

**SPECIALIST AVIATION SERVICES GROUP LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

SPECIALIST AVIATION SERVICES GROUP LIMITED

CONTENTS

Company Information	<u>1</u>
Directors' Report	<u>2</u>
Strategic Report	<u>3 to 5</u>
Statement of Directors' Responsibilities	<u>6</u>
Independent Auditor's Report	<u>7 to 9</u>
Consolidated Profit and Loss Account	<u>10</u>
Consolidated Balance Sheet	<u>11</u>
Company Balance Sheet	<u>12</u>
Consolidated Statement of Changes in Equity	<u>13</u>
Company Statement of Changes in Equity	<u>14</u>
Consolidated Statement of Cash Flows	<u>15 to 16</u>
Notes to the Financial Statements	<u>17 to 31</u>

SPECIALIST AVIATION SERVICES GROUP LIMITED

COMPANY INFORMATION

Directors	J F Van Den Nieuwenhuijzen K R Van Den Nieuwenhuijzen L A Farajallah R W Ferrari
Company secretary	Harrison Clark (Secretarial) Limited
Registered office	Gloucestershire Airport Staverton Cheltenham GL51 6SS
Solicitors	Harrison Clark Rickerbys Limited 5 Deansway Worcester WR1 2JG
Auditors	Hazlewoods LLP Staverton Court Staverton Cheltenham GL51 0UX

SPECIALIST AVIATION SERVICES GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the consolidated financial statements for the year ended 31 December 2020.

Principal activity

The principal activity of the Group is the provision of aviation services to various police authorities, air ambulance charities and government agencies and the provision of helicopter products and services.

Directors of the Group

The directors who held office during the year were as follows:

J F Van Den Nieuwenhuijzen

K R Van Den Nieuwenhuijzen

L A Farajallah

S D A Tozer (resigned 2 November 2020)

R W Ferrari (appointed 10 November 2020)

Disclosure of information to the auditor

Each director has taken the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

Hazlewoods LLP have expressed their willingness to continue in office.

Approved by the Board on 18 March 2022 and signed on its behalf by:

L A Farajallah
Director

The directors present their strategic report for the year ended 31 December 2020.

Principal activities

Since forming in 1984, Specialist Aviation Services has provided aviation solutions for rotary wing aircraft. The Group has its origins in two companies focused on police aviation services and medical aviation services, both set up in the UK over 30 years ago during the infancy of Emergency Services aviation. The Group is able to offer a range of services including aircraft provision, aircraft maintenance and support services, design and installation, and the provision of pilots and training. The Group has also held a long-standing maintenance and engineering relationship with the Kuwait Police Flying Wing and has maintained their fleet of helicopters based in Kuwait.

The UK headquarters are at Gloucestershire Airport in England and the continental facility is in Genk, Belgium. From these two locations we support our customers in Europe and the Middle East. There are around 160 staff including pilots, maintenance, design and logistics staff.

In addition to an Air Operator Certificate which covers a variety of specialist operations, SAS holds a wide range of EASA and CAA approvals covering training, maintenance, design, manufacturing and flight testing. SAS holds the prestigious title of being the only UK based Leonardo Helicopters Service Centre of Excellence, which is the highest accolade any operator and Maintenance and Repair Organisation can hold. Similarly, the facility in Belgium holds the same for the MD aircraft. The division of labour broadly sees AW169 aircraft being maintained in the UK and the MD fleet in Belgium, although both facilities can and do handle both types. The Belgium operation is also seen as a useful and natural Brexit mitigation strategy.

During 2019 there was a fundamental change of Leadership with the arrival of a new Chief Executive Officer, Luke Farajallah. Recognising a need to deliver a high-quality service, a highly-capable leadership team has been recruited and is now established and ready to take the business forward and into a new era, and on to higher levels of performance. A new strategy, mission, and vision were established, and SAS is now well placed to compete and win new contracts in its operating sphere.

Review of the business and future developments

Performance during the year was broadly in line with expectations. The strategic decision to move away from the MD902 and into the AW169, made in 2016, introduced a considerable (planned) change to the business model and required investment to ensure the aircraft entered into service successfully. With four years' experience behind the Group, the true operating metrics of the new aircraft type are well understood and SAS is taking steps to ensure the business responds accordingly and adjusts the operating cost structure. Market forces affecting key resource groups, especially pilots and engineers have meant an adjustment to the compensation and employment arrangements in order to remain competitive in the market place. The Belgium operation continued to perform well, and has developed a number of key contracts that have significant life remaining on them.

The directors remain confident that Group performance in the future will benefit from high demand for our helicopter emergency services, design & completion capability, maintenance expertise, and training support. The Group also expects to see an increase in the amount of work carried out for 3rd party VIP customer aircraft. The core business is based around multi-year contracts and often with charitable trusts, providing for a stable environment in which to conduct business. Our track record as a trusted partner continues to support our move into new markets and geographies.

Key performance indicators

Given the nature of the business, the Groups' directors are of the opinion that key performance indicators are important. We use a number of indicators to monitor and improve the development, performance and position of the business. Service indicators such as aircraft availability, flying hours and maintenance efficiency metrics are reviewed and altered to meet changes in the internal and external environments.

Results and dividends

The results for the year, which are set out in the profit and loss account, show turnover of £29.3m (2019 - £28.1m) and a pre-tax loss of £8.3m (2019 - loss £3.2m). The directors do not recommend a dividend.

The Group has tangible fixed assets including aircraft and equipment and tools valued at £70.6m (2019 - £79.8m), stock of £7.7m (2019 - £5.9m) and trade debtors of £0.1m (2019 - £3.3m). The Group had net debt (bank loans and cash at hand and in bank) of £66.2m (2019 - £68.3m) and trade creditors (including payments on account) of £2.0m (2019 - £3.4m).

Financial risk management

The Group's revenues are sensitive to the availability and usage of aircraft. The availability of aircraft will closely correlate to our service and maintenance performance. The Group mitigates the risk of reduced revenue by maintaining thorough maintenance performance and planning. The Group has a number of relief aircraft to cover routine maintenance of primary aircraft, in support of aircraft availability.

The Group is exposed to a number of financial risks, which through a risk management programme the directors have sought to minimise.

The Group manages liquidity risk by maintaining adequate undrawn uncommitted borrowing facilities, managing bank credit risk and diversifying the sources of financing with a range of maturities and interest rates.

The Group manages inflation risk by entering into inflation adjusted contracts, which allows some insulation from the risk of inflation in its operating cost base.

The Group manages credit risk and counterparty risk with financial institutions, customers and suppliers. The risk arises in respect to a deterioration in a customer's credit quality and is managed by undertaking thorough credit checks before entering into commercial contracts. Cash flow risk associated with selling on credit is managed by implementing a credit control process.

The Group is exposed to interest rate risk as it has interest-bearing liabilities and any movement in the London Interbank Borrowing Rate could increase the cost of funding. To manage exposure to interest rate fluctuations on borrowings the Group will vary the proportion of fixed rate debt relative to floating rate debt to reflect the underlying commitments. The Group currently manages this risk, by seeking to borrow from financial institutions with fixed rates of interest. The Group does not currently have any interest rate hedging.

The Group seeks to reduce the exposure to volatility in earnings and cash flows from movements in foreign currency exchange rates. The Group is exposed to a number of foreign currencies, with the most significant being Euro and US Dollar. The risk of fluctuation in foreign exchange rate is managed by matching sales and purchases in the same currency where possible.

Going concern and post balance sheet events

Since 31 December 2019, the consequences of the COVID-19 outbreak have been affecting daily operations. Despite the challenges of operating within the COVID-19 environment, the Group continues to operate HEMS missions for our customers throughout the UK and to a near-normal level of operational availability. Our income is reliant on our HEMS contracts, and these contracts have remained operational throughout the period. The other income in the business is derived from supporting 3rd party maintenance, design and aircraft parts sales, which have all been impacted by the outbreak but are showing signs of picking up in activity.

In response to the challenges caused by COVID-19, the Directors have introduced a number of measures to protect the financial position of the business. The Group has responded directly to Government safety advice and implemented further operational safety measures to protect employees and ensure continued operations. The Group has adopted a number of Government schemes such as furloughing staff and has managed the relationships with key customer, suppliers and lenders. Furthermore, in 2020 the revenue business models, that affect the price charges for services, has been adjusted to respond to market forces affecting the operating cost structure where possible. At the same time, the business continues to invest in AW169 aircraft infrastructure to improve operating efficiencies and support future growth. After reviewing the Group's forecast, the Group is on track to return to profitability and will generate positive cash flows from operations in 2022.

The financial and operational measures introduced in response to COVID-19 will reaffirm the Group's ability to continue as a going concern. Specialist Aviation Services has access to considerable financial resources via its private ownership. In addition to the main elements of the business transformation under the new leadership team, several commercial discussions are underway with key partners with some already complete and others imminent to closure. The Group has throughout 2021 engaged in a refinancing programme which completed in Q1 2022. This will reduce the debt burden and allows the Group to invest in future strategic projects such as the recent award of a 3 year contract for further work in Kuwait. To assist with the financing requirements, the Group will continue with asset sales to contribute to the future cash requirements and further debt reduction.

The directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board on 18 March 2022 and signed on its behalf by:

L A Farajallah
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and apply them consistently;
- make judgements 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 Group and Company will continue in business.

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

Opinion

We have audited the financial statements of Specialist Aviation Services Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 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 this regard.

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared⁷ in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 Group's and the parent 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 Group or the parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the group and the parent company and its activities, we identified that the principal risks of non-compliance with laws and regulations related to Civil Aviation Authority regulation, UK tax legislation and money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as UK GAAP and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate or fictitious journal entries to manipulate the financial performance or financial position of the group or the parent company.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also planned and performed audit procedures including:

- Gaining an understanding of the legal and regulatory framework and considering the risk of any acts which may be contrary to applicable laws and regulations, including fraud.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Making inquiries with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Testing journal entries and other adjustments for appropriateness and evaluating the business rationale of any significant transactions outside the normal course of business.

- Evaluation of the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Conclusion on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 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.

Scott Lawrence (Senior Statutory Auditor)

For and on behalf of Hazlewoods LLP, Statutory Auditor

Staverton Court

Staverton

Cheltenham

GL51 0UX

18 March 2022

SPECIALIST AVIATION SERVICES GROUP LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT AND STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £ 000	2019 £ 000
Turnover	<u>3</u>	29,258	28,092
Cost of sales		<u>(21,297)</u>	<u>(19,598)</u>
Gross profit		7,961	8,494
Administrative expenses		(12,922)	(8,380)
Other operating income	<u>4</u>	<u>19</u>	<u>-</u>
Operating (loss)/profit	<u>5</u>	(4,942)	114
Interest payable and similar charges	<u>7</u>	<u>(3,333)</u>	<u>(3,308)</u>
Loss before tax		(8,275)	(3,194)
Taxation	<u>10</u>	<u>1,044</u>	<u>453</u>
Loss for the financial year		<u><u>(7,231)</u></u>	<u><u>(2,741)</u></u>

Other comprehensive income

	2020 £ 000	2019 £ 000
Loss for the year	(7,231)	(2,741)
Foreign currency translation (losses) / gains	<u>118</u>	<u>(129)</u>
Total comprehensive income for the year	<u><u>(7,113)</u></u>	<u><u>(2,870)</u></u>

The above results were derived from continuing operations.

The notes on pages 17 to 31 form an integral part of these financial statements.

SPECIALIST AVIATION SERVICES GROUP LIMITED

(REGISTRATION NUMBER: 02799272)

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	<u>11</u>	(6)	(13)
Tangible assets	<u>12</u>	70,551	79,756
		<u>70,545</u>	<u>79,743</u>
Current assets			
Stocks	<u>14</u>	7,733	5,920
Debtors	<u>15</u>	5,650	7,582
Cash at bank and in hand	<u>16</u>	1,497	723
		<u>14,880</u>	<u>14,225</u>
Creditors: Amounts falling due within one year	<u>17</u>	(16,673)	(20,542)
Net current liabilities		<u>(1,793)</u>	<u>(6,317)</u>
Total assets less current liabilities		68,752	73,426
Creditors: Amounts falling due after more than one year	<u>17</u>	(57,476)	(55,220)
Provisions for liabilities	<u>10</u>	(341)	(1,458)
Net assets		<u>10,935</u>	<u>16,748</u>
Capital and reserves			
Called up share capital	<u>19</u>	6,673	5,373
Retained earnings	<u>20</u>	4,262	11,375
Total equity		<u>10,935</u>	<u>16,748</u>

Approved and authorised by the Board on 18 March 2022 and signed on its behalf by:

L A Farajallah
Director

The notes on pages 17 to 31 form an integral part of these financial statements.

SPECIALIST AVIATION SERVICES GROUP LIMITED**(REGISTRATION NUMBER: 02799272)****COMPANY BALANCE SHEET****AS AT 31 DECEMBER 2020**

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Investments	<u>13</u>	7,809	7,809
Current assets			
Debtors	<u>15</u>	<u>2,509</u>	<u>1,171</u>
Net assets		<u><u>10,318</u></u>	<u><u>8,980</u></u>
Capital and reserves			
Called up share capital	<u>19</u>	6,673	5,373
Retained earnings		<u>3,645</u>	<u>3,607</u>
Total equity		<u><u>10,318</u></u>	<u><u>8,980</u></u>

The company made a profit after tax for the financial year of £38,000 (2019 - loss of £34,000).

Approved and authorised by the Board on 18 March 2022 and signed on its behalf by:

L A Farajallah
Director

The notes on pages 17 to 31 form an integral part of these financial statements.

SPECIALIST AVIATION SERVICES GROUP LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	5,373	14,245	19,618
Loss for the year	-	(2,741)	(2,741)
Other comprehensive income	-	(129)	(129)
At 31 December 2019	<u>5,373</u>	<u>11,375</u>	<u>16,748</u>
	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	5,373	11,375	16,748
Loss for the year	-	(7,231)	(7,231)
Other comprehensive income	-	118	118
New share capital subscribed	1,300	-	1,300
At 31 December 2020	<u>6,673</u>	<u>4,262</u>	<u>10,935</u>

The notes on pages 17 to 31 form an integral part of these financial statements.

SPECIALIST AVIATION SERVICES GROUP LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	5,373	3,641	9,014
Loss for the year	-	(34)	(34)
At 31 December 2019	<u>5,373</u>	<u>3,607</u>	<u>8,980</u>

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	5,373	3,607	8,980
Profit for the year	-	38	38
New share capital subscribed	1,300	-	1,300
At 31 December 2020	<u>6,673</u>	<u>3,645</u>	<u>10,318</u>

The notes on pages 17 to 31 form an integral part of these financial statements.

SPECIALIST AVIATION SERVICES GROUP LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £ 000	2019 £ 000
Cash flows from operating activities			
Loss for the year		(7,231)	(2,741)
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation	<u>5</u>	4,370	4,169
Release of provision		-	162
Loss on disposal of property plant and equipment		280	-
Foreign exchange loss/(gain)	<u>5</u>	118	(129)
Finance costs	<u>7</u>	3,333	3,308
Income tax expense	<u>10</u>	(1,044)	(453)
		<u>(174)</u>	<u>4,316</u>
Working capital adjustments:			
Decrease in stock and work in progress	<u>14</u>	1,528	591
Decrease in debtors	<u>15</u>	1,932	1,003
Decrease in creditors	<u>17</u>	(403)	(169)
		<u>3,057</u>	<u>1,425</u>
Cash generated from operations		2,883	5,741
Income taxes paid	<u>10</u>	(10)	(14)
Net cash flow from operating activities		<u>2,873</u>	<u>5,727</u>
Cash flows from investing activities			
Acquisition of tangible fixed assets		(2,654)	(1,223)
Proceeds from sale of tangible fixed assets		3,860	-
Net cash flows from investing activities		<u>1,206</u>	<u>(1,223)</u>
Cash flows from financing activities			
Interest paid	<u>7</u>	(1,875)	(3,319)
Proceeds from bank borrowing advances		-	3,139
Repayment of bank borrowings		(792)	(4,666)
Net cash flows from financing activities		<u>(2,667)</u>	<u>(4,846)</u>
Net increase/(decrease) in cash and cash equivalents		1,412	(342)
Cash and cash equivalents at 1 January		<u>(1,373)</u>	<u>(1,031)</u>
Cash and cash equivalents at 31 December	<u>16</u>	<u>39</u>	<u>(1,373)</u>

The notes on pages 17 to 31 form an integral part of these financial statements.

SPECIALIST AVIATION SERVICES GROUP LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	At 1 January 2020 £ 000	Cash flows £ 000	Other non cash changes £ 000	At 31 December 2020 £ 000
Analysis of changes in net debt				
Cash and cash equivalents				
Cash	723	774	-	1,497
Overdraft	(2,096)	638	-	(1,458)
	<u>(1,373)</u>	<u>1,412</u>	<u>-</u>	<u>39</u>
Borrowings				
Due within 1 year	(12,051)	792	2,454	(8,805)
Due after 1 year	(54,864)	-	(2,612)	(57,476)
	<u>(66,915)</u>	<u>792</u>	<u>(158)</u>	<u>(66,281)</u>
Total net debt	<u>(68,288)</u>	<u>2,204</u>	<u>(158)</u>	<u>(66,242)</u>

The notes on pages 17 to 31 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

**1
General information**

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:
Gloucestershire Airport
Staverton
Cheltenham
GL51 6SS

**2
Accounting policies**

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Exemption has been taken from disclosing related party balances as permitted under FRS 102.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The presentational currency of the financial statements is Pounds Sterling, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest Pound.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2020.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

No profit and loss account is presented for the Company as permitted by Section 408 of the Companies Act 2006.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2
Accounting policies (continued)

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Going concern

Since 31 December 2019, the consequences of the COVID-19 outbreak have affected the daily operations, as outlined in the strategic report.

Despite the challenges of operating within the COVID-19 environment, the Group continues to operate HEMS missions for our customers throughout the UK and to a near-normal level of operational availability. In response to the challenges caused by COVID-19, the group's Directors introduced a number of measures to protect the financial position of the business including adopting a number of Government schemes such as furloughing staff. Furthermore, in 2020 the revenue business models, that affect the price charges for services, have been adjusted to respond to market forces affecting the operating cost structure and the group continues to invest in AW169 aircraft infrastructure to improve operating efficiencies and support future growth. The group has access to considerable financial resources via its private ownership and the group will be able to continue to raise capital in order to continue operations and invest in future strategic projects. During 2020 the group engaged in a refinancing programme that completed in Q1 2022 to reduce the debt burden and allow the group to invest in future strategic projects. Additionally the group will continue with asset sales to contribute to the future cash requirements.

After reviewing the Group's forecast, the Group is on track to return to profitability and will generate positive cash flows from operations in 2022. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimation uncertainty

The Directors are required to make various judgements and estimates in respect of: the residual value of fixed assets; the fair value of stock held; the recoverability of trade debtors; and amounts recoverable on long term contracts.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The Group recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Group's activities.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to revenue are recognised in income over the period in which the related costs are recognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2

Accounting policies (continued)

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Foreign tax incurred is recognised as a debtor to the extent that it is considered recoverable.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

Contractual customer relationships

Customer relationships are amortised over their useful economic life of ten years on a straight line basis.

Tangible fixed assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation, including capitalised interest. Tangible assets are only depreciated once the asset is brought into commission.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land and buildings	20 years (5% per annum)
Leasehold improvements	6.7 years (15% per annum)
Other fixtures and fittings	6.7 years (15% per annum)
Equipment	6.7 years (15% per annum)
Aircraft	Written down to residual value of £750,000 to £1m over remaining life up to 25 years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2

Accounting policies (continued)

Investments

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits.

Trade debtors

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Stock and work in progress

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are 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.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the Group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years.

Contract work in progress is stated at cost incurred, less those transferred to the profit and loss account, after deducting foreseeable losses.

Loans and borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges, unless in relation to a fixed asset not yet in use, where interest incurred in financing that asset is capitalised. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Operating lease rental income and expenditure are credited / charged to the profit and loss account on a straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2

Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Classification

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2**Accounting policies (continued)****Financial instruments (continued)****Impairment**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

A non-financial assets is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

3**Turnover**

The analysis of the Group's turnover for the year from continuing operations is as follows:

	2020 £ 000	2019 £ 000
Rendering of services	25,911	23,829
Sale of parts	3,347	4,263
	29,258	28,092

The analysis of the Group's turnover for the year by market is as follows:

	2020 £ 000	2019 £ 000
UK	16,939	22,931
Europe	12,024	4,625
Rest of world	295	536
	29,258	28,092

SPECIALIST AVIATION SERVICES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

**4
Other operating income**

The analysis of the group's other operating income for the year is as follows:

	2020 £ 000	2019 £ 000
Coronavirus Job Retention Scheme grant	19	-

Coronavirus Job Retention Scheme grant

The Coronavirus Job Retention Scheme grant is a government grant relating to a wage subsidiary programme introduced in the United Kingdom in response to the COVID-19 pandemic. The Group was entitled to the wage subsidy because it had reduced operations in the United Kingdom as a result of the pandemic. The accounting policy adopted is set out in Note 2 to the financial statements; the grant was recognised in the profit and loss in 'other income' as the related wages and salaries for furloughed employees were recognised.

**5
Operating (loss)/profit**

Arrived at after charging / (crediting):

	2020 £ 000	2019 £ 000
Depreciation expense	4,377	4,176
Negative goodwill	(7)	(7)
Foreign exchange (gains) / losses	391	16
Operating lease expense - property	419	382
Operating lease expense - other	-	151
Loss on disposal of property, plant and equipment	830	-

**6
Auditors' remuneration**

	2020 £ 000	2019 £ 000
Audit of these financial statements	32	26
Other fees to auditors		
Audit-related assurance services	6	5
All other non-audit services	5	5
	11	10

**7
Interest payable and similar expenses**

	2020 £ 000	2019 £ 000
Interest on loans and borrowings	3,333	3,308

SPECIALIST AVIATION SERVICES GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020****8
Staff costs**

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	10,405	8,424
Social security costs	1,288	1,029
Pension costs	566	478
Redundancy costs	137	166
	<u>12,396</u>	<u>10,097</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Pilotage	70	62
Engineering	38	51
Management and administration	66	49
	<u>174</u>	<u>162</u>

Company

The company incurred no staff costs and had no employees other than the directors.

**9
Directors' remuneration**

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Remuneration	443	455
Contributions paid to money purchase schemes	28	24
	<u>471</u>	<u>479</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>3</u>

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	291	172
Company contributions to money purchase pension schemes	<u>20</u>	<u>10</u>

SPECIALIST AVIATION SERVICES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10

Taxation

Tax charged in the profit and loss account:

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	-	61
UK corporation tax adjustment to prior periods	-	56
Foreign tax	73	(2)
	<u>73</u>	<u>(2)</u>
Total current income tax	73	115
Deferred taxation		
Arising from origination and reversal of timing differences	(1,117)	(568)
	<u>(1,044)</u>	<u>(453)</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Loss before tax	(8,275)	(3,194)
Corporation tax at standard rate	(1,572)	(607)
Non deductible expenditure	(54)	35
Corporate Interest Restriction	252	71
Prior period adjustment	-	56
Deferred tax credit relating to changes in tax rates or laws	-	(68)
Other tax effects	330	60
	<u>(1,044)</u>	<u>(453)</u>

Deferred tax

Group

Deferred tax liabilities:

	2020 £ 000	2019 £ 000
Accumulated depreciation in excess of capital allowances	2,839	2,769
Losses carried forwards	(2,709)	(1,517)
Deferred tax on revaluation of aircraft	244	219
Other timing differences	(33)	(13)
	<u>341</u>	<u>1,458</u>

SPECIALIST AVIATION SERVICES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

**11
Intangible assets
Group**

	Negative goodwill £ 000	Contractual customer relationships £ 000	Total £ 000
Cost			
At 1 January 2020 and at 31 December 2020	(646)	58	(588)
Amortisation			
At 1 January 2020	(575)	-	(575)
Amortisation charge	(7)	-	(7)
At 31 December 2020	(582)	-	(582)
Carrying amount			
At 31 December 2020	(64)	58	(6)
At 31 December 2019	(71)	58	(13)

**12
Tangible assets
Group**

	Land and buildings £ 000	Equipment, tools, fixtures and fittings £ 000	Aircraft £ 000	Total £ 000
Cost				
At 1 January 2020	651	5,869	90,156	96,676
Additions	8	659	1,987	2,654
Disposals	-	(302)	(4,983)	(5,285)
Transfers	-	-	(4,305)	(4,305)
At 31 December 2020	659	6,226	82,855	89,740
Depreciation				
At 1 January 2020	324	2,186	14,410	16,920
Charge for the year	32	475	3,871	4,378
Eliminated on disposal	-	(180)	(965)	(1,145)
Transfers	-	(964)	-	(964)
At 31 December 2020	356	1,517	17,316	19,189
Carrying amount				
At 31 December 2020	303	4,709	65,539	70,551
At 31 December 2019	327	3,683	75,746	79,756

Included within the net book value of land and buildings above is £303,000 (2019 - £327,000) in respect of freehold land and buildings.

Within Aircraft are capitalised borrowing costs of £1,822,000 (2019 - £1,822,000).

Transfers represent aircraft no longer in use, which have been split into parts and are held for resale at the year end.

SPECIALIST AVIATION SERVICES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

**13
Investments
Company**

	2020 £ 000	2019 £ 000
Cost and carrying amount of investments in subsidiaries	<u>7,809</u>	<u>7,809</u>

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2020	2019
Specialist Aviation Services Limited	England and Wales	Ordinary	100%	100%
Police Aviation Services Limited	England and Wales	Ordinary	100%	100%
Medical Aviation Services Limited	England and Wales	Ordinary	100%	100%
European Support Centre BV	Belgium	Ordinary	100%	100%
SAS (Kent) Limited *	England and Wales	Ordinary	100%	100%
Specialist Aviation Services (123) Limited *	England and Wales	Ordinary	100%	100%
SAS (Surrey & Sussex) Limited *	England and Wales	Ordinary	100%	100%

* held indirectly, subsidiaries of Specialist Aviation Services

Specialist Aviation Services Ltd, European Support Centre BV, SAS (Kent) Limited, SAS (Dorset and Somerset) Limited and SAS (Surrey & Sussex) Limited operate in the aviation industry. All other subsidiary undertakings were dormant in the year.

**14
Stocks**

	Group		Company	
	2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
Work in progress	289	984	-	-
Finished goods	<u>7,444</u>	<u>4,936</u>	<u>-</u>	<u>-</u>
	<u>7,733</u>	<u>5,920</u>	<u>-</u>	<u>-</u>

SPECIALIST AVIATION SERVICES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

**15
Debtors**

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Trade debtors	50	3,319	-	-
Recoverable on long term contracts	629	629	-	-
Due from group undertakings	-	-	2,509	1,171
Other debtors	94	52	-	-
Prepayments and accrued income	4,877	3,582	-	-
	<u>5,650</u>	<u>7,582</u>	<u>2,509</u>	<u>1,171</u>

Included within prepayments and accrued income is an accrued sum in relation to an ongoing claim, the value of which, is not being disclosed due to the sensitivity of the balance.

Details of non-current trade and other receivables

Group

£292,000 (2019 - £337,000) of accrued income is classified as non-current.

**16
Cash and cash equivalents**

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Cash on hand	-	1	-	-
Cash at bank	1,497	722	-	-
	<u>1,497</u>	<u>723</u>	<u>-</u>	<u>-</u>
Bank overdrafts	(1,458)	(2,096)	-	-
	<u>39</u>	<u>(1,373)</u>	<u>-</u>	<u>-</u>

SPECIALIST AVIATION SERVICES GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

**17
Creditors**

		Group		Company	
	Note	2020	2019	2020	2019
		£ 000	£ 000	£ 000	£ 000
Due within one year					
Loans and borrowings	<u>18</u>	10,263	14,148	-	-
Trade creditors		1,787	3,276	-	-
Payments received on account		213	168	-	-
Social security and other taxes		516	356	-	-
Other creditors		1,585	1,177	-	-
Accruals and deferred income		2,172	1,343	-	-
Corporation tax liability	<u>10</u>	137	74	-	-
		<u>16,673</u>	<u>20,542</u>	<u>-</u>	<u>-</u>
Due after one year					
Loans and borrowings	<u>18</u>	57,476	54,864	-	-
Other non-current financial liabilities		-	356	-	-
		<u>57,476</u>	<u>55,220</u>	<u>-</u>	<u>-</u>

Included within accrued expenses is an accrued sum in relation to an ongoing claim, the value of which, is not being disclosed due to the sensitivity of the balance.

**18
Loans and borrowings**

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Current loans and borrowings				
Bank borrowings	7,820	11,151	-	-
Bank overdrafts	1,458	2,096	-	-
Other borrowings	985	901	-	-
	<u>10,263</u>	<u>14,148</u>	<u>-</u>	<u>-</u>
Non-current loans and borrowings				
Bank borrowings	50,598	46,532	-	-
Other borrowings	6,878	8,332	-	-
	<u>57,476</u>	<u>54,864</u>	<u>-</u>	<u>-</u>

Included in bank borrowings and other borrowings is £40,214,000 (2019 - £24,900,000) due to be paid after five years in instalments. Bank borrowings and other borrowings are secured on the aircraft owned by the group. Specialist Aviation Services Group Limited, Specialist Aviation Services Limited and European Support Centre BV are guarantors to the loans held by other group companies.

SPECIALIST AVIATION SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19

Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	6,673	6,673	5,373	5,373

New shares allotted

During the year 1,300,000 Ordinary shares having an aggregate nominal value of £1,300,000 were allotted, converting debt owed to the parent company into equity of £1,300,000.

20

Reserves

At 31 December 2020 the group had retained earnings of £4,262,000 (2019 - £11,375,000), of which £1,886,000 is undistributable (2019 - £2,147,000). Undistributable reserves relate to aircraft held at valuation under previous UK GAAP. On transition to FRS 102 the group opted to treat such valuations as deemed cost. The undistributable amount of retained earnings will become distributable as these revaluation gains are realised, either through excess depreciation or aircraft disposal.

21

Obligations under operating leases

The total of future minimum lease payments is as follows:

	2020 £ 000	2019 £ 000
Not later than one year	410	417
Later than one year and not later than five years	1,516	52
Later than five years	3,053	1,949
	<u>4,979</u>	<u>2,418</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £529,000 (2019 - £328,000).

22

Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £566,000 (2019 - £478,000).

Pension scheme contributions totalling £52,000 (2019 - £74,000) were payable to the schemes at the end of the year and are included in creditors.

23

Commitments

Capital commitments

The Group has contracted, but not provided in the financial statements, for the purchase of a number of new helicopters from Augusta Westland for £7,969,000 (2019 - £7,521,000). The Group has orders and options on AW169 aircraft, a state of the art medium twin helicopter, designed with the utility market and emergency services sector in mind. The aircraft was certified in 2015, and the Group will take delivery of these aircraft over a number of years.

Financial guarantees

Specialist Aviation Services Group Limited, Specialist Aviation Services Limited and European Support Centre BV are guarantors to the loans held by other group companies.

24

Related party transactions

Summary of transactions with key management

Key management personnel are considered to be the directors of the company and key management personnel compensation is disclosed in note 9 to the financial statements.

25 Control

The company's immediate parent is Hawkfield Corporation N.V., incorporated in Curacao.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.