

FLY FIRST PLC
REPORT and FINANCIAL STATEMENTS
For the year to 30 November 2006



FLY FIRST PLC
FINANCIAL STATEMENTS
YEAR ENDED 30 NOVEMBER 2006

Contents	Pages
Officers and professional advisers	1
Chairman's statement	2
The directors' report	3-4
Independent auditors' report to the shareholders	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 12

FLY FIRST PLC

OFFICERS AND PROFESSIONAL ADVISERS

YEAR ENDED 30 NOVEMBER 2006

The Board of Directors

J W D Campbell
K J Campbell
H W Taylor
W Troup
C P W Villa
W Oulton, Lord Wade of Chorlton, KT

Company Secretary

W Troup

Registered Office

4th Floor
Saltire Court
20 Castle Terrace
Edinburgh
Lothian
EH1 2EN

Auditors

Chiene + Tait
Chartered Accountants and Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

Bankers

The Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

Solicitors

Dundas & Wilson CS LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

FLY FIRST PLC

CHAIRMAN'S STATEMENT

YEAR ENDED 30 NOVEMBER 2006

The company has been established to operate an innovative, exclusively business class airline between the UK and USA. The loss for the period after taxation was £61,084.

Operations

As anticipated, the period has been challenging in raising finance for Fly First plc. As a result of this, operations have not yet commenced and the raising of the required finance is continuing to enable the launch of the airline.

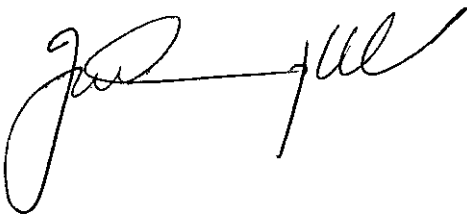
Fly First plc plans to complete the fundraising in 2007 and subsequently launch the proposed air service between London Luton and Newark in the third quarter of 2007.

Outlook

The Board considers that Fly First, on completion of the fundraising, is well placed to offer a first class service at business class prices to passengers travelling on the London to New York route. We believe that our offering will be innovative and we will be recognised for the quality of service we will offer our customers.

J W D Campbell

25 APRIL 2007



FLY FIRST PLC

THE DIRECTORS' REPORT

YEAR ENDED 30 NOVEMBER 2006

The directors present their report and the audited financial statements of the company for the year to 30 November 2006

Principal activities

The company has been established to operate an innovative, exclusively business class airline between the UK and the USA. Operations have not as yet commenced and, during the period, the activities of the company were engaged in the raising of finance for the business.

Business review and future developments

The directors have continued with the raising of finance for the company during the year and since the year end. To date, operations have not yet commenced and the raising of the required finance is continuing to enable the launch of the airline. The company plans to complete the fundraising in 2007 and subsequently launch the proposed air service between London Luton and Newark in the third quarter of 2007.

Results and dividends

The loss for the year after taxation was £60,984 (2005 £251,755). The directors are unable to recommend the payment of a dividend.

Directors and their interests

The directors who served the company during the period are listed below together with their beneficial shareholdings at the beginning and end of the year.

	Ordinary Shares of £0.10 each	
	2006	2005
J W D Campbell	667,800	667,800
K J Campbell	180,000	180,000
H W Taylor	540,000	540,000
W Troup	540,000	540,000
C P W Villa	540,000	540,000
W Oulton, Lord Wade of Chorlton KT	90,000	90,000

Share options granted to certain of the directors are disclosed in note 8 to the financial statements.

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). 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 judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

THE DIRECTORS' REPORT (cont'd)

YEAR ENDED 30 NOVEMBER 2006

Statement of directors' responsibilities (cont'd)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Creditors payment policy

The company's payment policy for the period to 30 November 2006 was to agree terms of payment before business is transacted to ensure that suppliers are aware of these terms and to settle bills in accordance with them.

Auditors

A resolution to re-appoint Chiene + Tait as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



W Troup
Secretary

25 April 2007

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FLY FIRST PLC



We have audited the financial statements of Fly First Plc for the year ended 30 November 2006 set out on pages 6 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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 transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Officers and Professional Advisors, the Chairman's Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 November 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Chiene + Tait

CHIENE + TAIT
Chartered Accountants and Registered Auditors
61 Dublin Street
Edinburgh EH3 6NL

8 MAY 2007

FLY FIRST PLC**PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 NOVEMBER 2006**

	Notes	2006 £	2005 £
Turnover			
Administrative expenses		67,681	412,102
Other operating income		—	152,000
Operating loss	2	(67,681)	(260,102)
Interest receivable		7,696	8,453
Interest payable	3	(21)	(106)
		—	—
Loss on ordinary activities before taxation		(60,006)	(251,755)
Tax on loss on ordinary activities	5	978	—
Loss for the financial period		(60,984)	(251,755)
		=====	=====
Operating loss per share		(2 4p)	(9 2p)
Earnings per share		(2 2p)	(8 9p)
Net assets per share		5 7p	9 4p

Earnings per share are calculated on the loss for the financial period after taxation

All activities in the period are classed as continuing

A statement of recognised gains and losses has not been prepared as all gains and losses are shown in the profit and loss account

The notes on pages 9 to 12 form part of these financial statements

FLY FIRST PLC

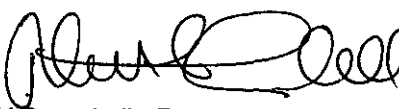
BALANCE SHEET

AS AT 30 NOVEMBER 2006

	Notes	2006 £	2005 £
Current assets			
Debtors	6	1,748	2,063
Cash at bank		254,005	269,428
		—	—
		255,753	271,491
Creditors amounts falling due within one year	7	97,712	52,466
		— — —	
Net current assets		158,041	219,025
		—	
Total asses less current liabilities		158,041	219,025
Creditors amounts falling due after more than one year		—	—
		— — —	
		158,041	219,025
		=====	=====
Capital and reserves			
Called up share capital	8	282,780	282,780
Profit and loss account	9	(124,739)	(63,755)
		—	—
Equity shareholders' funds		158,041	219,025
		=====	=====

These financial statements were approved by the Board of Directors on 25 April 2007 and are signed on their behalf by


W Troup Director


K Campbell Director

The notes on pages 9 to 12 form part of these financial statements

FLY FIRST PLC

CASH FLOW STATEMENT

YEAR ENDED 30 NOVEMBER 2006

	Notes	2006 £	2005 £
Net cash outflow from operating activities	10	(23,051)	(210,402)
Returns on investments and servicing of finance			
Interest paid		(21)	(106)
Interest received		7,649	7,156
		---	---
Net cash inflow from returns on investments and servicing of finance		7,628	7,050
		---	---
Net cash outflow before financing		(15,423)	(203,352)
		---	---
Financing			
Share capital issued			282,780
Loans received			2,000
Capital contribution received			188,000
		---	---
Net cash inflow from financing			472,780
		---	---
(Decrease) / increase in cash		(15,423)	269,428
		=====	=====

The notes on pages 9 to 12 form part of these financial statements

1. Accounting policies

Basis of accounting

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

Going concern

The directors of the company are continuing to raise the necessary finance for the launch of the company. The directors are satisfied that the company has sufficient funds to continue with the raising of finance for at least the next 12 months (from the date of approval of the financial statements). Consequently, the financial statements have been prepared on the going concern basis.

Start up costs

All start up costs have been expensed to the profit and loss account in the period.

Deferred taxation

Deferred tax is provided on the liability method to take account of timing differences between the treatment of certain items for financial statements purposes and the treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences. Deferred tax assets are only recognised to the extent that they are regarded as recoverable.

2 Operating loss	2006	2005
	£	£
Operating loss is stated after charging/crediting		
Auditors' remuneration audit services	2,500	2,500
Auditors' remuneration non audit services		
current auditor	1,700	13,650
former auditor		30,000
Gifts received		(152,000)
Purchase of concept in the prior period		114,061
	=====	=====

The gifts received have been made without recourse and have conferred no obligations on the company.

3 Interest payable	2006	2005
	£	£
Bank interest	21	106
	=====	=====

4 Staff costs	2006	2005
	£	£
Wages and salaries	37,292	72,370
Social security costs	5,236	8,861
	42,528	81,231
	=====	=====

The above costs relate to remuneration payable to four directors in the year. The company did not have any other employees during the period. The total directors' emoluments in the year were £37,292 (2005: £72,370). There were no benefits in kind or retirement benefits payable in the year.

5	Taxation	2006 £	2005 £
	Corporation tax	978	
		=====	=====
	Factors affecting tax charge for the year		
	The tax assessed for the period is higher than the expected tax charge as explained below		
	Loss on ordinary activities before tax	(60,006)	(251,755)
		-- --	
	Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2005 19%)	(11,401)	(47,833)
	Effects of		
	Expenses not deductible for tax purposes	113	33,583
	Unrelieved tax losses carried forward	12,751	14,250
	Marginal rate relief	(485)	
			-- --
	Current tax charge for the year	978	
		=====	=====

Factors affecting future tax charges

The company has an unrecognised deferred tax asset of £74,219 (2005 £14,250) in respect of pre trading expenditure carried forward. Its recoverability is dependent upon suitable future taxable profits the likelihood of which cannot at this stage be determined with reasonable certainty.

6	Debtors	2006 £	2005 £
	Other debtors	1,748	2,063
		=====	=====
7.	Creditors, amounts falling due within one year	2006 £	2005 £
	Loans	2,000	2,000
	Accruals	94,734	50,466
	Corporation tax	978	
			--
		97,712	52,466
		=====	=====

The loan has been received from a director, Mr J W D Campbell, is interest free and is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

YEAR ENDED 30 NOVEMBER 2006

8	Share capital			2006	2005
				£	£
	Authorised share capital				
	30,000,000 Ordinary shares of £0 10 each			3,000,000	3,000,000
				=====	=====
		No	2006	No	2005
			£		£
	Allotted, called up and fully paid				
	Ordinary shares of £0 10 each	2,827,800	282,780	2,827,800	282,780
		=====	=====	=====	=====

Share options

The following share options have been granted

Mr Keith Campbell, was granted options under the Enterprise Management Incentive Scheme, in respect of an additional 592,200 ordinary shares of £0 10 each. These are exercisable at a price of 10 pence per ordinary share within 10 years from 8 November 2004.

Mr John Campbell, in respect of an additional 140,000 ordinary shares of £0 10 each. These are exercisable at a price of 10 pence per ordinary share within 10 years from the 21 March 2005.

The company has further share option schemes under which options for 920,000 Ordinary shares have been granted and were outstanding at the year end as follows

	Option granted by the board	Number of shares	Option price per share	Option period
Ordinary £0 10 shares	21/03/05	380,000	£0 10	21/03/05–21/03/15
Ordinary £0 10 shares	05/05/06	540,000	£0 10	05/05/06 05/05/16
		—		
		920,000 =====		

The exercise of the options granted during the year are subject to a number of conditions being met by the option holders

9. Reconciliation of equity shareholders' funds and movement on reserves

	Share Capital £	Profit and Loss Account £	Total share holders' Fund £
Balance brought forward	282,780	(63,755)	219,025
Loss for the financial year		(60,984)	(60,984)
Balance carried forward	282,780 =====	(124,739) =====	158,041 =====

During the year, the company received capital contributions totaling £nil (2005 £188,000) from Mr John Campbell (a Director and Shareholder of the company)

FLY FIRST PLC**NOTES TO THE FINANCIAL STATEMENTS (cont'd)****YEAR ENDED 30 NOVEMBER 2006**

10. Cash flow statement	2006	2005
	£	£
Operating loss	(67,681)	(260,102)
Decrease / (increase) in debtors	362	(766)
Increase in creditors	44,268	50,466
	-- --	
Net cash outflow from operating activities	(23,051)	(210,402)
	=====	=====

11 Related party transactions

On 25 February 2005, Mr John Campbell agreed to make an interest free loan facility of £22,000 available to the company. As at 30 November 2006, the amount of £2,000 had been drawn down by the company from this facility.

A bank overdraft facility has been made available to the company. Mr John Campbell has guaranteed up to £10,000 of this facility.

12 Contingent liabilities

If Fly First plc raises the minimum level of capital recommended by the CAA, a further amount of £422,000 will become payable by the company.

13 Capital commitments

At 30 November 2006, the company had no capital commitments.