
H+S AVIATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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H+S AVIATION LIMITED

COMPANY INFORMATION

Directors	M Stubbs H McElroy W J Bonder M R Jeram P A Jupp
Registered number	00422128
Registered office	Airport Service Road Portsmouth Hampshire United Kingdom PO3 5PJ
Independent auditor	Deloitte LLP Statutory Auditor 1 New Street Square London United Kingdom EC4A 3HQ
Bankers	HSBC Bank PLC 14 Bradford Road Cleckheaton West Yorkshire BD19 3JR Barclays Bank PLC City Service Centre PO Box 544 54 Lombard Street London EC3V 9EX
Solicitors	DLA Piper UK LLP 3 Noble Street London EC2V 7EE Eversheds Sutherland Cloth Hall Infirmary Street Leeds OS1 2JV

H+S AVIATION LIMITED

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H+S AVIATION LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The directors of H+S Aviation Limited (the 'Company'), in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities and business review

The principal activities of the Company are the overhaul and repair of aviation engines and associated components.

There have been no significant changes in the principal activities in the year under review.

H+S Aviation Limited is a private company limited by shares, registered in England & Wales. It's registered office is Airport Service Road, Portsmouth, Hampshire PO3 5PJ.

The results for the years ended 2019 and 2018 are set out on page 12. Sales for the year show an increase of 13.4% in comparison to 2018. The profit for the year after taxation amounted to £4,800k (2018: £3,559k). Operating profit as a percentage of sales for the year amounted to 7.1% (2018: 5.8%) an encouraging increase on 2018. The year on year uplift seen on sales and profit is attributed to strengthened positions derived from strong trading performance across business units.

The business continues to face challenges within the airline APU market, however, the positive results seen in 2019 are encouraging.

The global pandemic events during 2020 have provided a set of unique and unprecedented challenges for the business, but the organisational response has been well measured, and the business continues to trade well in tough market and economic conditions.

Principal risks and uncertainties

One of the principal risks to H+S Aviation Limited is currency fluctuation.

A significant proportion of H+S Aviation Limited's sales are denominated in US Dollars, although this is offset to an extent by dollar denominated material costs.

Management are minimising this exposure, where possible, through hedging US Dollar cash inflows. The hedging of the US Dollar cash flows covers a maximum timescale of 30 months and therefore a medium-term risk still exists.

Testing of engines is critical to H+S Aviation Limited's operations. Failure of one or more test beds would substantially affect its ability to test engines and dispatch within agreed timelines. There are alternative test beds available for sub-contract testing should the need arise, however, the use of these would incur additional costs and extend delivery times to the customer.

Further challenges affecting the business relate to market uncertainties, affected by competitor behaviour (mergers/acquisitions) and OEM strategies, the future of legacy engine platforms and operator strategies going forward. The COVID-19 pandemic of 2020 has also further highlighted the challenges and uncertainties facing businesses worldwide, particularly in the aviation sector.

Financial key performance indicators

The key performance indicators used for monitoring business performance include the return on sales (profit/loss after tax as a percentage of revenue), which in the current year was 6.7% (2018: 5.6%), the ROIC (operating profit/loss as a proportion of invested capital) which was 9.7% (2018: 7.9%), the inventory stock turn which was 3 times during 2019 (2018: 3 times) and the days billed sales outstanding (DSO) which was 51 days at 31 December 2019 (2018: 47 days).

H+S AVIATION LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' statement of compliance with duty to promote the success of the Company

Under section 172(1) of the Companies Act 2006 (section 172), the Directors are required to act in a way that they consider, in all good faith, would most likely promote the success of the Company. This success must be for the benefit of the Company's shareholder but also for all other stakeholders.

This has been highlighted during the current COVID-19 pandemic, where the Company continues to ensure that its employees have a safe environment in which to work, and the business remains viable.

It has been imperative for the business to ensure that customer and supplier requirements are still met, maintaining strong working relationships with both through regular communication and review, to ensure that their businesses are supported 365 days of the year.

The Directors aim to cultivate strong relationships with all key stakeholders, so that they are adequately informed to take their views in to account when making decisions in respect of the Company's strategic objectives.

The aim is to create long standing value for all stakeholders of the business, and in order to do this, we aim to understand what matters most to them.

During 2019, the Company continued to form close ties with its customers, suppliers, OEM's and employees, with directors ensuring effective communication at all levels, in order to promote the success of the business.

The above was effected via regular review of performance measures and continuous engagement with stakeholders throughout the year.

Purpose, Strategy and Values

The Company's purpose and strategy is underpinned by the principles and values of its Parent Company, Signature Aviation Plc. These are:

Performance
Safety
People
Service
Responsibility
Integrity

The Directors uphold and maintain these principles at all times, in all areas of the H+S Aviation business model, to ensure the standards expected within the wider group are kept.

Impact Of The Company's Operations On The Community and The Environment

It is important for the business to consider it's impact on the environment, and to be mindful of how it can have a positive effect on the long term future of the planet.

The business has an established "Green Team", whose purpose is to evaluate our environmental footprint, and seek ways to make a positive impact locally, via various initiatives.

The Directors play a constructive role in addressing issues, and to seek viable ways to reduce the Carbon Footprint of the business.

H+S AVIATION LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Culture, Values and Standards

The directors recognise that culture, values and standards play a key role in the success of a Company, and how it creates and maintains long term value.

Maintaining high standards of conduct helps the Directors in decision making, whilst promoting the Company's success.

The standards set by the Directors promote the behaviours and requirements expected of all employees within the business.

On the basis of the above, the Directors agree that they have acted in good faith, and have promoted the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2019.

Health, safety and environmental matters

H+S Aviation Limited holds ISO 14001:2015 accreditation. This is an internationally accepted standard that sets out how to put in place an effective Environmental Management System. The audits are carried out on site twice yearly.

Continuing on from earlier years, all new employees have been put through a Safestart training programme which highlights how individual actions can help make the workplace a safer place for all. This is brought to life weekly through a stand up meeting for all teams where safety is discussed, encompassing near misses around the business as a whole, and learning points from them, together with other unsafe acts witnessed outside the business that we can all learn from.

All employees also continue to receive human factors training which focuses on the impact of human error in the aviation industry.

The business has a safety management system (SMS).

Future developments

H+S Aviation Limited continue to work on delivering an exceptional customer service offering within its UK business, to increase our market penetration.

The company continues to target market share growth in its current product range where it has immense knowledge and experience, along with targeting product expansion in line with current strategy.

This was highlighted in Q2 of 2020, with the announcement that H+S Aviation Limited will be supporting LHTEC (Light Helicopter Turbine Engine Company), a joint venture business between OEM's Rolls Royce and Honeywell, as a licensed overhaul and repair centre for their CTS800 engine platform.

The deal is expected to drive growth across the engine repair and overhaul business at H+S Aviation Limited, whilst providing future job opportunities.

Signature Aviation Plc (previously BBA Aviation Plc) continues to classify its Engine Repair and Overhaul (ERO) business, which includes H+S Aviation Limited, as held for sale and reports it as a discontinued operation.

Signature Aviation Plc consider the sale of the business to be highly probable, albeit there is no certainty that an acceptable transaction will result.

H+S AVIATION LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including cash flow risk and credit risk. The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. This is highlighted as one of the key risks to H+S Aviation Limited and is tackled in the principal risk section above.

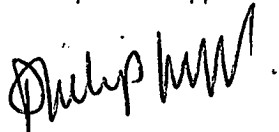
Credit risk

H+S Aviation Limited's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The Company has a credit insurance policy to mitigate credit risk. However, it has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

As the majority of the financial risks and funding requirements are managed by the treasury function of the ultimate parent Company, Signature Aviation Plc, the directors consider these risks fully mitigated.

This report was approved by the board on 18 December 2020 and signed on its behalf.



P A Jupp
Director

H+S AVIATION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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, 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 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 to 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.

Directors' indemnities

The Company has entered into deeds of indemnity in favour of each of its directors, the directors of the Parent Company, Signature Aviation Plc, and H+S Aviation Middle East LLC., under which the Company agrees to indemnify each director against liabilities incurred by that director in respect of acts or omissions arising in the course of their office or otherwise by virtue of their office.

Where such deeds are for the benefit of directors, they are qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006, as applicable. At the date of this report, these indemnities are therefore in force for the benefit of all the current directors of the Company and other members of senior management.

Business review

Under section 414C(11) of the Companies Act 2006, the directors have included their 'Business Review' within the strategic report rather than within the directors' report as they are considered of strategic importance to the Company.

Results and dividends

The profit for the year, after taxation, amounted to £4,800k (2018 - £3,559k).

No final dividend has been proposed by the directors (2018: £nil). No interim dividend was paid in 2019 (2018: £nil).

H+S AVIATION LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Directors

The directors who served during the year and up to the date of this report were:

M Stubbs
H McElroy
W J Bonder
M R Jeram
P A Jupp

Going Concern

Although the business is currently held for sale by its Parent Company, Signature Aviation Plc, the Directors of H+S Aviation Limited have assessed the projected cash flows of the business for the period of 12 months from the date of this report, and believe that the Company will be able to meet its commitments for the period in question, and manage its business risks successfully, despite the current economic outlook in the UK. The Directors have therefore adopted the going concern basis in preparing the annual report and accounts.

The COVID-19 pandemic has presented the business with un-precedented challenges through 2020. The effects seen on the aviation industry around the world have been devastating. However, the H+S Aviation Limited business has weathered the storm well. Its diverse product portfolio has enabled it to plot a steady course, and to give stability to the business during the global COVID-19 crisis, allowing the business to trade positively throughout 2020. It is on this basis, and the basis of forecasts prepared for the following 12 months which have modelled various downside scenarios, and highlighted that the business would still have sufficient headroom to function as a going concern within these various situations, that the directors do not believe COVID-19 to have any effect on the going concern status of the Company within the next 12 months.

Financial risk management

The principal risks and uncertainties are disclosed in the Strategic Report.

Business Partner Assessment

As part of Signature Aviation Plc, H+S Aviation Limited is committed to the highest level of ethical conduct and operating its business in compliance with applicable laws, rules and regulations in each jurisdiction in which it conducts business. During 2014 the business implemented set criteria to assess business partners before commencement of activity, thereby ensuring that any potential corruption or reputation risks associated with them are promptly identified and addressed. These assessments continue to be successfully undertaken.

Future developments

Under section 414C(11) of the Companies Act 2006, the directors have included 'Future Developments' within the strategic report rather than within the directors' report as they are considered of strategic importance to the Company.

Company's policy for payment of creditors

The Company's policy is to provide suppliers with the Company's standard conditions of trading for the purchase of goods and services, and to abide by those conditions. Trade creditors of the Company at 31 December 2019 were equivalent to 32 (2018: 61) day's purchases.

H+S AVIATION LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Engagement with employees

The Company is committed to employee participation, encouraging the development of co-operation with employees by involving, consulting the Employee Council in staff welfare issues, and through regular communication meetings with employees.

Regular communications are delivered to the employees of H+S Aviation Limited, via Town Hall style meetings, and also via email and video messaging.

In addition to the above, the Senior Leadership Team at H+S Aviation Limited, maintain visibility throughout the business via both formal and informal department visits to engage with the wider team.

Bi-annual employee engagement surveys are also undertaken, with the results driving targeted actions for Senior Leaders and Managers to undertake within the business.

Employee welfare is high on the agenda at H+S Aviation, with employees having access to Mental Health First Aid staff if required, along with support from LifeWorks Limited UK Employee assistance, which enables employees to have access to online Employee Assistance Programmes, information and resources if required.

Engagement with suppliers, customers and others

The Company maintains strong working relationships with both suppliers and customers, through regular review and evaluation of performance. Reviews are undertaken both internally amongst management, and also via meeting with the customers and suppliers. Supplier payment practices are reviewed monthly to ensure that the business is meeting its obligations, along with monitoring customer experience to ensure that the needs of the customer are being met. This allows the business to assess any potential issues, and to ensure that necessary adjustments can be made in a timely manner in order to improve the customer or supplier experience with H+S Aviation Limited.

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 within the Company continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

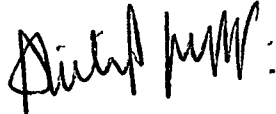
H+S AVIATION LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

This report was approved by the board on 18 December 2020 and signed on its behalf.



P A Jupp
Director

H+S AVIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF H+S AVIATION LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of H+S Aviation Limited (the 'company'):

- ◆ give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- ◆ the profit and loss account;
- ◆ the statement of comprehensive income;
- ◆ the balance sheet;
- ◆ the statement of changes in equity;
- ◆ and the related notes 1 to 27

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- ◆ the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- ◆ the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or

H+S AVIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF H+S AVIATION LIMITED (CONTINUED)

our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ♦ the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ♦ the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

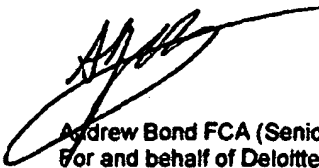
Use of our report

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

H+S AVIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF H+S AVIATION LIMITED (CONTINUED)

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.



Andrew Bond FCA (Senior statutory auditor)
For and behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom

Date: 18 December 2020

H+S AVIATION LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Turnover	3	71,498	63,041
Cost of sales		(50,306)	(43,771)
Gross profit		21,192	19,270
Distribution costs		(382)	(402)
Administrative expenses		(15,736)	(15,199)
Other operating income	4	1	13
Operating profit	5	5,075	3,682
Interest receivable and similar income	8	-	3
Interest payable and similar expenses		(126)	-
Profit before tax		4,949	3,685
Tax on profit	9	(149)	(126)
Profit for the financial year		4,800	3,559

The notes on pages 16 to 38 form part of these financial statements.

All activities arise from continuing operations.

H+S AVIATION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Profit for the financial year		4,800	3,559
<hr/>			
Other comprehensive income			
Fair value movements in foreign exchange cash flow hedges		402	(432)
Tax relating to components of other comprehensive income which will be reclassified subsequently to the profit and loss account		(72)	74
Transfer from revaluation reserve to the profit and loss account		51	51
<hr/>			
Other comprehensive income for the year		381	(307)
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Total comprehensive income for the year		5,181	3,252
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The notes on pages 16 to 38 form part of these financial statements.

H+S AVIATION LIMITED
REGISTERED NUMBER: 00422128

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	11	469	672
Tangible assets	12	7,366	5,595
		<u>7,835</u>	<u>6,267</u>
Current assets			
Stocks	13	20,250	17,130
Debtors: amounts falling due within one year	14	66,300	67,817
Cash at bank and in hand	15	514	425
		<u>87,064</u>	<u>85,372</u>
Creditors: amounts falling due within one year	16	(21,210)	(25,413)
Net current assets		<u>65,854</u>	<u>59,959</u>
Total assets less current liabilities		<u>73,689</u>	<u>66,226</u>
Creditors: amounts falling due after more than one year		(2,111)	-
Provisions for liabilities			
Deferred tax	20	(265)	(43)
		<u>(265)</u>	<u>(43)</u>
Net assets		<u><u>71,313</u></u>	<u><u>66,183</u></u>
Capital and reserves			
Called up share capital	21	7,500	7,500
Revaluation reserve		1,165	1,216
Foreign exchange reserve		131	(199)
Profit and loss account		62,517	57,666
		<u>71,313</u>	<u>66,183</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 December 2020.



M R Jeram
Director

H+S AVIATION LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £000	Revaluation reserve £000	Foreign exchange reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2018	7,500	1,267	159	54,056	62,982
Comprehensive income for the year					
Profit for the year	-	-	-	3,559	3,559
Fair value movements in foreign exchange cash flow hedges	-	-	(432)	-	(432)
Deferred tax	-	-	74	-	74
Transfer from revaluation reserve to the profit and loss account	-	-	-	51	51
	-	-	(358)	51	(307)
Items which may be reclassified to the profit and loss account	-	(51)	-	-	(51)
Transfer to/from profit and loss account	-	(51)	-	-	(51)
At 31 December 2018	7,500	1,216	(199)	57,666	66,183
Comprehensive income for the year					
Profit for the year	-	-	-	4,800	4,800
Fair value movements in foreign exchange cash flow hedges	-	-	402	-	402
Deferred tax	-	-	(72)	-	(72)
Transfer from revaluation reserve to the profit and loss account	-	-	-	51	51
Other comprehensive income for the year	-	-	330	51	381
Items which may be reclassified to the profit and loss account	-	(51)	-	-	(51)
Total transactions with owners	-	(51)	-	-	(51)
At 31 December 2019	7,500	1,165	131	62,517	71,313

The notes on pages 16 to 38 form part of these financial statements.

H+S AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

The Company is a private company limited by shares, is registered in England and Wales and it is incorporated in the United Kingdom under Companies Act 2006. The address of the Company's registered office is shown on page 1.

The nature of the Company's operation and its principal activities are set out in the directors' report on page 4.

The principal accounting policies are set out below and have been applied consistently throughout the current and preceding year. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. Accounting policies

2.1 The principal accounting policies

The principal accounting policies of the Company are set out below and have been applied consistently throughout the current and preceding year. H+S Aviation Limited continues to report in GBP as it has done historically.

The Company is a wholly owned subsidiary of Signature Aviation Plc, and is included in the consolidated financial statements of Signature Aviation Plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements. Where relevant, equivalent disclosures have been given in the group accounts of Signature Aviation Plc. The consolidated group accounts of Signature Aviation Plc are available to the public and can be obtained as set out in note 25.

2.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The following principal accounting policies have been applied:

2.3 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

- paragraph 118(e) of IAS 38 Intangible Assets;
- paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.4 Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover and associated profit arising from engine repair and overhauls are recognised on a percentage completion basis once the terms of the contract have been agreed with the customer and ultimate profitability of the contract can be determined with reasonable certainty. All current contracts are reviewed each period to ensure that there are no indications of a reduction in expected profitability.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.6 Impact of new international reporting standards, amendments and interpretations

IFRS 16 Leases

The Company adopted IFRS 16 Leases from 1 January 2019. IFRS 16 replaced IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'.

IFRS 16 requires lessees to account for most contracts under an on-balance sheet model, with the distinction between operating and finance leases removed. In addition, the standard makes changes

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.6 Impact of new international reporting standards, amendments and interpretations (continued)

to the definition of a lease to focus on, amongst other things, which party has the right to direct the use of the asset.

The Company has applied the modified-retrospective transition method approach and consequently the comparatives have not been restated. There is no impact on reserves as a result of adopting the new standard.

Practical expedients adopted on transition

On initial adoption, the Company has elected to use the following practical expedients permitted under the standard:

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- IFRS 16 has been applied to contracts that were previously classified as leases under IAS 17 and IFRIC 4.

Practical expedients also exist to not recognise lease liabilities for short-term or low value leases, however, on transition the Company has elected not to adopt these expedients.

Significant judgements applied in the adoption of IFRS 16 included determining an incremental borrowing rate where the rate implicit in a lease could not be readily determined.

Impact on lessee accounting

Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, the Company now recognises right of use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments.

Lease incentives are recognised as part of the measurement of the right of use asset whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right of use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

The Company recognises depreciation of right of use assets and interest on lease liabilities in the income statement, whereas under IAS 17 operating leases previously gave rise to a straight-line expense in the income statement.

Under both IFRS 16 and IAS 17 there is no net impact on the Company's cash flows.

The following tables summarise the impacts of adopting new reporting standards on the 's financial statements.

H+S AVIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.6 Impact of new international reporting standards, amendments and interpretations (continued)

Balance Sheet (extract)

	31 Dec 2018 As originally presented £000	IFRS 16 £000	1 Jan 2019 Adjusted balance £000
Fixed assets			
Intangible assets	672	-	672
Tangible assets	5,595	1,992	7,587
	<u>6,267</u>	<u>1,992</u>	<u>8,259</u>
Current assets			
Stocks	17,130	-	17,130
Debtors	67,817	-	67,817
Cash at bank and in hand	425	-	425
	<u>85,372</u>	<u>-</u>	<u>85,372</u>
Total current assets	85,372	-	85,372
Creditors: amounts falling due within one year	(25,413)	(8)	(25,421)
	<u>66,226</u>	<u>1,984</u>	<u>68,210</u>
Total assets less current liabilities	66,226	1,984	68,210
Creditors: amounts falling due after more than one year	-	(1,984)	(1,984)
Deferred taxation	(43)	-	(43)
	<u>66,183</u>	<u>-</u>	<u>66,183</u>
Net assets	66,183	-	66,183
Capital and reserves			
Called up share capital	7,500	-	7,500
Revaluation reserve	1,216	-	1,216
Foreign exchange reserve	(199)	-	(199)
Profit and loss account	57,666	-	57,666
	<u>66,183</u>	<u>-</u>	<u>66,183</u>

H+S AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.7 Pension

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due, and the cost is shown in Note 5. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is charged using the straight-line method over their estimated useful lives and is included under administrative expenses in the profit and loss account.

The estimated useful lives range as follows:

License Fees	-	7 to 17 years
Software	-	3 years

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Long-term leasehold property	-	Over the life of the lease
Plant, machinery and tools	-	7 to 15 years
Motor vehicles	-	4 years
Fixtures, fittings and equipment	-	3 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Depreciation is provided on aviation engines to write off the cost less estimated residual value over the engine's remaining flight hours, based on actual hours flown.

Assets under construction are not depreciated until the asset is in service. The assets are then transferred to the appropriate category and depreciated as indicated above.

2.13 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

H+S AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out actual cost basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.17 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

H+S AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.19 Current and deferred taxation

The charge for taxation is based on the profit for the year and comprises current and deferred taxation. Current tax is calculated at tax rates which have been enacted or substantively enacted as at the balance sheet date.

Deferred taxation takes into account taxation deferred due to temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is accounted for using the balance sheet liability method and is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases in the computation of taxable profit.

No provision is made for temporary differences on unremitted earnings of foreign subsidiaries, joint ventures or associates where the Company has control and the reversal of the temporary difference is not foreseeable.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at tax rates which have been enacted or substantively enacted at the balance sheet date and that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited to the Statement of Comprehensive Income, in which case the deferred tax is also dealt with in the Statement of Comprehensive Income.

2.20 Cash flow statement

The Company has taken advantage of the exemption under FRS 101 and has not produced a cash flow statement since its ultimate holding Company produces a consolidated cash flow statement that is publicly available.

H+S AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.21 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of the business on page 1. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described on pages 2 and 3. In addition, the directors' report to the financial statements includes the Company's objectives, policies and processes for managing its capital; financial risk management objectives; details of its financial instruments and hedging activities; its exposure to credit risk and liquidity risk.

The Company has sufficient financial resources together with long-term contracts with a number of customers and suppliers across different geographical areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook and have therefore adopted the going concern basis in preparing the annual report and accounts.

The COVID-19 pandemic has presented the business with un-precedented challenges through 2020. The effects seen on the aviation industry around the world have been devastating. However, the Company has weathered the storm well. Its diverse product portfolio has enabled it to plot a steady course, and to give stability to the business during the global COVID-19 crisis, allowing the business to trade positively throughout 2020. It is on this basis, and the basis of forecasts prepared for the following 12 months which have modelled various downside scenarios, and highlighted that the business would still have sufficient headroom to function as a going concern within these various situations, that the directors do not believe COVID-19 to have any effect on the going concern status of the Company within the next 12 months.

2.22 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.22 Financial instruments (continued)

expected life of a financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.23 Critical accounting judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates.

The items in the financial statements where significant judgements and estimates have been made include:-

Management judgment is required to establish that the carrying value of inventory across the business is appropriate, in particular in relation to determining the appropriate level of stock provisioning against surplus and obsolete items. The judgment reflects the nature of the businesses operations which means that inventory must be held to support aircraft engine overhaul cycles, resulting in inventory which can be held for extended periods of time before utilisation.

Revenue recognised in the business requires management judgment to estimate the stage of completion and profitability of contracts to determine the amount of revenue and profit to be recorded for engine overhauls in progress at the year-end.

Management have not identified any key sources of estimation uncertainty.

H+S AVIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Turnover

	2019 £000	2018 £000
External revenue	69,271	57,478
Intergroup revenue	2,227	5,563
	71,498	63,041

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	8,320	8,009
Rest of Europe	21,283	12,918
Rest of the World	41,895	42,114
	71,498	63,041

Timing of revenue recognition:

	2019 £000	2018 £000
Goods and services transferred at a point in time	4,866	4,280
Goods and services transferred over time	66,632	58,761
	71,498	63,041

4. Other operating income

	2019 £000	2018 £000
Sundry income	1	13
	1	13

H+S AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

5. Operating profit

The operating profit is stated after charging:

	2019 £000	2018 £000
Cost of stocks recognised as an expense (included in cost of sales)	44,753	37,770
Depreciation of tangible fixed assets	705	544
Amortisation of intangible assets	203	242
Exchange differences	(367)	366
Defined contribution pension cost	523	568
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	49	54
Operating lease rental	-	140
	<u> </u>	<u> </u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £000	2018 £000
Wages and salaries	14,013	12,927
Social security costs	1,039	1,053
Cost of defined contribution scheme	523	568
	<u>15,575</u>	<u>14,548</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Manufacturing	156	157
Administration	134	118
	<u>290</u>	<u>275</u>

H+S AVIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Directors' remuneration

	2019	2018
	£000	£000
Directors' emoluments	218	228
Company contributions to defined contribution pension schemes	5	7
	223	235

During the year retirement benefits were accruing to no directors (2018 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £121k (2018 - £118k).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4.2k (2018 - £6.1k).

8. Interest receivable and similar income

	2019	2018
	£000	£000
Other interest receivable	-	3
	-	3

9. Tax on profit

	2019	2018
	£000	£000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	138	142
Changes to tax rates	10	(15)
Prior year adjustment	1	(1)
Total deferred tax	149	126
Taxation on profit	149	126

H+S AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

9. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - *lower than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit before tax	4,949	3,685
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	940	700
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	10	12
Prior year adjustment	1	(1)
Group relief	(812)	(570)
Tax rate changes	10	(15)
Total tax charge for the year	149	126

Factors that may affect future tax charges

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%.

10. Dividends

No final dividend has been proposed for the year ended 2019 (2018: £nil).

H+S AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. Intangible assets

	License Fees and Software £000
Cost	
At 1 January 2019	6,290
At 31 December 2019	<u>6,290</u>
Amortisation	
At 1 January 2019	5,618
Charge for the year on owned assets	203
At 31 December 2019	<u>5,821</u>
Net book value	
At 31 December 2019	<u>469</u>
At 31 December 2018	<u>672</u>

H+S AVIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Tangible fixed assets

	Long-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Other fixed assets £000	Total £000
Cost or valuation						
At 1 January 2019	6,562	19,893	98	1,561	481	28,595
Impact of change in accounting policy	1,966	-	20	6	-	1,992
At 1 January 2019 (adjusted balance)	8,528	19,893	118	1,567	481	30,587
Additions	-	368	15	234	-	617
Disposals	-	-	(13)	-	(316)	(329)
At 31 December 2019	8,528	20,261	120	1,801	165	30,875
Depreciation						
At 1 January 2019	3,593	17,734	90	1,310	273	23,000
Charge for the year on owned assets	237	379	8	47	(8)	663
Charge for the year on right-of-use assets	33	-	7	-	2	42
Disposals	-	-	(13)	-	(183)	(196)
At 31 December 2019	3,863	18,113	92	1,357	84	23,509
Net book value						
At 31 December 2019	4,665	2,148	28	444	81	7,366
At 31 December 2018	2,969	2,159	8	251	208	5,595

Impact of change in accounting policy relates to the adopting of IFRS 16.

H+S AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12. Tangible fixed assets (continued)

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

	2019 £000
Tangible fixed assets owned	5,415
Right-of-use tangible fixed assets	1,951
	<u>7,366</u>

Information about right-of-use assets is summarised below:

Net book value

	2019 £000
Property	1,933
Motor vehicles	14
Other tangible fixed assets	4
	<u>1,951</u>

Depreciation charge for the year ended

	2019 £000
Property	(33)
Motor vehicles	(7)
Other tangible fixed assets	(2)
	<u>(42)</u>

13. Stocks

	2019 £000	2018 £000
Raw materials and consumables	20,250	17,130
	<u>20,250</u>	<u>17,130</u>

H+S AVIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Debtors: amount falling due within one year

	2019 £000	2018 £000
Trade debtors	20,980	21,555
Amounts owed by group undertakings	43,326	44,799
Other debtors	494	503
Prepayments and accrued income	1,285	960
Financial instruments	215	-
	<u>66,300</u>	<u>67,817</u>

Amounts owed by group companies are interest free and payable on demand.

15. Cash at bank and in hand

	2019 £000	2018 £000
Cash at bank and in hand	514	425
Less: bank overdrafts	(1)	-
	<u>513</u>	<u>425</u>

16. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Bank overdrafts	1	-
Trade creditors	5,395	10,382
Amounts owed to group undertakings	12,805	10,146
Other taxation and social security	278	9
Lease liabilities	8	-
Other creditors	184	50
Accruals and deferred income	2,539	4,358
Financial instruments	-	468
	<u>21,210</u>	<u>25,413</u>

Amounts owed to parent and group companies are interest free and payable on demand.

H+S AVIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. Creditors: Amounts falling due after more than one year

	2019 £000	2018 £000
Lease liabilities	2,111	-
	<u>2,111</u>	<u>-</u>

This relates to the adoption of IFRS 16 and the recognition of lease liabilities.

18. Lease liabilities

The Company holds property, motor vehicle and equipment under leasing arrangement that are recognised as right of use assets and lease liabilities.

Lease liabilities are due as follows:

	2019 £000	2018 £000
Within one year	8	-
Between 1-5 years	36	-
Over 5 years	2,075	-
	<u>2,119</u>	<u>-</u>

Contractual undiscounted cash flows are due as follows:

	2019 £000	2018 £000
Within one year	139	-
Between 1-5 years	531	-
Over 5 years	8,499	-
	<u>9,169</u>	<u>-</u>

The average lease term remaining was 78 financial years for property, 1 financial year for motor vehicles and 2 financial years for equipment. In 2019 the effective borrowing rate for the Company was 6.65% for property and 3.66% for motor vehicles and equipment. Interest rates were fixed at the contract date or varied based on prevailing interest rates.

The fair value of the Company's lease liabilities approximates their carrying amount.

The Company's lease liabilities are secured by the lessors' charges over the leased assets.

During 2019 £126k interest expense in respect of leases has been recognised in the profit and loss account.

H+S AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. Financial instruments

	2019 £000	2018 £000
Financial assets		
Financial assets measured at fair value through profit or loss	514	425
Financial assets that are debt instruments measured at amortised cost	64,387	66,421
Financial assets that are equity instruments measured at cost less impairment	215	-
	<u>65,116</u>	<u>66,846</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	-	(468)
Other financial liabilities measured at fair value through profit or loss	(1)	-
Financial liabilities measured at amortised cost	(20,829)	(24,936)
	<u>(20,830)</u>	<u>(25,404)</u>

Financial assets measured at fair value through profit or loss comprise bank balances and cash balances.

Financial assets that are debt instruments measured at amortised cost comprise all elements constituting the debtors balance excluding the forward rate contracts, prepayments and accrued income.

Financial assets that are equity instruments measured at cost less impairment comprise forward rate contracts.

Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio comprise the forward rate contracts.

Other financial liabilities measured at fair value through profit or loss comprise the bank overdrafts.

Financial liabilities measured at amortised cost comprise all elements constituting the creditors balance excluding bank overdrafts, the forward rate exchange contracts, accruals, deferred income, other taxation and social security.

H+S AVIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. Deferred tax

	2019 £000	2018 £000
At beginning of year	(43)	9
Charged to the profit or loss	(150)	(126)
Charged to other comprehensive income	(72)	74
At end of year liability	(265)	(43)
	2019 £000	2018 £000
Accelerated capital allowances	(251)	(93)
Cash flow hedges	(31)	41
Other	17	9
	(265)	(43)

21. Called up share capital

	2019 £000	2018 £000
Authorised, allotted, called up and fully paid		
7,500,000 (2018 - 7,500,000) Ordinary shares of £1.00 each	7,500	7,500

22. Contingent liabilities

At 31 December 2019 the Company had contingent liabilities, in the form of bank guarantees, arising in the ordinary course of business of £265k (2018: £589k).

23. Related party transactions

H+S Aviation Limited, as a wholly-owned subsidiary undertaking of Signature Aviation Plc, has taken advantage of the exemption granted under FRS 101 not to disclose transactions with entities that are part of Signature Aviation Plc as the consolidated financial statements of Signature Aviation Plc, in which the Company is included, are publicly available.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

24. Financial guarantees

The Company participates in group banking arrangements with its parent company, Signature Aviation plc, and has access to a group cash management facility. The Company guarantees the facility to the extent of its cash deposited with its clearing bank. The Company has jointly and severally guaranteed the borrowings under these arrangements. The Company, through its parent, Signature Aviation plc, has access to the group's syndicated banking arrangements. Details of these arrangements are included in the financial statements of Signature Aviation plc.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

25. Controlling party

The ultimate parent company and controlling party is Signature Aviation Plc, a company incorporated in the United Kingdom. Signature Aviation Plc is the only company which prepares group financial statements incorporating the financial statements of the Company. These group financial statements are available to the public from the Company Secretary of Signature Aviation Plc at 3rd Floor, 105 Wigmore Street, London, W1U 1QY, its registered address. This is both the largest group and the smallest group that the Company is a member of, for which group accounts are drawn up for. The immediate parent company is also Signature Aviation Plc, its registered address being 3rd Floor, 105 Wigmore Street, London, W1U 1QY.

26. Post balance sheet events

Since 31 December 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

The occurrence of the COVID-19 pandemic during 2020 has provided many challenges for the business with regards its operations and trading. Management have considered the effects of COVID-19 on the business' ability to trade going forward, and believe that there is no impact to the business and its operations. The entity has been able to trade as normal, and has remained profitable albeit at a reduced level.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

27. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
H+S Middle East LLC	Ordinary	100 %

Name	Registered office
H+S Middle East LLC	Abu Dhabi Airport Business City, Logistics Park, Warehouse No A15, Abu Dhabi, UAE