

Parkridge Aviation Services Limited

**Directors' report and financial
statements**

Registered number 05878878

For the year ended 31 December 2008

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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditors' report to the members of Parkridge Aviation Services Limited	3
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2008

Principal activities

The company's principal activity is the provision of pilots

Review of the business

The results for the company are set out in the profit and loss account on page 5. There is, however, some material uncertainty which the company faces in continuing to trade. The effects and details of this are explained in note 1.

No dividends were paid or proposed during the year.

Directors

The directors who served during the year are shown below:

RW Bardsley (resigned 31 July 2009)
PGJ Naish

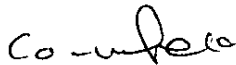
Disclosure of information to auditors

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

Approved by the board and signed on its behalf



CR Winfield
Company Secretary

22-23 Old Burlington Street
London
W1S 2JJ

14 September 2010

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
1 Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Independent auditors' report to the members of Parkridge Aviation Services Limited

We have audited the financial statements of Parkridge Aviation Services Limited for the year ended 31 December 2008 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 2.

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, except that the scope of our work was limited as explained below.

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 group and parent company's circumstances, consistently applied and adequately disclosed.

We planned 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.

Independent auditors' report to the members of Parkridge Aviation Services Limited *(continued)*

Basis of audit opinion *(continued)*

However, as more fully explained in note 1, the ability of the Group to continue to meet its obligations as they fall due, in particular scheduled senior debt facility repayments, is explained to be dependent upon the substantial achievement of planned sales of a number of completed and partially-completed developments and/or the deferral of those repayments or receipt of alternative funding. Given the timing and extent of planned disposals, the Directors were not able to provide sufficient reliable evidence that their forecasts represented a realistic outcome. As a result, the evidence available to us to confirm the appropriateness of preparing the financial statements on a going concern basis was limited and, in the absence of any alternative evidence available to us, we have been unable to form a view as to the applicability of the going concern basis.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

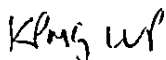
Opinion, disclaimer on view given by the financial statements

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether 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 2008 and of the company's profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985

In respect solely of the limitation on our work relating to going concern referred to above we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Notwithstanding our disclaimer on the view given by the financial statements, in our opinion the information given in the Directors' Report is consistent with the financial statements.



KPMG LLP
Chartered Accountants
Registered Auditor

14 September 2010

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	Year ended 31 December 2008 £000	Period ended 31 December 2007 £000
Turnover	<i>1</i>	151	255
Administrative expenses		(144)	(241)
		<hr/>	<hr/>
Operating profit and profit on ordinary activities before taxation	<i>2</i>	7	14
Tax on profit on ordinary activities	<i>4</i>	-	-
		<hr/>	<hr/>
Profit on ordinary activities after taxation and for the financial period	<i>8</i>	7	14
		<hr/>	<hr/>

There are no recognised gains or losses in the current year or preceding period other than the profit shown in the profit and loss account

All amounts are derived from continuing operations

Movements on reserves are set out in note 8 to the financial statements

Balance sheet
at 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Current assets			
Debtors	5	26	18
Creditors Amounts falling due within one year	6	(5)	(4)
Net current assets		<u>21</u>	<u>14</u>
Net assets		<u>21</u>	<u>14</u>
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account	8	21	14
Equity shareholders' funds	9	<u>21</u>	<u>14</u>

These financial statements were approved by the board of directors on 14 September 2010 and signed on its behalf by



PGJ Naish
Director

Company registered number 5878878

Notes

(forming part of the financial statements)

1 Accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

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

Going concern

The financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the reasons set out below.

The Company meets its day to day working capital requirements through funds provided to it by Parkridge Holdings Limited, its ultimate parent company. The ultimate parent in turn meets its funding requirements through its own banking facilities ('the facilities'). Cross guarantees exist between the company and its ultimate parent over these facilities. Therefore, in forming their conclusions in relation to going concern, the directors of the company have considered the financing position of the Parkridge Holdings Group ('the Group').

The shareholders have indicated they will not demand repayment of their loans until such time as appropriate replacement facilities have been identified and made available to the Group.

The loans through the joint venture partner have not breached their terms and are not repayable within 12 months of the date of signing these financial statements.

At the date of these financial statements, the Group has in place senior debt facilities of £150.0 million of which £104.4 million are scheduled to be repaid over the next 12 months. The Group's ability to meet these scheduled repayments is dependent on the substantial achievement of planned sales of a number of completed and partially-completed developments and/or the deferral of these repayments or receipt of additional funding (as further explained below).

Additionally, the bank facilities of £145.7 million at 6 September 2010 are repayable over the period to December 2011. The bank facilities include certain covenant tests and the failure of a covenant test renders the entire facility repayable on demand at the option of the lenders. These loan covenants have been breached on a number of occasions owing mainly to the recent fall in property prices. As a result of a breach at 31 December 2008, some of the bank facilities are classified as amounts falling due within one year in the financial statements. The loan covenants were last breached at 31 December 2009 but this and all previous breaches have subsequently been waived by the lenders.

The Directors have prepared trading and cash flow forecasts for a period of one year from the date of approval of these financial statements. The forecasts make assumptions in respect of future trading conditions and the achievement of cost reductions and certain asset sales. The most significant of these assumptions relates to the ability of the Group to achieve planned sales of a significant number of completed and partially-completed developments from the date of approval of these financial statements. Certain sales need to be achieved at specific dates and specific prices in order for the Group to stay within its working capital facility and meet its scheduled senior debt facility repayments. The nature of the Group's business is such that there can be significant variations in the timing of operating cash inflows. The forecasts take into account the aforementioned factors to an extent which the Directors consider reasonable, based on the information that is available to them at the time of the approval of the accounts. The forecasts indicate that, subject to obtaining or retaining appropriate planning permission and adequate funding to complete the developments, the sale of the developments will allow the Group to repay amounts due under the existing senior debt facilities and operate within its current working capital facility. However, they also indicate forecast breaches of the current performance covenants relating to the bank facilities and that additional facilities will be required from January 2011.

The Directors have discussed these potential breaches, the facilities and future covenants with the lenders who provide the banking facilities ('the bank'). The bank has indicated that, notwithstanding the potential covenant breaches referred to above, it is their current intention (a) not to seek early repayment and (b) to continue to make available the undrawn element of the facilities.

Notes (continued)

1 Accounting policies (continued)

Going concern (continued)

The Directors consider that the additional facilities required from January 2011 will be made available by the bank, as the Directors will have demonstrated their ability to meet scheduled repayments, based on the assets remaining in the Group at that time. The Directors consider that this should enable the Group to continue in operational existence for the foreseeable future by continuing in property development and meeting its liabilities as they fall due for payment.

The Company Directors' plan continues to be to develop and sell the remaining properties and land held by subsidiary enterprises. The Directors have prepared cash flow forecasts that indicate that, subject to retaining adequate funding to complete the developments, the sale of the properties and land will allow the company to repay all amounts due to the bank and group undertakings. On this basis, the ultimate parent has indicated that for at least one year from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. The Company Directors consider that this should enable the company to continue in operational existence for the foreseeable future by continuing in property development and meeting its liabilities as they fall due for payment.

The Directors acknowledge that there can be no certainty that the planned asset disposals will be achieved at the time and price included in the forecasts. However, at the date of approval of the financial statements, they have initiated negotiations for the sale of 60% of the Group's developments and are confident that the majority of the planned sales will be achieved. Additionally, as with any situation where new facilities or covenants are to be agreed, the Directors acknowledge that there can be no certainty that these will be agreed at satisfactory levels. However, at the date of approval of the financial statements, they have no reason to believe that new satisfactory performance covenants will not be agreed in the near future and additional facilities will not be made available by the bank when required.

In the event that the planned asset sales are not achieved or the current intentions of the bank change in respect of the existing undrawn facilities or repayment of those facilities, the Directors would have to obtain the agreement of the senior debt providers for the deferral of repayments and/or supplement, renew or replace their current funding arrangements with facilities that are appropriate to the Group's ongoing requirements. The ability to defer senior debt repayments and the potential source and cost of new facilities is currently being considered by the Directors.

These conditions indicate the existence of material uncertainties, which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to continue to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would result from the going concern basis of preparation being inappropriate.

Group financial statements

The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare group financial statements and deliver them to the Registrar of Companies. The financial statements therefore present information about the company as an individual undertaking and not about its group.

Cash flow statement

Under Financial Reporting Standard ('FRS') 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Related parties

As 90% or more of the company's voting rights are controlled within the group headed by Parkridge Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has, therefore, not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Parkridge Holdings Limited are publicly available.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the loss for the period 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 FRS 19.

Turnover

Turnover is amounts received and receivable for the provision of pilots.

2 Profit on ordinary activities before taxation

Year ended 31 December	Period ended 31 December
2008	2007
£000	£000

Profit on ordinary activities before taxation is stated

after charging

Fees payable to the company's auditors
 Audit of these financial statements

3	3
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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, Parkridge Holdings Limited.

3 Staff numbers and costs

The directors, being the only employees of the company, neither received nor waived any remuneration during the period.

4 Taxation

Analysis of charge in period

Year ended 31 December	Period ended 31 December
2008	2007
£000	£000

UK corporation tax

Current tax on income for the period

-	-
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Tax on profit on ordinary activities

-	-
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Notes (continued)

4 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (*period ended 31 December 2007 lower*) than the standard rate of corporation tax in the UK of 28.5% (*period ended 31 December 2007 30%*)

	Year ended 31 December 2008 £000	Period ended 31 December 2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	7	14
	<hr/>	<hr/>
Current tax at 28.5% (<i>period ended 31 December 2007 30%</i>)	2	4
	<hr/>	<hr/>
<i>Effects of</i>		
Group relief	(2)	(4)
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

Factors that may affect future current tax

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly.

5 Debtors

	2008 £000	2007 £000
Amounts due from group undertakings	20	14
Prepayments	4	4
Other debtors	2	-
	<hr/>	<hr/>
	26	18
	<hr/>	<hr/>

6 Creditors. Amounts falling due within one year

	2008 £000	2007 £000
Accruals and deferred income	5	4
	<hr/>	<hr/>

Notes (continued)

7 Called up share capital

	2008 £000	2007 £000
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1	1
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
2 ordinary shares of £1 each	-	-
	<hr/>	<hr/>

8 Reserves

	Profit and loss account £000
At beginning of year	14
Profit for the financial year	7
	<hr/>
At end of year	21
	<hr/>

9 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit for the financial year	7	14
Opening shareholders' funds	14	-
	<hr/>	<hr/>
Closing shareholders' funds	21	14
	<hr/>	<hr/>

10 Financial and capital commitments

There were no capital commitments at the end of the year

11 Ultimate parent company

The company's ultimate parent undertaking at 31 December 2008 was Parkridge Holdings Limited, a company registered in England and Wales. The consolidated financial statements of Parkridge Holdings Limited can be obtained from

Companies House
 Crown Way
 Maindy
 Cardiff
 CF14 3UZ