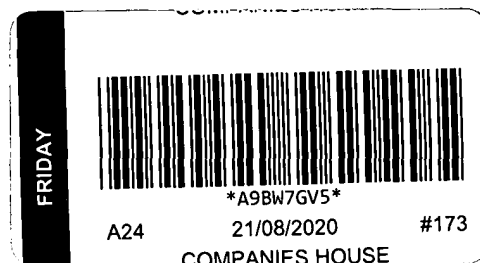


Eastern Airways (UK) Limited

**Directors' report and financial
statements**

Registered number 03468489

31 March 2020



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Company information

Directors

Mr R Lake
Mr A Burgess
Mr C Spink

Secretary

Mr M Hutchinson

Company number

03468489

Registered office

C/O Bissell & Brown Ltd
Charter House
56 High Street
Sutton Coldfield
West Midlands
B72 1UJ

Auditor

Bissell & Brown Ltd
Charter House
56 High Street
Sutton Coldfield
West Midlands
B72 1UJ

Business address

Schiphol House
Humberside International Airport
Kirmington
DN39 6YH

Banker

Santander UK Plc
Santander Corporate Banking
44 Merrion Street
Leeds
LS2 8JQ

Directors' report

The directors present the annual report and audited financial statements for the year ended 31 March 2020.

Principal activity

The principal activity of the company continues to be the operation of airline services.

Result for the year

The profit for the financial year ended 31 March 2020 was £8,553,000 (2019: loss £5,192,000). Further detail can be found under notes to the financial statements.

Political and charitable contributions

Charitable contributions totalling £12,000 were made during the year (2019: £11,000). No political contributions were made during the year (2019: £nil).

Dividends

No dividend has been paid in the year (2019: £nil).

Directors

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

Mr R Lake	
Mr J Howell-Richardson	(resigned 10 May 2019)
Mr A Corbett	(resigned 10 May 2019)
Mr M Nicol	(resigned 10 May 2019)
Mr M Blaze	(appointed 10 May 2019, resigned 16 December 2019)
Mr M Burgess	(appointed 10 May 2019)
Mr C Spink	(appointed 10 May 2019)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The company values the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and of the various factors affecting the performance of the company. This is achieved through formal and informal meetings and through the posting of company notices. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Directors' report *(continued)*

Greenhouse Gas Emissions

During the year CO2 emissions relating to the operation of flights totalled 26,773 tonnes. Once aggregated over the total number of flights this equates to 1.82 tonnes per flight operated which the directors consider to be fuel efficient. These figures were obtained from the annual independently verified emissions report submitted for compliance with EU law.

Electricity and gas used at each of the company's bases totalled 1,290,264kWh (tCO2: 363) as obtained from the metered usage.

For the purpose of transport the company's vehicle emissions for the year were 121.8 tonnes of CO2.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

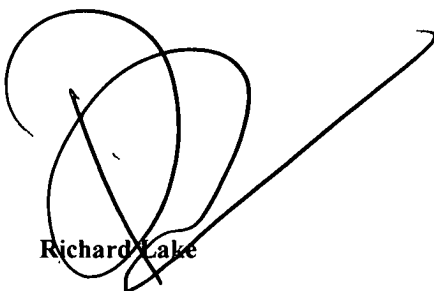
Appointment of auditor

During the year the company appointed Bissell & Brown Ltd as auditors.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Bissell & Brown Ltd will therefore continue in office.

On behalf of the board



Richard Lake

Director

Registered Office:

C/O Bissell & Brown Ltd
Charter House
56 High Street
Sutton Coldfield
West Midlands
B72 1UJ

Dated: 6 August 2020

Strategic report

Business review

The results of the company for the year ended 31 March 2020 are as disclosed in the attached financial statements.

The company continues to provide scheduled airline services, charter and leasing of aircraft and crew, to domestic and European destinations for which it enjoys a good reputation for operational reliability. The company continues to be a major support and logistics provider to the oil industry along with its charter and schedule service operations.

Despite the difficult trading circumstances in the aviation industry as a whole the company has enjoyed a strong and exceptional year performance wise.

The results for the year ended 31 March 2020 continue to be impacted by the referendum to leave the European Union in January 2020, which resulted in significant fluctuations in sterling values against the dollar and the euro. A large proportion of aircraft parts, leasing, fuel and other costs are priced in US dollars, and this is only partly mitigated by revenues.

At the year end the company operated a mixed fleet of Jetstream 41, Saab 2000, ERJ 135/145, ERJ170, and ATR-600 aircraft which allows for considerable flexibility in matching demand to capacity in both the scheduled airline and charter markets.

After the collapse of Flybe plc in March of the current year the sales and distribution function for the scheduled network was moved in house resulting in greater cost efficiencies. This also introduced further opportunities to increase our scheduled service network.

The fleet strategy is continuously being assessed and we will continue to phase out some of the older SAAB aircraft as these routes can now be covered by the ATR-600 aircraft. This will continue to reduce costs as well as increase our operational efficiencies.

Principal risks and uncertainties

The key financial risks and uncertainties facing the company are set out below. The directors feel that the company has a good mix of business activities and is well-balanced to handle the risks and uncertainties that it may face.

The directors believe the key areas of risk facing the company are:

Environmental and government legislation

There continues to be uncertainty in the airline industry regarding taxation levied on domestic travel. The directors believe that due to the use of fuel efficient turbo-prop aircraft, Eastern enjoys a competitive advantage over the rest of the industry.

Fuel prices

During the year the fuel price fell substantially. As in previous years, the company continues to use fuel hedges to mitigate the risk where appropriate. At 31 March 2020, no fuel hedges were in place.

The price of oil continues to be a risk for the company. However due to the fuel efficient nature of the turbo-prop aircraft used, the proportionate cost of fuel to other operating costs is lower than the industry average.

Currency movements

A large proportion of aircraft parts, leasing, fuel and other costs are priced in US dollars. The company matches some revenues and costs to reduce this risk. There is an exposure to US dollar movements above the natural hedge and the company has in the past used forward contracts to manage this risk. At 31 March 2020, no currency hedges were in place.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Going concern

The financial statements have been prepared on the going concern basis. In adopting the going concern basis for preparing the financial statements, the Directors have prepared cash flow forecasts for a period of 14 months from the date of approval of these financial statements which indicate that taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

The Company holds significant cash reserves and is free from financial covenants.

The uncertainty as to the future impact in the company of the recent COVID-19 outbreak has been considered as part of the Company's adoption of the going concern basis. Based on latest forecasts and projections taking into account available information and government guidelines, the use of the going concern basis is appropriate and conditions outlined below.

Due to the unprecedented level of travel restrictions being imposed by governments in response to the COVID-19 pandemic and the softening of demand and load factors, Eastern Airways has undertaken significant cancellations and expects this to continue in line with government and local authority restrictions over the coming months.

Aviation faces an uncertain future with what could be a longer-term travel freeze and the risks of a slow recovery. The industry depends significantly on airlines maintaining access to liquidity, including that enabled by governments. Eastern Airways is undertaking significant measures internally to preserve cash and liquidity as well as operational efficiency and cost savings.

The consolidated Orient Industrial Holdings Limited group maintains a strong statement of financial position including a substantial cash balance and unencumbered aircraft. Eastern has no debt re-financings due and is in ongoing discussions with liquidity providers who recognize our strength of balance sheet and business model should those facilities be required.

The Directors have concluded that the combination of these circumstances does not represent a material uncertainty that casts doubt upon the Company's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties described above, in light of the funding outlined and opportunities provided by the unencumbered asset base for further funding the directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Britain Leaving the European Union

The future of Britain leaving the EU is uncertain and this has a potential impact to reduce demand for flights in and out of the UK. Although the majority of the company's revenue is generated within the British Isles there may be a decline in adhoc charter flights within the EU.

Parts are also imported from within the EU and dependent on future trade talks may extend lead times however Eastern will continue to choose the most efficient suppliers which will have the least impact on our maintenance schedules.

Section 172(1) of the Companies act 2006

The directors of the company have paid due regard to their responsibilities under Section 172(1) of the companies act 2006 in so much as producing budgets and forecasts which consider any long term consequences of any decision and the potential impact on the community and environment.

Employees are consulted regularly to ensure the impact of any decisions made are considered thus promoting fairness between the members of the company.

All business relationships are closely monitored by the directors and as such the company maintains a reputation for high standards of business conduct.

Key performance indicators ("KPIs")

The company's directors monitor route revenue, direct operating costs and business profitability as the main key performance indicators. As the routes operated vary over time, as do the related direct operating costs, no specific KPIs have been disclosed. The performance of the business during the year can be seen in the profit and loss account.

On behalf of the board

Richard Lake

Director

Registered Office:

C/O Bissell & Brown Ltd
Charter House
56 High Street
Sutton Coldfield
West Midlands
B72 1UJ

Dated: **6** August 2020

Statement of directors' responsibilities in respect of the directors' report, the strategic report and the financial statements

The directors are responsible for preparing the Directors' Report, the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 judgements and estimates that are reasonable and prudent ;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Eastern Airways (UK) Limited

Opinion

We have audited the financial statements of Eastern Airways (UK) Limited ("the company") for the year ended 31 March 2020 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the Company's ability to continue as a going concern. The Company's forecast and projections assume part grounding of the fleet until early August 2020 and a significant reduction in forward bookings, along with cost saving measures and reduction in capital expenditure. A phased increase in bookings and flights is assumed after this point, with a return to the planned flying schedule assumed over the late summer period.

In the event that COVID-19 travel restrictions remain in place, resulting in a grounding of the fleet for several months, then the Company would need to seek financing in addition to the arrangements currently in place.

These conditions, along with the other matters explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Eastern Airways (UK) Limited

(continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Other Matter paragraph

The financial statements of the prior period were audited by a predecessor auditor, KPMG LLP. The opinion expressed by the predecessor auditor was an unqualified opinion. The report was dated 20 December 2019.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



John James Taheny (Senior Statutory Auditor)

*for and on behalf of Bissell & Brown Ltd, Statutory
Auditor
Chartered Accountants*

Dated: 6 August 2020

Charter House
56 High Street
Sutton Coldfield
West Midlands
B72 1UJ

Profit and loss account
for the year ended 31 March 2020

	<i>Note</i>	2020 £000	2019 £000
Turnover	2	43,587	61,160
Cost of sales		(38,619)	(59,735)
		<hr/>	<hr/>
Gross profit		4,968	1,425
Administrative expenses		(6,750)	(6,376)
Exceptional net income and costs	3	10,789	-
Other income	6	175	-
		<hr/>	<hr/>
Operating profit/(loss)		9,182	(4,951)
Profit on disposal of tangible fixed assets		35	-
Interest payable and similar expenses	7	(487)	(1,228)
		<hr/>	<hr/>
Profit/(loss) before taxation		8,730	(6,179)
Tax on profit/(loss)	9	-	987
		<hr/>	<hr/>
Profit/(loss) after taxation		8,730	(5,192)
		<hr/>	<hr/>

In both the current and prior year, the company made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in either the current or prior year other than the result shown above. Accordingly, no statement of other comprehensive income is presented.

The attached notes form part of these financial statements.

Balance sheet
at 31 March 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	10	555	723
Current assets			
Stocks	11	-	89
Debtors (including £820,000 (2019: £859,000) due after more than one year)	12	22,487	68,800
Cash at bank		1,634	-
		<u>24,121</u>	<u>68,889</u>
Creditors: amounts falling due within one year	13	<u>(16,941)</u>	<u>(70,394)</u>
Net current assets/(liabilities)		<u>7,180</u>	<u>(1,505)</u>
Total assets less current liabilities		<u>7,735</u>	<u>(782)</u>
Creditors: amounts falling due after more than one year	14	-	(213)
Provisions for liabilities and charges	15	-	-
Net assets/(liabilities)		<u><u>7,735</u></u>	<u><u>(995)</u></u>
Capital and reserves			
Called up share capital	16	501	501
Profit and loss account		7,234	(1,496)
Shareholders' funds		<u><u>7,735</u></u>	<u><u>(995)</u></u>

The attached notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 6 August 2020 and signed on its behalf by:

Richard Lake
Director

Registered number : 03468489

Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2018	501	3,696	4,197
Total comprehensive loss for the period			
Loss	-	(5,192)	(5,192)
Transactions with owners, recorded directly in equity			
Dividends	-	-	-
Total contributions by and distributions to owners			
	-	-	-
Balance at 31 March 2019	501	(1,496)	(995)
	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2019	501	(1,496)	(995)
Total comprehensive profit for the period			
Profit	-	8,730	8,730
Transactions with owners, recorded directly in equity			
Dividends	-	-	-
Total contributions by and distributions to owners			
	-	-	-
Balance at 31 March 2020	501	7,234	7,735

The attached notes form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Eastern Airways (UK) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered number is 03468489 and the registered address is C/O Bissell & Brown Ltd Charter House, 56 High Street, Sutton Coldfield, West Midlands, B72 1UJ.

Company trading address is Schiphol House, Humberside International airport, Kirmington, DN39 6YH.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's parent undertaking, Orient Industrial Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Orient Industrial Holdings Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from the address given in note 19. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Orient Industrial Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts on the grounds that it is itself included within the consolidated accounts of a parent undertaking established under the laws of an EEA state (Orient Industrial Holdings Ltd). These financial statements present information about the company as an individual undertaking and not about its group.

1.1. *Measurement convention*

The financial statements are prepared on the historical cost basis.

1.2. *Going concern*

The financial statements have been prepared on the going concern basis. In adopting the going concern basis for preparing the financial statements, the Directors have prepared cash flow forecasts for a period of 14 months from the date of approval of these financial statements which indicate that taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

The Company holds significant cash reserves and is free from financial covenants.

The uncertainty as to the future impact in the Company of the recent COVID-19 outbreak has been considered as part of the Company's adoption of the going concern basis. Based on latest forecasts and projections taking into account available information and government guidelines, the use of the going concern basis is appropriate and conditions outlined below.

Notes (continued)

1 Accounting policies (continued)

Due to the unprecedented level of travel restrictions being imposed by governments in response to the COVID-19 pandemic and the softening of demand and load factors, Eastern Airways has undertaken significant cancellations and expects this to continue in line with government and local authority restrictions over the coming months.

Aviation faces an uncertain future with what could be a longer-term travel freeze and the risks of a slow recovery. The industry depends significantly on airlines maintaining access to liquidity, including that enabled by governments. Eastern Airways is undertaking significant measures internally to preserve cash and liquidity as well as operational efficiency and cost savings.

The consolidated Orient Industrial Holdings Limited Group maintains a strong statement of financial position including a substantial cash balance and unencumbered aircraft. Eastern has no debt re-financings due and is in ongoing discussions with liquidity providers who recognize our strength of balance sheet and business model should those facilities be required.

The Directors have concluded that the combination of these circumstances does not represent a material uncertainty that casts doubt upon the Company's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties described above, in light of the funding outlined and opportunities provided by the unencumbered asset base for further funding the directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Those forecasts are dependent on Orient Industrial Holdings Limited providing additional financial support during that period. Eastern Airways International Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

On this basis the directors are of the opinion that the company has adequate resources to trade in an orderly fashion for the foreseeable future and accordingly adopt the going concern basis in preparing these financial statements.

As at the date of sign off the parent company has issued a letter of support stating that it will not seek repayment of this within the next 12 months.

1.3. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Portable buildings	- 7-10% per annum
Fixtures, fittings and equipment	- 15-33% per annum
Motor vehicles	- 8-33% per annum
Aircraft improvements	- over the shorter of the life or remaining lease period of the relevant aircraft

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.4. Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5. Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

1.6. Other financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

1.7. Stocks

Stocks are valued at the lower of cost and net realisable value including provision for obsolescence.

Notes (continued)

1 Accounting policies (continued)

1.8. Impairment excluding stocks

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9. Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.10. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes (continued)

1 Accounting policies (continued)

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.11. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.12. Turnover

Turnover represents flown revenue from scheduled services, freight and other activities net of value added tax and Airport Passenger Duty.

Ticket sales are recorded as current liabilities in a 'forward sales' account and are included in creditors, within deferred income, until recognised as revenue when transportation occurs. Unused tickets are recognised as revenue when the right to travel expires which is determined by the terms and conditions of the ticket.

All other revenue streams are recognised at the point of fulfilling the service or the date at which the right to receive consideration occurs

1.13. Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest payable

Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Notes (continued)

2 Analysis of turnover

It is the view of the directors that all activities of the company fall within one class of business, that of airline operator.

Analysis of turnover by geographical area:

	2020 £000	2019 £000
Within the British Isles	32,733	48,923
Between British Isles and Europe	6,237	8,792
Rest of the World	4,617	3,445
	<u>43,587</u>	<u>61,160</u>

Turnover within the British Isles comprises revenue from domestic flights. Turnover between the British Isles and Europe comprises revenue from inbound and outbound flights between the British Isles and Europe and Europe to Europe travel. Turnover relating to the rest of the world comprises revenue from flights outside of both the British Isles and Europe.

The activities of the company are managed and administered on a central basis within the British Isles. As a result it would not be possible to provide a meaningful analysis of the operating results and net assets of the company on a route by route basis. Consequently, the operating results and net assets of the company are not shown across the geographical areas defined.

3 Exceptional item

The exceptional item of £10,789,000 is made up of £10,061,000 income relating to the release of a bad debt provision, £1,365,000 credit in relation to the write back of a trade balance with the former parent, £56,000 compensation in relation to EC261 claims recharged to the former parent company and £693,000 redundancy costs.

4 Remuneration of directors

	2020 £000	2019 £000
<i>Directors' emoluments consist of:</i>		
Remuneration for management services	112	-
Salaries	205	-
Employer's pension	3	-
	<u>320</u>	<u>-</u>

No retirement benefits were accruing for directors in either the current year or prior period.

The aggregate emoluments of the highest paid director were £159,000 (2019: £nil). At the year end the accrued pension benefits amounted to £nil (2019: £nil).

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2020	2019
Administration	37	60
Operations	93	223
	<u>130</u>	<u>283</u>

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	3,132	9,378
Social security costs	317	985
Other pension costs	79	170
	<u>3,528</u>	<u>10,533</u>

6 Other income

Other income consists of furlough claims receivable of £175,000.

7 Interest payable and similar expenses

	2020 £000	2019 £000
On bank loans and overdrafts	-	24
Other interest	24	39
On inter-company loans	359	470
Foreign exchange loss	104	695
	<u>487</u>	<u>1,228</u>

8 Auditor's remuneration

	2020 £000	2019 £000
Audit of these financial statements	<u>39</u>	<u>52</u>

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Orient Industrial Holdings Limited.

Notes (continued)

9 Taxation

Total tax expense recognised in the profit and loss account

	2020		2019
	£000	£000	£000
<i>Current tax</i>			
Current tax on income for the period		-	(1,000)
Adjustments in respect of prior periods		-	35
		<hr/>	<hr/>
Total current tax		-	(965)
<i>Deferred tax (note 15)</i>			
Origination and reversal of timing differences	-		12
Adjustments in respect of prior periods	-		(51)
Change in tax rate	-		17
	<hr/>		<hr/>
Total deferred tax		-	(22)
		<hr/>	<hr/>
Total tax		-	(987)
		<hr/> <hr/>	<hr/> <hr/>

9 Taxation

Reconciliation of effective tax rate

	2020	2019
	£000	£000
Profit/(loss) for the year	8,730	(5,192)
Total tax (income)	-	(987)
	<hr/>	<hr/>
Profit/(loss) excluding taxation	8,730	(6,179)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2018: 19%)	1,659	(1,174)
Increase/(reduction) in tax rate on deferred tax balances	-	17
Non-deductible expenses	(2,173)	11
Under provided in prior years	-	(15)
Deferred tax not recognised	514	174
	<hr/>	<hr/>
Total tax (income)/expense included in profit or loss	-	(987)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

10 Tangible fixed assets

	Portable buildings £000	Aircraft improve- ments £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 April 2019	390	2,282	3,198	216	6,086
Additions	-	-	213	-	213
Disposals	-	(2,057)	(622)	(49)	(2,728)
Reclassification	10	(158)	(10)	-	(158)
At 31 March 2020	400	67	2,779	167	3,413
Accumulated depreciation					
At 1 April 2019	216	2,100	2,861	186	5,363
Expense for year	27	15	164	13	219
Disposals	-	(2,053)	(622)	(49)	(2,724)
Reclassification	10	-	(10)	-	-
At 31 March 2020	253	62	2,393	150	2,858
Net book value					
At 31 March 2020	147	5	386	17	555
At 31 March 2019	174	182	337	30	723

11 Stocks

	2020 £000	2019 £000
Consumables stock	-	89

12 Debtors

	2020 £000	2019 £000
Trade debtors	3,133	4,823
Amounts owed by group undertakings	15,235	57,542
Other debtors	1,124	1,657
Corporation tax	-	1,000
Other tax and social security	192	-
Prepayments and accrued income	2,803	3,778
	22,487	68,800

Notes (continued)

Included within other debtors are the following amounts due after more than one year:

	2020	2019
	£000	£000
Deposits	820	859

13 Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Bank overdraft	-	1,033
Trade creditors	7,740	12,386
Amounts owed to group undertakings	-	45,686
Other tax and social security	1,249	424
Other creditors	1,169	2,237
Accruals and deferred income	6,783	8,628
	16,941	70,394

14 Creditors: amounts falling due after more than one year

	2020	2019
	£000	£000
Capital grants	-	213

15 Provisions for liabilities and charges

The company has an unrecognised deferred tax asset of £718,000 (2019: £174,000) in the year which is made up of gross tax losses of £3,026,000 (2019: £318,000) and other balances amounting to £751,000 (2019: £653,000). The company does not expect to recover the tax assets in the short term.

16 Capital and reserves

Share capital

	2020	2019
	£000	£000
<i>Allotted, called up and fully paid</i>		
501,000 Ordinary shares of £1 each	501	501

Notes (continued)

17 Commitments

a) Capital commitments

At 31 March 2020, contracts for capital commitments amounted to £nil (2019: £nil).

b) Non-cancellable operating lease rentals are payable as follows:

	2020	2019
	£000	£000
Less than one year	205	320
Between one and five years	386	770
More than five years	1,094	5,958
	<hr/> 1,685 <hr/>	<hr/> 7,048 <hr/>

During the year £666,000 was recognised as an expense in the profit and loss account in respect of operating leases (2019: £704,000).

18 Related parties

Transactions with related parties are disclosed below:

The company is exempt from disclosing transactions with other wholly owned group companies under Section 33.1A of FRS 102.

The following transactions are with entities which are considered to be under the control of certain owners of the Company but are not consolidated or wholly owned:

During the year the company made sales to 100% connected parties to the value of £39,000 (2019: £52,000) and made purchases of £109,000 (2019: £197,000). As at the year ended 31 March 2020 there is a creditor balance of £7,000 (2019: debtor balance £147,000) in relation to 100% connected parties.

During the year sales to companies under common control totalled £20,000 (2019: £232,000) and purchases totalled £176,000 (2019: £1,105,000). As at the year ended 31 March 2020 there was no debtor or creditor balance in relation to this.

During the year sales to a former parent company totalled £2,697,000 (2019: £17,893,000) and purchases totalled £792,000 (2019: £349,000). As at the year ended 31 March 2020 there was no debtor or creditor balance in relation to this.

19 Ultimate parent company

The directors regard Orient Industrial Holdings Limited, a company incorporated in the UK and registered in England and Wales, as the ultimate parent company and ultimate controlling party as at 31 March 2020.

The parent undertaking of the largest group in which the results of the company are consolidated is that also headed by Orient Industrial Holdings Limited. No other group financial statements include the results of the company.

Copies of the Orient Industrial Holdings Limited, registered number 11972429, consolidated financial statements will be available from Schiphol House, Humberside Airport, Kirmington, DN39 6YH.

Notes *(continued)*

20 Accounting estimates and judgements

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty at the end of the reporting period that have any significant risk or would result in material adjustment.

Critical accounting judgements in applying the Company's accounting policies

There are no critical accounting judgements in applying the Company's accounting policies during the year.