	1 January 2009 £	Cash flows £	Other non cash changes £	31 December 2009 £
Cash at bank and in hand	1,405,512	1,111,577	-	2,517,089
Debt due within one year	-	-	-	-
Debt due after more than one year	(18,530,781)	(2,000,000)	17,891,712	(2,639,069)
Restricted cash	2,392,627	(645,960)	-	1,746,667
Total	(14,732,642)	(1,534,383)	17,891,712	1,624,687

Notes to the cash flow statement (continued)
Year ended 31 December 2009

D. Reconciliation of cash at bank and in hand

As described in note 16, 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

	2009 £	2008 £
Cash at bank and in hand	2,517,089	1,405,512
Restricted cash	1,746,667	2,392,627
Cash at bank and in hand – balance sheet presentation	4,263,756	3,798,139

Accounting policies
For year ended 31 December 2009

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

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

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 2009

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 8

Notes to the financial statements
For the year ended 31 December 2009

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 and the fear of unemployment, 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 In April 2008, the company reduced its workforce by approximately 25% with the removal of over 90 positions In addition, the company has developed 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 addition to the improvement in the balance sheet as a result of the company's profitable out-turn, 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 2009, the company had net liabilities of £3 4 million (2008 £23 0 million) The net liabilities figure includes shareholder loan stock and accrued interest thereon of £2 7 million Excluding shareholder funding liabilities, the net liability position at 31 December 2009 is £0 7 million (2008 - £4 5 million) The company has an unrecognised deferred tax asset of £5 9 million (2008 - £6 3 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 £2 270 million by way of £2 million of unsecured loan stock with a first redemption date of June 2011 and £270,000 of ordinary share capital

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

Despite the unfavourable economic environment the directors anticipate the company will remain profitable in 2010 and 2011 and no further shareholder funding will be required during 2010/11 There is, however, no certainty that the budget projections will be achieved in the current 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 economic environment in the aviation industry and the risks to which the company is exposed, 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 2009

3. Information regarding directors and employees

	2009	2008
	£	£
Directors' remuneration		
Fees and emoluments	154,450	152,677

	No.	No
Average number of persons employed (including directors)		
Flight crew	156	180
Ground based personnel	52	60
	208	240

	£	£
Staff costs during the year (including directors)		
Wages and salaries	9,519,597	10,012,067
Social security costs	908,920	1,069,784
Pension costs	191,851	162,115
	10,620,368	11,243,966

4. Operating profit/(loss)

	2009	2008
	£	£
Operating profit/(loss) is stated after charging:		
Depreciation on owned assets	1,844,777	2,457,222
Foreign exchange (loss)/gain	(364,000)	657,000
Rentals under operating leases		
aircraft and engines	16,324,442	12,322,460
other equipment operating leases	66,002	74,729
land and buildings	124,593	124,593
Audit fees		
Fees payable to the company's auditors for the audit of the company's annual accounts	35,014	67,050
Non-audit fees - tax and other services	20,536	15,450

5 Profit on sale of fixed asset - exceptional credit

During the prior year the company sold certain of its Gatwick airport landing slots to third party airlines for £3,723,602 A profit on the sale of the same amount has been recognised The proceeds from the sale of the landing slots is subject to taxation at the main rate of tax in the UK – 28% (2008 28 5%) However the tax on this item has been offset by tax trading losses in the company and consequently no tax arises

Notes to the financial statements
For the year ended 31 December 2009

6. Tax on profit/(loss) on ordinary activities

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

	2009	2008
	£	£
Current tax		
United Kingdom corporation tax at 28% (2008 – 28 5%) based on the loss 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% (2008 – 28 5%) The differences are explained below

	2009	2008
	%	%
Standard tax rate for year as a percentage of (profit)/loss	(28 0)	28 5
Effects of		
Disallowed expenses and non-taxable income	(2 0)	(2 0)
Movement in tax losses not recognised	30 0	(26 5)
Current tax rate as a percentage of loss	-	-

(c) Factors that may affect future tax charge

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 £5,900,000 (2008 - £6,300,000) This asset would be recovered if the company has suitable future taxable profits

7. Tangible fixed assets

	Refurbishment of operating lease aircraft	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2009	1,546,547	1,016,892	239,780	54,919	2,858,138
Additions	1,979,634	786,802	10,401	-	2,776,837
Disposals	(2,220,148)	-	-	-	(2,220,148)
At 31 December 2009	1,306,033	1,803,694	250,181	54,919	3,414,827
Accumulated depreciation					
At 1 January 2009	845,246	552,194	158,736	9,237	1,565,413
Charge for the year	1,461,036	300,510	65,512	17,719	1,844,777
Disposals	(2,220,148)	-	-	-	(2,220,148)
At 31 December 2009	86,134	852,704	224,248	26,956	1,190,042
Net book value					
At 31 December 2009	1,219,899	950,990	25,933	27,963	2,224,785
At 31 December 2008	701,301	464,698	81,044	45,682	1,292,725

Notes to the financial statements
For the year ended 31 December 2009

8. 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 The company has made a profit for the financial year ended 31 December 2009 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

9. Debtors

	2009	2008
	£	£
Amounts falling due within one year		
Trade debtors	4,993,198	2,117,394
Other debtors	130,250	290,551
Prepayments and accrued income	906,211	384,260
	6,029,659	2,792,205
Amounts falling due after more than one year		
Aircraft deposits	2,138,521	1,617,806
	8,168,180	4,410,011

10 Creditors: amounts falling due within one year

	2009	2008
	£	£
Trade creditors	6,209,021	5,316,678
Taxation and social security	2,750,907	2,528,718
Other creditors	781,471	1,486,151
Accruals and deferred income	3,350,514	3,247,824
	13,091,913	12,579,371

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

	2009	2008
	£	£
"A" Preference shares	-	5,000,000
"B" Preference shares	-	13,191,597
Accrued preference share dividends	-	339,185
Loan stock	2,000,000	-
Accrued interest and redemption premium on loan stock	639,070	-
Other creditors	124,529	-
	2,763,599	18,530,782

11 Creditors: amounts falling due after more than one year (continued)

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 This had the effect of transferring the shares from long term liabilities to equity on the balance sheet

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")

Subsequent to the year end, 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

12. Provisions for liabilities

	Aircraft return costs £
At 1 January 2009	1,395,375
Charged to profit and loss account	1,398,097
Utilised in the year	(576,505)
At 31 December 2009	2,216,967

The above provision and charges/utilisation 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

13. Called up share capital

	2009 £	2008 £
Called up, allotted and fully paid		
3,586,073 (2008 – 886,073) ordinary shares of 10p each	358,607	88,607
18,191,597 (2008 – nil) preference shares of £1	18,191,597	-
	18,550,204	88,607

Details of the preference shares issued in 2008 are described in note 11 and were classified as a liability as at 31 December 2008

Notes to the financial statements
For the year ended 31 December 2009

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

	Share capital £	Share premium account £	Profit and loss account £	Total 2009 £	Total 2008 £
At start of the year	88,607	652,370	(23,745,630)	(23,004,653)	(22,029,345)
Ordinary shares issued	270,000	-	-	270,000	-
Preference shares re-categorised – see note 11	18,191,597	-	-	18,191,597	
Retained profit/(loss) for the year	-	-	1,127,298	1,127,298	(975,308)
At end of the year	18,550,204	652,370	(22,618,332)	(3,415,758)	(23,004,653)

15. Operating lease commitments

At 31 December 2009, 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

	2009 £	2008 £
Leases which expire:		
Within one year	-	1,457,083
Within two to five years	13,816,763	11,459,572
Over five years	-	-
	13,816,763	12,916,655

The above commitments have been converted to sterling using the period end sterling/US dollar rate of £1 - $1 61485 (2008 - $1 43775)

At 31 December 2009 the company was also committed to making the following payments during the next year in respect of operating leases as follows

	Land and buildings 2009 £	Other 2009 £	Land and buildings 2008 £	Other 2008 £
Leases which expire:				
Within one year	-	-	8,146	-
Within two to five years	124,593	66,002	113,758	74,729

Notes to the financial statements
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16. 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

	2009	2008
	£	£
Letters of credit issued	1,746,667	2,392,627
Commitment covered by		
Blocked bank deposits – included in cash and bank balances	1,746,667	2,392,627

The above commitments have been converted to sterling using the period end sterling/US dollar rate of £1 - $1 61485 (2008 - $1 43775)

Other financial commitments

At 31 December 2009, the company had commitments under fixed price fuel purchase contracts entered into in the ordinary course of business amounting to US$nil (2008 – US$266,350 fixed price fuel purchase contracts)

The fair value of these derivatives taken out to hedge future operating costs is not recognised in the accounts At 31 December 2009, the company had an unrecognised loss on their fixed price fuel purchase contracts of £nil (2008 – loss £8,813)

17. Related parties

The company considers Fengur hf, Fons hf, Iceland Express, Northern Travel Holding hf and Sterling Airlines (until October 2008) to be related parties as they were also controlled by companies owned by Mr P Haraldsson In the year to 31 December 2009, the company made sales of £14,713,232 (2008 £4,872,720) to Iceland Express and £nil (2008 £7,409,638) to Sterling Airlines At 31 December 2009, a balance of £674,789 (2008 £696,808) was owed by Iceland Express At 31 December 2009, the loan stock of £2,000,000 plus related accrued interest was all owed to Fengur hf At 31 December 2008, the preference shares and related accrued dividends totalling £18,530,782 were owed to Fons hf There were no other transactions with or balances owed to/from related parties

18. Controlling party

In September 2008, Fons hf, a company registered in Iceland, acquired 100% of the issued share capital of the company from Northern Travel Holding hf In February 2009, Fengur hf, a company registered in Iceland, acquired 100% of the issued share capital of the company from Fons hf All three companies, Fengur hf, Fons hf and Northern Travel Holding hf are controlled by Mr P Haraldsson As such, the directors consider the controlling party to be Mr P Haraldsson

19. Significant post balance sheet events

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