AIRLINE INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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Company No. 08151808

AIRLINE INVESTMENTS LIMITED

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AIRLINE INVESTMENTS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The AIL Group

There was a fundamental change in the composition of the AIL group during the year. On 16 February 2019, flybmi, one of the group's two regional airlines, announced that it had ceased all flying operations with immediate effect and on 18 February 2019 flybmi entered administration. Since that date the group's trading has comprised the regional airline Loganair, but with the ongoing Loganair operation now successfully expanded to benefit from market opportunities arising on the demise of flybmi.

Group Results for Year Ended 31 March 2019

The group made a pre-tax profit of £3.2million. The following table shows an analysis of the result of the group for the year:

	£'000
Pre-tax profit for Loganair before Embraer fleet start-up costs	4,085
Loganair Embraer fleet start-up costs	(3,074)
Pre-tax loss for flybmi group for period prior to administration*	(5,753)
Impact of de-consolidating flybmi related entities*	9,234
Group costs*	(230)
Parent company foreign exchange gain and gain on sale of assets	27
Notional interest on shareholder loan (Note 1)	(1,086)
Consolidated pre tax profit	**3,203**

Note 1 – The principal shareholders have provided loans to the group on an interest free basis, but in line with FRS102 the group is required to charge notional interest in the consolidated profit and loss statement.

** These figures are unaudited*

AIRLINE INVESTMENTS LIMITED

STRATEGIC REPORT (Continued)

FOR THE YEAR ENDED 31 MARCH 2019

Business review for Loganair

The financial year ended 31 March 2019 was Loganair's first full year of operation under its own brand as "Scotland's Airline", and Loganair was pleased to report that they made considerable progress in the year. With safety as always the first priority, the second priority was to return to profitability after the previous year's loss attributable to the competition with Flybe on a number of key routes following the end of Loganair's franchise agreement with them.

The pre-tax profit for the year (before one-off introductory costs relating to Embraer aircraft) was £4.08 million. After deducting introductory costs of £3.07 million, the reported pre-tax profit was £1.01 million. Turnover for the year was £119.85 million, up 8.3% on the previous year figure of £110.65 million.

The customer recognition of the Loganair name has continually strengthened, and the company made further investments in advertising and promotion – including a television advert campaign with STV – during the year. This was supported by a strong record of service delivery for its customers, with Loganair ranking second in the league table of UK domestic airline punctuality for the year (behind Aer Lingus) and also second (this time to Jet2.com) in UK airline customer review ratings on TripAdvisor. Given that Loganair operate smaller aircraft on routes with a higher exposure to weather disruption, this is an incredibly strong performance.

This extraordinary progress was recognised by Loganair's industry peers with the award of the prestigious European Regions Airline Association award for "Airline of the Year", which Loganair were delighted to collect at the ERA General Assembly in October 2018. It is the highest accolade in the regional airline community, and well-deserved recognition for everyone in the Loganair team.

In October 2018, Loganair introduced its first jet aircraft in recent years with the addition of the Embraer Regional Jet aircraft to its Civil Aviation Authority-issued Air Operator's Certificate.

In February 2019, Loganair's sister airline in the Airline Investments Limited group, flybmi, ceased trading and filed for administration. An extraordinary and unprecedented effort saw Loganair recruit around 140 staff – predominantly pilots, cabin crew and engineers – from bmi Regional and rapidly expand its fleet with the addition of further Embraer Regional Jet aircraft formerly flown by its sister company.

Loganair commenced a new corporate shuttle contract for Airbus SAS – flying its employees between sites at Chester, Bristol and Toulouse – and won a new Public Service Obligation contract to operate between City of Derry and London Stansted. Loganair added six scheduled routes from the former bmi Regional network, equivalent to around 30% of that airline's route activity.

Business review for flybmi

On 16 February 2019, British Midland Regional Ltd (trading as flybmi) announced that it had ceased all flying operations and on 18 February 2019 the company entered administration. In common with the wider regional airline industry, flybmi faced a range of economic difficulties including increased fuel and carbon costs which undermined efforts to move the airline into profit. Further, the airline's trading and future prospects were seriously affected by the uncertainty created by the Brexit process, which led to its inability to secure valuable flying contracts in Europe and lack of confidence around the airline's ability to continue flying between destinations in Europe. Against this background, it became impossible for the group and its shareholders to continue their extensive programme of funding into the flybmi business, despite investment totalling over £40 million in the previous six years.

Following the cessation of flybmi, legal ownership of the 14 Embraer 135/145 aircraft belonging to Sector Aircraft Leasing Ltd was transferred outwith the group to an entity controlled by the shareholders, Evelyn Business Services Ltd. The net book value of these aircraft at 31 March 2018 was £29.3 million and as consideration for the transaction, Evelyn Business Services Ltd assumed an obligation of £26.1 million of loans due to the shareholder. In March 2019 Sector Aircraft Leasing Ltd and Sector Aviation Holdings Ltd commenced proceedings for creditors voluntary liquidation.

KPI measures

The principal key performance indicators used by the group are the overall number of passengers carried, the overall flight hours, the scheduled service capacity provided as measured in thousands of aircraft seat kilometres (ASKs '000) and the passenger load factor on scheduled services. The relevant figures for the year and the previous year are shown below.

KPI measure	31 March 2019	31 March 2018 (as reported)	31 March 2018 (restated)
Number of passengers carried	786,157	1,638,004	812,541
Flight hours	33,772	70,135	34,725
ASKs '000 on scheduled services	355,241	1,079,884	384,785

The current year figures exclude performance on flybmi operations as the information is incomplete. As a result the prior year comparative has been restated for this.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks as explained further below:

- **Safety and security**
  As is common throughout the airline industry, our principal business risk is that of safety and security, which is managed through our robust Safety Management System.
- **Demand for air travel**
  The group's trading business is dependent on the demand for air travel in a number of different regional markets, but is predominantly exposed to demand within the UK and Europe. The business can be affected by macro issues out of the group's control such as regional or local economic conditions, political instability, extreme weather and the willingness of customers to fly. Changes in any of these will affect the demand for airline services and could have a material effect on the financial results of the business. In order to mitigate this risk the group regularly reviews its route network to ensure that changes are made in line with demand.
- **Competitive forces**
  The group's business is exposed to competitive forces which can impact on the performance of its services.
- **Terrorism and catastrophic loss**
  The group's business is exposed to potential terrorist attacks. Even if the group's airline is not a direct target, and even if an attack is not successful, there could still be negative consequences on the demand for air travel.
- **Closure of airspace**
  Severe weather or other natural events have resulted in closure at short notice of airspace which can impact on the financial results of the group.

Financial risk management

- **Foreign currency risk**
  The group seeks to match, as far as possible, receipts and payments in each individual currency. A substantial proportion of the group's purchases are payable in US Dollars, with little revenue generated in that currency. Results may be significantly affected, either beneficially or adversely, by US Dollar exchange rate movements. The group enters into US Dollar forward contracts to mitigate this risk.
- **Liquidity risk**
  In order to ensure that sufficient funds are available for on-going operations and future developments the group has a mixture of cash holdings and secured loan finance. The cash levels and available facilities are monitored on a regular basis in order to ensure that the group has sufficient cash resources to meet its obligations, as and when they fall due.
- **Fuel price risk**
  Fuel is an important element of the group's cost base. The price of fuel is subject to significant volatility which is outside of the group's control. The group enters into forward contracts to mitigate this risk.
- **Credit risk**
  The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks or financial counterparties with high credit ratings assigned by international credit-rating agencies.

Events since the balance sheet date - Loganair Limited

Loganair's operation expanded considerably during its financial year ended 31 March 2020 as the airline took advantage of the market opportunities arising on the demise of flybmi. A total of seventeen Embraer 135/145 aircraft formerly operated by flybmi were introduced to operation within Loganair. In addition Loganair commenced its long term fleet renewal strategy with the first ATR aircraft being successfully added to the Loganair fleet and a total of three ATR-42 passenger aircraft, two ATR72 passenger aircraft and one ATR-72 freighter aircraft are now in operation. Two aircraft types have been removed from the Loganair fleet with all five Saab 2000 aircraft returned to the lessor and the two Dornier 328 owned aircraft laid up and being offered for sale.

On 5 March 2020, the regional airline Flybe entered administration and immediately ceased operation. As the prospect of this happening had been rumored for some while, Loganair had in place contingency plans to operate certain routes formerly operated by Flybe which best fitted with Loganair's business model. This meant that within hours of the Flybe administration being announced, Loganair was able to take bookings on sixteen routes formerly operated by Flybe, with services to commence on a phased basis at various dates from late March 2020 onwards.

These events helped to place Loganair on a much stronger operational and financial footing and had set the business up for further growth. However during March 2020 the impact of COVID-19 began to have a dramatic impact on the operation of all airlines and, as the UK moved into lockdown, Loganair was forced to delay the launch of all these new routes as well as cutting back its existing schedules.

During the COVID-19 crisis, Loganair has been unique amongst UK airlines in that it continued to operate approximately 50% of its aircraft fleet throughout the period of lockdown. This reflects the significant element of Loganair's business which is conducted through long-term contracts for Royal Mail freight operations, charter and wet lease customers, public service obligation contracts and additionally emergency arrangements with the Scottish and Isle of Man Governments to continue a restricted provision of lifeline services. Taken together with use of the UK Government's job retention furlough scheme and other material cost saving measures, Loganair has been able to structure its operation to mitigate its losses from COVID-19.

AIRLINE INVESTMENTS LIMITED

STRATEGIC REPORT (Continued)

FOR THE YEAR ENDED 31 MARCH 2019

Events since the balance sheet date - Loganair Limited (continued)

Nevertheless, COVID-19 has had a material impact on Loganair's working capital position as passengers stopped making bookings for future travel, while refunds became due to passengers with existing bookings on cancelled services. This made it necessary for Loganair to find additional financing and on 1 July 2020, Loganair concluded a new CLBILS loan arrangement with Clydesdale Bank. A total amount of £18 million has been drawn of which £5.75 million re-financed existing debt with Clydesdale and £12.25 million was new funding to the business. A further loan amount of £7 million remains available for drawing until 31 December 2020, subject to Clydesdale's consent. Taken together, these facilities should provide the financial footing for Loganair to both recover from the COVID-19 pandemic, but also prepare for the growth opportunities created following the absorption of activities from flybmi and FlyBe, as noted above.

Events since the balance sheet date - Airline Investments Limited

In March 2020, Airline Investments exercised its purchase option rights in respect of the three Embraer 145 aircraft held under finance leases. An additional shareholder loan of £0.64 million was provided to assist the purchase. Ownership of one aircraft was immediately transferred to Loganair with consideration settled through repayment of inter-company debt due to Loganair by Airline Investments. The other two aircraft remained on their existing leases to Loganair until 30 June 2020 at which point ownership of the aircraft was transferred to Loganair in return for Airline Investments subscribing for £4 million of new equity in Loganair. On 1 July 2020, Airline Investments subscribed for a further £2 million of new equity in Loganair with consideration paid in cash. An additional shareholder loan of £1 million was provided for the purpose, taking the total shareholder loan balance outstanding to £8.09 million. The shareholder loans are repayable on demand, subject to an undertaking that the shareholders will not demand repayment before 30 September 2021 unless the group has adequate funds for the purpose. No interest is currently charged on the loans.

Future developments

In the immediate short-term there is inevitably considerable uncertainty as to how quickly demand for air travel will recover from the impact of COVID-19 but Loganair has in place the financial resilience to see it through this period.

Looking forward, Loganair is now the largest regional airline operating in the UK and flies from more UK airports than any other airline. After three years operating on a stand-alone basis, the Loganair brand has become increasingly well recognised within the UK and the airline has established an extensive and growing network of partnerships with major international carriers. The demise of Flybe has created real opportunity for Loganair to grow its operations through taking on higher volume routes where it can optimise the deployment of its existing fleet. In addition, Loganair's long-term charter business continues to prosper, most recently with the commencement of a major new oil company contract which began operation on 1 July 2020.

Despite the obvious short-term challenges facing all airlines, we look forward to seeing Loganair grow and flourish, whilst continuing to ensure that vital UK regional air connectivity for business's, leisure and families continues to be maintained.

This report was approved by the Board on 21/07/20 **and signed on its behalf by:**

P A Simpson

Registered Office:
C/O Charles Russell Speechlys LLP
Compass House
Lypiatt Road
Cheltenham
GL50 2QJ

AIRLINE INVESTMENTS LIMITED

FLEET SUMMARY

FOR THE YEAR ENDED 31 MARCH 2019

	Aircraft Fleet as at 31 March 2019			
	Owned	Finance Lease	Operating Lease	Total
Embraer 145	-	3	10	13
Embraer 135	-	-	4	4
Saab 2000	-	-	5	5
Saab 340 A/B	5	-	11	16
Dornier 328	2	-	-	2
DH6 Twin Otter	1	-	2	3
BN2 Islander	2	-	-	2
Total	**10**	**3**	**32**	**45**

Following the cessation of flybmi, legal ownership of the 14 Embraer 135/145 aircraft belonging to Sector Aircraft Leasing Ltd was transferred outwith the group to a separate entity controlled by the principal shareholders.

AIRLINE INVESTMENTS LIMITED

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and financial statements for the year ended 31 March 2019. Information on the performance of the business and likely future developments is included in the Strategic Report.

Principal activities

The group is principally engaged in commercial aviation, operating a scheduled service airline, providing aircraft on charter and wet lease contracts, operating cargo and mail flights and supplying aircraft maintenance and ground handling services.

Directors

The following directors have held office during and subsequent to the year end:

P J Bond *Chariman*
S W Bond *Deputy Chairman*
D A Harrison
A A Murray
P A Simpson
A F Bond *(Appointed 24 September 2018)*
V L Bond *(Appointed 24 September 2018)*

Company Secretary

P J Roberts *(Resigned 17 February 2019)*

Dividends

No dividends were paid during the year.

Auditors

Grant Thornton UK LLP offer themselves for reappointment in accordance with section 485 (4) of the Companies Act 2006, and will be deemed reappointed by the members under section 487 (2) of the Companies Act 2006.

Employee Involvement

The group's policy is to consult and discuss with employees on matters likely to affect employees' interests. Information on matters of concern to employees is given through staff notices and newsletters.

Disabled persons

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Directors' Indemnity and Insurance cover

In accordance with the company's articles of association, throughout the year the directors have been, and continue to be, indemnified to the fullest extent permitted by law. Appropriate directors' and officers' liability insurance cover is arranged and maintained via the group's insurance brokers.

Going concern

With the group's trading activities now entirely concentrated within Loganair, the directors have reviewed the financial performance and forecasts of Loganair in considering the going concern basis of accounting for the group.

Loganair's operation expanded considerably during its financial year ended 31 March 2020 as the airline took advantage of the market opportunities arising on the demise of flybmi and the introduction of the Embraer 135/145 jets to its fleet. While most new routes performed well there were some exceptions, notably in respect of Glasgow to Southend and Aberdeen to Southend. Although both these routes were ceased during the year, losses incurred during their operation significantly impacted Loganair's profitability for the year. In addition, Loganair incurred substantial (but planned) one-off costs relating to its fleet restructuring programme as both the Embraer 135/145 jets and subsequently ATR turboprops were brought into service. Nevertheless, with the commencement of bookings on the sixteen former Flybe routes announced by Loganair on 5 March 2020, Loganair was on a much stronger operational and financial footing and well placed for future growth.

However, during March 2020 the COVID-19 pandemic began to have an immediate and dramatic impact on Loganair's operation and the business incurred significant trading losses during the second half of March as the short-term flying programme continued relatively unchanged while passenger numbers fell hugely as lockdown came into effect. Immediate actions were put in place to mitigate ongoing losses, including use of the UK Government's job retention furlough scheme and other material cost saving measures. During the COVID-19 crisis Loganair continued to operate approximately 50% of its aircraft fleet but with the costs of operation being met from long-term customer contracts, thereby largely mitigating any ongoing trading losses.

The biggest impact on Loganair's finances from COVID-19 was on the working capital position of the business. Passengers stopped making bookings for future flights while refunds became due to passengers with existing bookings on cancelled services. This made it necessary for Loganair to find additional financing.

Loganair prepared a two year financial model covering the period until 31 March 2022. This was based on an optimised future route network targeted to grow revenue within the existing fleet size. The principal uncertainties within the forecasts relate to the period of time for passengers to restart travelling after the end of lockdown, as well as the longer-term impact on future demand for regional air travel due to the potential impact of economic recession, coupled with changes in propensity to travel caused by factors such as greater home working and more use of online technology. Loganair's assumption is that the impact of COVID-19 will lead to a long-term reduction in demand for its services and its future plans reflect this. For the former Flybe routes in particular, Loganair's business model is based on using smaller capacity aircraft flying fewer frequencies than previously operated by Flybe, thereby achieving higher passenger yields while retaining normal load factors.

Extensive sensitivity analysis and stress testing was carried out on the forecasts including the identification of a range of mitigating actions which could become necessary if forecast assumptions were not achieved. In addition, external accountants were engaged to perform an Independent Business Review of the forecast model. This work allowed Loganair to identify the required level of financial facilities to provide it with the financial footing to both recover from the COVID-19 pandemic and to prepare for the growth opportunities now available. On 1 July 2020, Loganair concluded a new CLBILS loan agreement with Clydesdale Bank providing an initial three year term loan of £18 million, with a further amount of £7 million available for drawing until 31 December 2020, the latter subject to Clydesdale's consent. The loan agreement contains financial covenants but these have been structured to give greater flexibility and headroom in earlier periods in light of the greater uncertainties in the near term on recovery of passenger demand.

In addition to the new bank financing the group's shareholders have provided an additional shareholder loan of £1.64 million and the group has exercised its purchase option rights in respect of the three Embraer 145 aircraft previously held on finance leases, so that ownership of these aircraft is now within the group.

Having reviewed and tested the financial forecasts and with the level of financial facilities now in place, the directors have a reasonable expectation that the group has adequate resources to continue trading for the foreseeable future. However, the directors recognise that there exists significant uncertainty as a consequence of COVID-19 and the actual trading experience of the group moving forwards may be materially different to that forecast. Further detail is given in the Accounting Policies. Nevertheless after making enquiries, and considering the uncertainties and steps taken as described above, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

AIRLINE INVESTMENTS LIMITED

DIRECTORS REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2019

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including 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 and profit or loss of the company and group 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures *disclosed and explained in the financial statements.*

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 company and hence for taking *reasonable steps for the prevention and detection of fraud and other irregularities.*

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors 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 are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the Board on 21/07/20 **and signed on its behalf by:**

P A Simpson

AIRLINE INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRLINE INVESTMENTS LIMITED

Qualified opinion

We have audited the financial statements of Airline Investments Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019, which comprise the Consolidated Profit and Loss account, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash flow statement, the Consolidated and Parent Company Statement of Changes in Equity and the related 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, except for the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit 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 qualified opinion

The Group's subsidiary, British Midland Regional Limited, went into administration on 16 February 2019. In March 2019 Sector Aviation Holdings Limited and Sector Aircraft Leasing Limited entered voluntary liquidation. The results, up until the date of administration and liquidation, are included in the discontinued operations column of the Consolidated Profit and Loss account for the year ended 31 March 2019. In addition a profit on disposal of £9,234,000 has been recognised. The audit evidence available to us in relation to British Midland Regional Limited, Sector Aviation Holdings Limited and Sector Aircraft Leasing Limited was limited due to a lack of books and records as a result of the company going into administration/ liquidation. As a result of this we have been unable to obtain sufficient appropriate audit evidence concerning the discontinued operations and the profit on disposal in the Consolidated Profit and Loss account and Consolidated Cash Flow Statement for the year ended 31 March 2019.

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 and parent company 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 qualified opinion.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the 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, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm wide approach in response to these uncertainties 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 associated with a course of action such as Brexit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRLINE INVESTMENTS LIMITED (continued)

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that there exists significant uncertainty as a consequence of Covid-19 and the actual trading experience of the Group in the future may be materially different to that forecast which is common with many businesses and is prevalent across the aviation industry. In particular, the timing and/or quantum of cash flows arising from the Group's core activities may differ significantly from those expected as a result of the global impact of Covid-19. Whilst the Directors have instigated a number of measures to mitigate these potential risks, there remains a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern, due to the impact of future events not yet being known. These events or conditions, along with the other matters as disclosed in note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter:

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.

As described in the basis for qualified opinion section above, we were unable to obtain sufficient appropriate evidence concerning the discontinued operations and the profit on disposal in the Consolidated Profit and Loss account and Consolidated Cash Flow Statement for the year ended 31 March 2019. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

Except for the matter described in the basis for qualified opinion section of our report, in the light of the 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 or the directors' report.

Matters on which we are required to report by exception

In respect solely to the issue described in the basis for qualified opinion section of our report:

- 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
- we have not received all the information and explanations we require for our audit.

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

- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRLINE INVESTMENTS LIMITED (continued)

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 9, 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.

A further description of our responsibilities for the audit of the financial statements is located 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.

Grant Thornton UK LLP

David Munton BSc (Hons) FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

22 July 2020

AIRLINE INVESTMENTS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Continuing operations 2019 £000	Discontinued operations 2019 £000	Total 2019 £000	Continuing operations 2018 £000	Discontinued operations 2018 £000	Total 2018 £000
Turnover	3	119,275	92,927	212,202	110,590	104,095	214,685
Operating expenses		(106,972)	(88,338)	(195,310)	(107,335)	(102,994)	(210,329)
Gross profit		12,303	4,589	16,892	3,255	1,101	4,356
Administrative expenses		(10,517)	(10,715)	(21,232)	(11,881)	(9,635)	(21,516)
Operating profit/(loss)	4	1,786	(6,126)	(4,340)	(8,626)	(8,534)	(17,160)
Profit on cessation of subsidiaries	12	-	9,234	9,234	-	-	-
Other interest receivable and similar income	7	23	14	37	12	2	14
Interest payable and similar charges	8	(817)	(911)	(1,728)	(700)	(1,311)	(2,011)
Profit/(Loss) on ordinary activities before taxation		992	2,211	3,203	(9,314)	(9,843)	(19,157)
Tax on profit/(loss) on ordinary activities	9	(136)	-	(136)	1,433	411	1,844
Profit/(Loss) for the financial year		856	2,211	3,067	(7,881)	(9,432)	(17,313)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	2019 £000	2018 £000
Profit/(Loss) for the financial year	3,067	(17,313)
Actuarial gain	1,083	62
Deferred tax on actuarial gain	(184)	(7)
Movement in fair value of cash flow hedges	336	(1,860)
Deferred tax on cash flow hedges	(57)	215
Total comprehensive income/(expense) for the year	4,245	(18,903)

The notes on pages 17 to 37 form part of these statements

AIRLINE INVESTMENTS LIMITED
REGISTERED NUMBER: 08151808
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible assets	10	-	525
Tangible assets	11	22,727	65,057
		22,727	65,582
Current assets			
Stocks	13	2,439	3,945
Debtors	14	19,750	24,680
Cash at bank and in hand		2,995	4,005
		25,184	32,630
Creditors: amounts falling due within one year	15	(47,051)	(60,006)
Net current (liabilities)		(21,867)	(27,376)
Total assets less current liabilities		860	38,206
Creditors: amounts falling due after one year	16	(2,602)	(38,040)
Provisions for liabilities and charges	17	-	(3,426)
Net (liabilities) excluding pension asset		(1,742)	(3,260)
Pension asset			
Defined benefit scheme with net assets	18	2,053	539
Net assets/(liabilities) including pension asset		311	(2,721)
Capital and reserves			
Called up share capital	19	154	154
Share premium account	20	12,304	12,304
Cash flow hedging reserve	20	368	390
Capital redemption reserve	20	16	16
Capital contribution reserve	20	126	1,224
Profit and loss account	20	(12,657)	(16,809)
Shareholders' funds - equity interests		311	(2,721)

The financial statements were approved by the Board on 21/07/20 **and were signed on its behalf by:**

P A Simpson
Director

The notes on pages 17 to 37 form part of these statements

AIRLINE INVESTMENTS LIMITED
COMPANY REGISTERED NUMBER: 08151808
BALANCE SHEET
AS AT 31 MARCH 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Tangible assets	11	5,241	5,671
Investment in subsidiaries	12	20,200	20,200
		25,441	25,871
Current assets			
Debtors	14	3,347	3,377
Cash at bank and in hand		15	67
		3,362	3,444
Creditors: amounts falling due within one year	15	(13,139)	(1,653)
Net current (liabilities)/assets		(9,777)	1,791
Total assets less current liabilities		15,664	27,662
Creditors: amounts falling due after one year	16	(2,602)	(9,495)
Provisions for liabilities and charges	17	(87)	(150)
Net assets		12,975	18,017
Capital and reserves			
Called up share capital	19	154	154
Share premium account	20	12,304	12,304
Capital redemption reserve	20	16	16
Capital contribution reserve	20	126	368
Profit and loss account	20	375	5,175
Shareholders' funds - equity interests		12,975	18,017

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. The loss of the parent company for the year was £5,042,000 (2018: £13,814,000).

The financial statements were approved by the Board on 21/07/20 **and were signed on its behalf by:**

P A Simpson
Director

The notes on pages 17 to 37 form part of these statements

AIRLINE INVESTMENTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Profit/(Loss) for the financial year	3,067	(17,313)
Adjustments for:		
Depreciation and amortisation	11,007	11,283
(Profit)/Loss on sale of tangible fixed assets	(763)	853
Profit on sale and leaseback	(250)	(250)
Profit on cessation of subsidiaries	(9,234)	-
Interest receivable and similar income	(23)	(14)
Interest payable and similar charges	817	600
Pension scheme deficit contribution	(411)	(411)
Taxation	136	(1,844)
Increase/(Decrease) in stocks	36	(255)
(Increase)/Decrease in debtors	(3,444)	1,709
Increase in creditors	8,633	2,156
Cash from operations	9,571	(3,486)
Tax paid	-	101
Net cash generated from/(used in) operating activities	9,571	(3,385)
Net cash used in discontinued activities	(5,188)	-
Cash flows from investing activities		
Payments to acquire tangible and intangible fixed assets	(5,542)	(8,748)
Receipts from sale of tangible fixed assets	4,873	1,848
Receipts from sale and leaseback	-	-
Interest received	3	14
Net cash used in investing activities	(666)	(6,886)
Cash flows from financing activities		
Interest paid	(574)	(600)
Increase in shareholder loan	-	3,250
Net loan drawdown/(repayment)	-	1,171
Related party loan drawdown	-	3,000
Repayment of capital element of finance leases	(990)	(1,478)
Net cash (used in)/generated from financing activities	(1,564)	5,343
Net increase/(decrease) in cash and cash equivalents	2,153	(4,928)
Foreign exchange translation adjustment	508	(1,460)
Cash and cash equivalents at the beginning of the year	334	6,722
Cash and cash equivalents at the end of the year	2,995	334

The notes on pages 17 to 37 form part of these statements

AIRLINE INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Called-up share capital £000	Share premium account £000	Cash flow hedging reserve £000	Capital redemption reserve £000	Capital contribution reserve £000	Profit and loss account £000	Total £000
At 1 April 2017	154	12,304	2,250	16	909	(743)	14,890
Transactions with shareholders:							
Fair value adjustment to shareholder loans	-	-	-	-	995	-	995
Contribution by shareholders	-	-	-	-	297	-	297
Release from capital contribution	-	-	-	-	(977)	977	-
	154	12,304	2,250	16	1,224	234	16,182
Loss for the year	-	-	-	-	-	(17,313)	(17,313)
Other comprehensive income/(expense)	-	-	(1,860)	-	-	270	(1,590)
At 31 March 2018	154	12,304	390	16	1,224	(16,809)	(2,721)
At 1 April 2018	154	12,304	390	16	1,224	(16,809)	(2,721)
Transactions with shareholders:							
Release from capital contribution	-	-	-	-	(243)	243	-
	154	12,304	390	16	981	(16,566)	(2,721)
Profit for the year	-	-	-	-	-	3,067	3,067
Eliminated on *cessation of subsidiary*	-	-	(358)		(855)	-	(1,213)
Other comprehensive income	-	-	336	-	-	842	1,178
At 31 March 2019	154	12,304	368	16	126	(12,657)	311

The notes on pages 17 to 37 form part of these statements

AIRLINE INVESTMENTS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Called-up share capital £000	Share premium account £000	Capital redemption reserve £000	Capital contribution reserve £000	Profit and loss account £000	Total £000
At 1 April 2017	**154**	**12,304**	**16**	**136**	**18,831**	**31,441**
Transactions with owners:						
Fair value adjustment to shareholder loan	-	-	-	93	-	93
Contribution by shareholders	-	-	-	297	-	297
Release from capital contribution	-	-	-	(158)	158	-
	154	12,304	16	368	18,989	31,831
Loss for the year	-	-	-	-	(13,814)	(13,814)
At 31 March 2018	**154**	**12,304**	**16**	**368**	**5,175**	**18,017**
Transactions with owners:						
Release from capital contribution	-	-	-	(242)	242	-
	154	12,304	16	126	5,417	18,017
(Loss) for the year	-	-	-	-	(5,042)	(5,042)
At 31 March 2019	**154**	**12,304**	**16**	**126**	**375**	**12,975**

The notes on pages 17 to 37 form part of these statements

1. Accounting policies

(a) Basis of preparation

These group and parent company financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

(b) Basis of consolidation

The group accounts consolidate the accounts of Airline Investments Limited and its subsidiary undertakings.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

In accordance with section 408(3) of the Companies Act 2006, Airline Investments Limited is exempt from the requirement to present its own profit and loss account.

(c) Going concern

Through Loganair, the group's operation expanded considerably during its financial year ended 31 March 2020 as the airline took advantage of the market opportunities arising on the demise of flybmi and the introduction of the Embraer 135/145 jets to its fleet. With the commencement of bookings on the sixteen former Flybe routes announced by Loganair on 5 March 2020, Loganair was on a much stronger operational and financial footing and well placed for future growth.

However, during March 2020 the COVID-19 pandemic began to have an immediate and dramatic impact on Loganair's operation and the business incurred significant trading losses during the second half of March as the short-term flying programme continued relatively unchanged while passenger numbers fell hugely as lockdown came into effect. Immediate actions were put in place to mitigate ongoing losses, including use of the UK Government's job retention furlough scheme and other material cost saving measures.

The biggest impact on Loganair's finances from COVID-19 was on the working capital position of the business. Passengers stopped making bookings for future flights while refunds became due to passengers with existing bookings on cancelled services. This made it necessary for Loganair to find additional financing.

The group and Loganair prepared a two year financial model covering the period until 31 March 2022. This was based on an optimised future route network targeted to grow revenue within the existing fleet size. The principal uncertainties within the forecasts relate to the period of time for passengers to restart travelling after the end of lockdown, as well as the longer-term impact on future demand for regional air travel due to the potential impact of economic recession, coupled with changes in propensity to travel caused by factors such as greater home working and more use of online technology. Loganair's assumption is that the impact of COVID-19 will lead to a long-term reduction in demand for its services and its future plans reflect this.

Extensive sensitivity analysis and stress testing was carried out on the forecasts including the identification of a range of mitigating actions which could become necessary if forecast assumptions were not achieved. On 1 July 2020, Loganair concluded a new CLBILS loan agreement with Clydesdale Bank providing an initial three year term loan of £18 million, with a further amount of £7 million available for drawing until 31 December 2020, the latter subject to Clydesdale's consent. This funding enables the business to both recover from the COVID-19 pandemic and prepare for the growth opportunities now available. The loan agreement contains financial covenants but these have been structured to give greater flexibility and headroom in earlier periods in light of the greater uncertainties in the near term on recovery of passenger demand.

In addition to the new bank financing the group's shareholders have provided an additional shareholder loan of £1.64 million and the group has exercised its purchase option rights in respect of the three Embraer 145 aircraft previously held on finance leases, so that ownership of these aircraft is now within the group.

As is common with many businesses and as is prevalent across the aviation industry, there exists significant uncertainty as a consequence of COVID-19 and the actual trading experience of the group in the future may be materially different to that forecast. In particular, the timing and / or quantum of cash flows arising from the group's core activities may differ from those expected as a result of the global impact of COVID-19. Whilst the directors have instigated a number of measures to mitigate these potential risks, there remains considerable uncertainty as to the ongoing operating cash flows, facility headroom and covenant compliance, depending on the eventual outcome of the factors set out above.

1. *Accounting policies (continued)*

(c) **Going concern (continued)**
The directors have then concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt upon the group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. Nevertheless after making enquiries, and considering the uncertainties and steps taken as described above, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

(d) **Revenue**
Revenues comprise scheduled, wet lease and charter airline services, freight, aircraft maintenance and ground handling services net of Air Passenger Duty and other similar taxes. Revenues are recognised when the service has been provided. Passenger and freight revenue is recognised once a passenger ticket or freight coupon has been used.

Amounts received from passengers in advance of travel are held within accruals and deferred income until the tickets are used. Future flying revenue is not discounted as materially all bookings are made within a 6 month period; hence the impact would be immaterial. Unused tickets are recognised as revenue using estimates based on the terms and conditions of the ticket and historical trends.

(e) **Aircraft maintenance costs**
The cost of major overhauls for owned aircraft are carried as fixed assets and depreciated over the period to the next overhaul. The cost of certain overhauls for operating leased aircraft is covered by a monthly charge payable to the lessor on a flying hour basis. All other maintenance costs on aircraft are expensed in the period in which they occur.

(f) *Foreign currency translation*
Monetary assets and liabilities denominated in foreign currencies are expressed at the rates prevailing at the balance sheet date or at the contracted rate where applicable. Transactions during the year denominated in foreign currencies are translated using the rates prevailing at the date the transaction occurred, or at the contracted rate where applicable. Exchange adjustments due to fluctuations arising in the normal course of business are included in the profit and loss account before taxation.

(g) **Taxation**
Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

1. Accounting policies (continued)

(g) Taxation (continued)

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

(h) Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost less provision for impairment.

(i) Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives, using the straight line method. The rates applicable are:

Aircraft	30-35	years from date of manufacture (45 years for DH6 aircraft)
Rotables	10	years
Capitalised maintenance	2-3	years
Plant and equipment	5-10	years
Office and IT equipment	3-10	years
Leasehold improvements	3-15	years (over the remainder of the lease term)
Motor vehicles	5	year

(j) Intangible fixed assets

Intangible fixed assets are capitalised at cost and amortised using a straight line basis calculated to write down their cost over the useful economic life. These estimates are reviewed regularly and adjusted as appropriate:

Software & reservation system	30-35	years (expected useful life of the software)
Goodwill	10	years (based on directors assessment of economic life)
Brand	10	years (domain name and trade mark registration period)

(k) Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period. Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

(l) Sale and leaseback

The group has entered into sale and leaseback transactions whereby the group sells aircraft, or rights to acquire aircraft, to a third party. The group then leases the assets back, by way of a finance lease, which is accounted for in accordance with the Leases accounting policy. Where the transaction does not substantially transfer the risk and rewards of ownership, the profit on disposal is deferred and amortised over the lease term.

(m) Stock

Stocks consist of consumable spares, and sundry supplies and are valued at the lower of cost and net realisable value.

(n) Debtors

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

1. **Accounting policies (continued)**

(o) **Cash at bank**
Cash at bank is measured at the transaction price.

(p) **Creditors**
Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method.

(q) **Provisions for liabilities**
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Further details of provisions for liabilities are given in note 17.

(r) **Contribution to pension funds**
Loganair operates a defined benefit scheme which provides benefits based on final pensionable pay. The scheme is now closed to new entrants and future accrual. The assets of the defined benefit scheme are held separately from Loganair, being invested by professional investment managers. Pension scheme assets are measured using current bid price. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability. The movement in the pension scheme deficit is split between interest payable and similar charges in the profit and loss account and actuarial gains and losses in the statement of comprehensive income. For current employees the group contributes to stakeholder schemes providing individual arrangements for employees. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged to the profit and loss account represents the contributions payable by the employer to the schemes in respect of the accounting year.

(s) **Dividends**
Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

(t) **Derivatives**
The group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates and fuel price. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are re-measured at their fair value at each subsequent reporting date. Currently the group only has cash flow hedge relationships. Cash flow hedges are hedges of particular risks that might change the amount or timing of future cash flows. For qualifying cash flow hedges, the hedging instrument is recorded at fair value. The portion of any change in fair value that is an effective hedge is included in equity and any remaining ineffective portion is reported in the profit and loss account. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, no longer qualifies for hedge accounting or the group revokes the designation. The fair value of the forward currency contract and fuel swap contracts is calculated by reference to current forward exchange contracts and fuel swap contracts with similar maturity profiles.

(u) **Capital contribution**
In line with FRS 102 the shareholder loans have been adjusted to fair value with interest payable and receivable being recognised at the effective rate of interest. This results in a capital contribution reserve being created for the fair value adjustment based on the notional interest on the outstanding loan at the balance sheet date which has been waived by the shareholders and as such deemed to be a capital contribution.

2. Accounting estimates and judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Defined benefit pension scheme
Loganair operates a defined benefit pension plan. The costs and the present value of any related pension assets and liabilities depend on such factors as life expectancy of the members, the rate of inflation, the returns the plan assets generate and the discount rate used to calculate the present value of the liabilities. The group uses previous experience and impartial actuarial advice to select the values of critical estimates. The estimates are disclosed in note 18.

Aircraft depreciation period
Extensive industry information is available on the age of aircraft operating within the regional aviation industry. The group uses this to estimate the useful life of the aircraft and the period they should be depreciated over.

Going concern
When preparing the financial statements, directors are required to make an assessment of the group's ability to continue as a going concern and prepare the financial statements on this basis unless it either intends to liquidate the group or to cease trading or has no realistic alternative but to do so. As set out in going concern accounting policy above, there are conditions that indicate a material uncertainty exists in relation to going concern. After reviewing the most recent forecasts, management accounts and having carefully considered the material uncertainty, and the mitigating actions available, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

3. Turnover

Total turnover of Loganair Limited for the period has been derived from its principal activity mainly undertaken in the United Kingdom.

For British Midland Regional Limited its turnover within the British Isles represented revenue from domestic flights, while its turnover between the British Isles and Europe represented revenue from inbound and outbound flights between the British Isles and other European countries. The activities of British Midland Regional Limited were 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 its operating results and net assets on a route by route basis and so the operating results and net assets are not shown across the geographical areas defined above.

No other subsidiaries have external revenue

4. Operating profit/(loss)

	Continuing operations		Discontinued operations	
	2019	2018	2019	2018
	£000	£000	£000	£000
Operating profit/(loss) is stated after charging:				
Depreciation and amortisation	4,522	6,245	6,485	5,038
(Gain)/Loss on sale of fixed assets	(1,785)	90	-	-
Loss on disposals of rotables beyond economic repair	1,022	763	-	-
(Gain) on sale and leaseback	(250)	(250)	-	-
Foreign exchange translation adjustment	481	(678)	-	(782)
Operating lease rentals:				
Aircraft	4,544	4,047	1,791	1,167
Land and buildings	1,029	921	616	498
Auditors' remuneration:				
Audit services	98	34	-	38
Taxation services	6	7	-	7
Other services	3	3	-	-

5. Staff numbers and costs

Number of employees

The average monthly number of employees employed by the group during the year was:

	Group				Company	
	Continuing Operations		Discontinued operations			
	2019	2018	2019	2018	2019	2018
Pilots and cabin crew	319	287	217	247	-	-
Ground support	303	291	80	65	-	-
Administration	72	72	75	100	1	1
	694	650	372	412	1	1
Employment costs	£000	£000	£000	£000	£000	£000
Wages and salaries	26,646	24,539	14,467	16,119	242	240
Social security costs	2,642	2,454	1,639	1,825	33	32
Other pension costs	1,959	1,416	530	590	-	-
	31,247	28,409	16,636	18,534	275	272

6. Directors' emoluments

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Emoluments for qualifying services	354	353	242	240
Social security costs	47	46	33	32
	401	399	275	272

No Directors' emoluments were payable under discontinued operations.
No Directors are accruing retirement benefits under defined benefit schemes.
The number of directors for whom retirement benefits accrued under money purchase pension schemes for the group and company amounted to nil (2018: nil).

7. Other interest receivable and similar income

	Group				Company	
	Continuing Operations		Discontinued operations			
	2019	2018	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000
Bank interest	3	5	14	2	-	-
Net interest on pension scheme	20	7	-	-	-	-
Imputed interest on intercompany loan	-	-	-	-	-	79
	23	12	14	2	-	79

8. Interest payable and similar charges

	Group				*Company*	
	Continuing Operations		Discontinued operations			
	2019	2018	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000
Bank interest	58	89	67	57	-	-
Other	159	13	-	-	-	-
Interest on finance lease	358	441	-	-	358	441
Imputed interest on shareholder loans	242	157	844	1,254	242	157
	817	700	911	1,311	600	598

9. Taxation

The tax (credit)/charge is based on the profit/(loss) for the year and represents:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
U.K. corporation tax	-	-	-	-
Adjustment in respect of previous periods	16	-	5	-
Deferred taxation:				
Origination and reversal of timing differences	120	(1,844)	(68)	104
	136	(1,844)	(63)	104

The tax assessed for the year is lower (2018: higher) than the standard rate of corporation tax in the UK at 19% (2018: 19%). The difference is explained as follows:

Profit/(loss) on ordinary activities before tax	3,203	(19,157)	(5,106)	(13,710)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	609	(3,640)	(970)	(2,605)
Capital allowances for period in excess of depreciation	16	7	5	7
Expenses not deductible for tax purposes	637	536	637	2,795
Deferred tax not recognised on trading losses	225	1,570	225	(71)
Other timing differences	(1,351)	(317)	40	(22)
	136	(1,844)	(63)	104

The aggregate current and deferred tax relating to items that are recognised as items of comprehensive income is a charge of £241,000 (2018: £208,000).

10. Intangible fixed assets

Group	Goodwill £000	Brand £000	Computer software £000	Total £000
Cost or valuation				
At 1 April 2018	6,712	1,000	726	8,438
Additions	-	-	38	38
Disposals	(6,712)	(1,000)	(764)	(8,476)
At 31 March 2019	-	-	-	-
Amortisation				
At 1 April 2018	6,712	1,000	201	7,913
Charge for the year	-	-	56	56
On disposals	(6,712)	(1,000)	(257)	(7,969)
At 31 March 2019	-	-	-	-
Net book values				
At 31 March 2019	-	-	-	-
At 31 March 2018	-	-	525	525

The entire value of the Goodwill and Brand related to Sector Aviation Holdings Limited and was disposed of in the year, the value of which had been fully impaired in the prior year.

11. Tangible fixed assets

Group	Aircraft £000	Capitalised Maintenance £000	Rotables £000	Plant & Equipment £000	Office & IT Equipment £000	Motor vehicles £000	Total £000
Cost or valuation							
At 1 April 2018	61,323	15,512	15,109	2,917	2,079	644	97,584
Additions	380	3,388	3,131	864	491	56	8,310
Disposals	(42,439)	(16,629)	(7,928)	(384)	(703)	(15)	(68,098)
At 31 March 2019	19,264	2,271	10,312	3,397	1,867	685	37,796
Depreciation							
At 1 April 2018	15,504	9,373	4,623	1,485	1,047	495	32,527
Charge for the year	2,487	4,473	3,012	577	335	67	10,951
On disposals	(10,940)	(12,079)	(4,840)	(359)	(183)	(8)	(28,409)
At 31 March 2019	7,051	1,767	2,795	1,703	1,199	554	15,069
Net book values							
At 31 March 2019	12,213	504	7,517	1,694	668	131	22,727
At 31 March 2018	45,819	6,139	10,486	1,432	1,032	149	65,057

11. Tangible fixed assets (continued)

Group

	Aircraft £000
Cost or valuation	
At 1 April 2018	5,883
Additions	-
Disposals	-
At 31 March 2019	5,883
Depreciation	
At 1 April 2018	212
Charge for the year	430
On disposals	-
At 31 March 2019	642
Net book values	
At 31 March 2019	5,241
At 31 March 2018	5,671

12. Investments

Company

	Shares in group Undertakings £000
Cost or valuation	
At 1 April 2018	20,200
Additions	-
Impairment	-
At 31 March 2019	20,200
Net book values	
At 31 March 2019	20,200
At 31 March 2018	20,200

During the year the company disposed of investments in Sector Aviation Holdings Limited, Sector Aircraft Leasing Limited and British Midland Regional Limited, the value of which had been fully impaired in the prior year.

	2019 £000
Profit on cessation of subsidiary	
Net liabilities of subsidiaries prior to liquidation	13,039
Loss on disposal of aircraft	(2,214)
Exceptional costs	(1,591)
Total	9,234

13. Stocks

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Aircraft consumable spares	2,439	3,945	-	-
	2,439	3,945	-	-

14. Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade debtors	10,208	15,266	-	-
Other debtors	3,598	3,895	607	611
Directors loans	1,012	1,012	1,012	1,012
Amounts due from fellow subsidiary	-	-	-	812
Prepayments and accrued income	4,120	3,441	1,728	942
Corporation tax	-	-	-	-
Deferred tax asset (Note 17)	444	-	-	-
Derivative asset	368	1,066	-	-
	19,750	24,680	3,347	3,377

15. Creditors: amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Bank loans and overdrafts	-	3,671	-	-
Finance lease obligations	1,073	918	1,073	918
Shareholder loan	6,325	-	6,325	-
Related party loan (Note 28)	3,000	3,000	-	-
Trade creditors	8,918	11,349	203	-
Other taxes and social security costs	1,985	1,967	17	-
Accruals and deferred income	21,286	37,179	1,179	714
Other creditors	4,464	-	3,300	-
Derivative liability	-	1,922	-	-
Amounts due to fellow subsidiary	-	-	1,042	21
	47,051	60,006	13,139	1,653

The shareholder loans are interest free and repayable on demand.

16. Creditors: amounts falling due after one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Shareholder loans	-	34,626	-	6,082
Finance lease obligations	2,602	3,414	2,602	3,413
	2,602	38,040	2,602	9,495

17. Provisions for liabilities and charges

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Maintenance	-	248	-	-
Deferred taxation	-	3,178	87	150
	-	3,426	87	150

	Group		Company	
Deferred taxation	2019 £000	2018 £000	2019 £000	2018 £000
At beginning of period	3,178	5,230	150	46
On cessation of subsidiary	(3,999)	-	-	-
(Credit)/charge to profit and loss	136	(1,844)	(63)	104
On items taken directly to comprehensive income	241	(208)	-	-
At end of period (Note 14)	(444)	3,178	87	150

Deferred tax is provided at 17% (2018: 17%) analysed over the following timing differences:

	Provided	Unprovided	Provided	Unprovided
	2019	2019	2018	2018
Group	£000	£000	£000	£000
Accelerated capital allowances	470	-	4,403	-
Short term timing differences	380	-	310	(134)
Trading losses	(1,294)	(252)	(1,535)	(6,993)
Deferred tax (asset)/ liability (Note 14)	(444)	(252)	3,178	(7,127)

The group has unrecognised deferred tax assets of £252,000 (2018: £7,127,000) of which £252,000 (2018: £6,993,000) relate to trading losses. These trading losses have not been recognised due to uncertainty over their recoverability in the foreseeable future.

	Provided	Unprovided	Provided	Unprovided
	2019	2019	2018	2018
Company	£000	£000	£000	£000
Accelerated capital allowances	87	-	150	-
Trading losses	-	(252)		
Deferred tax liability/(asset)	87	(252)	150	-

18. Retirement benefits - pension costs

Loganair Limited sponsors the Loganair 1997 Pension Scheme, a funded defined benefit pension scheme in the UK. The scheme is set up on a tax relieved basis as a separate trust independent of the company and is supervised by independent trustees. The trustees are responsible for ensuring that the correct benefits are paid, that the scheme is appropriately funded and that scheme assets are appropriately invested.

The company pays the balance of the cost as determined by regular actuarial valuations. The trustees are required to use prudent assumptions to value the liabilities and costs of the scheme whereas the accounting assumptions must be best estimates.

The company contributes £411,000 per annum in annual instalments to fund the deficit as agreed in the March 2016 valuation and associated Recovery Plan.

A formal actuarial valuation was carried out as at 31 March 2016. The results of that valuation have been projected to 31 March 2019 and the results adjusted using the assumptions set out below. The figures in the following disclosures were measured using the Projected Unit Method.

The scheme was closed to future accrual from April 2006 and has no active members.

Amounts recognised in the consolidated balance sheet

	2019 £000	2018 £000
Defined benefit obligations	(13,979)	(14,580)
Fair value of plan assets	16,032	15,119
Net defined benefit asset	2,053	539
Related deferred tax (liability)	(224)	(18)
Net pension asset	1,829	521

The group is entitled to recover the surplus in the scheme through reduced contributions or refunds, accordingly the asset has been recognised at the period end.

Amounts recognised in the consolidated profit and loss account

	2019 £000	2018 £000
Net interest expense	(20)	(7)
Credit recognised in profit and loss	(20)	(7)

Amounts recognised in the consolidated statement of comprehensive income

	2019 £000	2018 £000
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in net interest expense)	(730)	137
Actuarial gains	(353)	(199)
Credit recorded in other comprehensive income	(1,083)	(62)

18. *Retirement benefits - pension costs (continued)*

	2019	2018
The principal actuarial assumptions used were:		
RPI Inflation assumption	3.40%	3.30%
CPI Inflation assumption	2.40%	2.30%
Rate of increase in salaries	0.00%	0.00%
Liability discount rate	2.65%	2.70%
Increases for pensions in payment:		
Guaranteed Minimum Pension (GMP)	2.40%	2.30%
Benefits accrued in excess of GMP	3.40%	3.30%
Revaluation of deferred pensions:		
Benefits accrued in excess of GMP	2.40%	2.30%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	25.00%	25.00%
Expected age at death of current pensioner aged 65		
Male aged 65 at year end	86.9	88.1
Female aged 65 at year end	89.2	90.5
Expected age at death of future pensioner at age 65:		
Male aged 45 at year end	88.6	90.0
Female aged 45 at year end	90.9	92.3

Reconciliation of scheme assets and liabilities

	Assets £000	Liabilities £000	Total £000
At start of period	15,119	(14,580)	539
Benefits paid	(633)	633	-
Contributions from the employer	411	-	411
Interest income/(expense)	405	(385)	20
Return on assets (excluding amount included in net interest expense)	730	-	730
Actuarial gains	-	353	353
At end of period	16,032	(13,979)	2,053

The return of plan assets was:	2019 £000	2018 £000
Interest income	405	398
Return on plan assets (excluding amount included in net interest expense)	730	(137)
Total return on plan assets	1,135	261

18. Retirement benefits - pension costs (continued)

The major categories of scheme assets are as follows:

	2019 £000	2018 £000
UK equities	-	356
Overseas equities	-	2,163
Corporate bonds	4,022	4,481
Gilts	3,751	2,094
Index linked bonds	1,780	4,123
Property	-	752
LGIM Dynamic Diversified Fund	6,255	477
Cash	50	484
Insured pensions	174	189
Total market value of assets	16,032	15,119

The Scheme has no investments in the group or in property occupied by the group

Future contributions

Loganair Limited expects to contribute £411,000 to the scheme in the next financial year.

Defined contribution pension schemes

The group contributes to defined contribution pension plans for individual employees' pension arrangements.

The pension charge for the year was £2,489,000 (2018: £2,006,000). There were unpaid contributions of £342,000 (2018: £205,000) at the end of the financial year.

19. Share capital

Allotted, called up and fully paid		2019 £000	2018 £000
112,752	A Ordinary shares of £1 each	113	113
7,609	B Ordinary shares of £1 each	8	8
10,200	C Ordinary shares of £1 each	10	10
13,071	D Ordinary shares of £1 each	13	13
1,200	S Ordinary shares of £1 each	1	1
8,576	S1 Preference shares of £1 each	9	9
95	S2 Preference shares of £1 each	-	-
		154	154

The S1 and S2 Preference shares have certain preferential dividend and income rights. The directors have considered these and deem the rights to be immaterial. The rights of all other shares rank pari passu in all material respects.

The voting rights attached to each class of share are disclosed below:

Class of share	Voting rights
All classes of shares	Each share is entitled to one vote

20. Reserves

Called-up share capital
This represents the nominal value of shares that have been issued.

Share premium account
This reserve records the amount above the nominal value received for shares issued, less transaction costs.

Capital redemption reserve
The capital redemption reserve represents the nominal value of shares that have been repurchased by the company.

Cash flow hedging reserve
The hedging reserve comprises the effective position of the cumulative net changes in fair value of cash flow hedging instruments related to hedge transactions that have not yet been realised and recycled to the profit and loss account.

Capital contribution reserve
This reserve is the deemed capital contribution in relation to the interest free loans provided by the shareholders.

Profit and loss account
This includes all current year and prior period retained profits and losses

21. *Other financial commitments*

At 31 March 2019 the group had future minimum rental commitments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Aircraft and engines		
Payable within one year	9,285	4,671
Payable between one and five years	20,548	3,254
Payable in more than five years	-	-
	29,833	7,925

Land and buildings	£000	£000
Payable within one year	996	832
Payable between one and five years	1,798	2,558
Payable in more than five years	131	315
	2,925	3,705

22. Financial assets and liabilities

Forward currency contracts

At 31 March 2019, the group had entered into forward currency contracts. This included the purchase of $38,400,000 through forward currency contracts, with execution dates between April 2019 and March 2020. The weighted average exchange rate of these contracts is 1.3302 resulting in a sale of £28,867,000. The fair value of these forward currency contracts at 31 March 2019 was an asset of £362,000.

At 31 March 2018 the group had entered into forward contracts which had a liability fair value of £857,000. These were all fully settled and recycled to the profit and loss account during the current financial year.

The change in fair value of the hedging instrument that was recognised in comprehensive income during the period was a gain of £1,219,000 (2018: loss of £3,338,000), being the difference between the liability fair value at the end of the prior year of £857,000 and the asset fair value at the end of the current year £362,000.

Fuel commodity swap contracts

At 31 March 2019, the group had entered into fuel commodity swap contracts for the purchase of aviation fuel. This included the purchase of 16,650 tonnes through fuel contracts, with execution dates between April 2019 and March 2020. The average price per tonne for these contracts is $652.77 resulting in a purchase commitment of $10,869,000. The fair value of these fuel contracts at 31 March 2019 was £6,000.

At 31 March 2018 the group had entered into fuel commodity swap contracts for the purchase of aviation fuel which had a fair value of £889,000. These were all fully settled and recycled to the profit and loss account during the financial year.

The change in fair value of the hedging instrument that was recognised in comprehensive income during the period was a loss of £883,000 (2018: gain of £1,478,000), being the difference between the fair value at the end of the prior year of £889,000 and the fair value at the end of the current year £6,000.

23. Security

Loganair has granted Clydesdale Bank a floating charge over all the assets of the company and mortgages against each aircraft owned by the company.

24. Capital commitments

At 31 March 2019 the group had capital commitments of £nil (2018: £35,000).

25. Parent and ultimate controlling party

Airline Investments Limited is the ultimate controlling company of the group.

Airline Investments Limited is a company incorporated in England and Wales and is jointly controlled by Stephen Bond and Peter Bond.

26. Key management personnel

It is the opinion of the directors that there are no key management personnel other than the company directors. The director's remuneration is disclosed in note 6 of the financial statements.

27. Financial assets and liabilities

Group

	2019	2018
Financial assets measured at amortised cost	**£000**	**£000**
Trade debtors	10,208	15,266
Other debtors	3,598	3,895
Directors loans	1,012	1,012
Cash at bank and in hand	2,995	4,005
	17,813	24,178
Financial assets measured at fair value – Derivative asset	368	1,066
Financial liabilities measured at amortised cost	**£000**	**£000**
Trade creditors	8,918	11,349
Finance lease obligations	3,675	4,331
Bank loans and overdrafts	-	3,671
Related party loan	3,000	3,000
Shareholder loans	6,450	35,850
Accruals and deferred income	21,286	37,179
	43,329	95,380
Financial liabilities measured at fair value – Derivative liability	-	1,922

Company

Financial assets measured at amortised cost	**£000**	**£000**
Other debtors	607	611
Directors loans	1,012	1,012
Amounts due from fellow subsidiary	-	812
Cash at bank and in hand	15	67
	1,634	2,502
Financial assets measured at fair value – Derivative asset	-	-
Financial liabilities measured at amortised cost	**£000**	**£000**
Finance lease obligations	3,675	4,331
Accruals and deferred income	1,179	714
Shareholder loans	6,450	6,450
Other creditors	3,300	-
Amounts due to fellow subsidiary	1,042	21
	15,646	11,516
Financial liabilities measured at fair value – Derivative liability	-	-

28. Related party transactions

Transactions with related parties are disclosed below:

Group	At 1 April 2018 £000	Change in year £000	At 31 March 2019 £000
Shareholder loans	34,626	(28,302)	6,324
Shareholder guarantee	-	3,300	3,300
Bond Business Services Ltd loan	3,000	-	3,000
	37,626	(25,002)	12,624

Company	At 1 April 2018 £000	Increase in year £000	At 31 March 2019 £000
Shareholder loans	6,082	242	6,324
Shareholder guarantee	-	3,300	3,300
	6,082	3,542	9,624

Following the transfer of the 14 Embraer aircraft outwith the group, £26.1 million of the amounts due to Shareholders within Sector Aircraft Leasing Ltd was assumed by Evelyn Business Services Limited.

In the prior year the group received a loan of £3,000,000 from Bond Business Services Limited, a company controlled by Stephen Bond and Victoria Bond. Interest on this loan is charged at 5% per annum. The loan was repaid in full on 1st October 2019.

As a result of the liquidation of Sector Aircraft Leasing Limited, a loan of £3.3 million due to the shareholders was assumed by Airline Investments Limited as the guarantor of this loan. This has been recognised in the loss for the year of the Company and within the overall profit on disposal of subsidiaries for the Group.

The company commenced lease agreements during the period with Evelyn Business Services Limited, a company controlled by Stephen and Peter Bond. Total lease charges for the year amounted to £262,000 (2018: £nil).

29. Events since the balance sheet date

On 1 July 2020, Loganair concluded a new CLBILS loan arrangement with Clydesdale Bank. A total amount of £18 million has been drawn of which £5.75 million re-financed existing debt with Clydesdale and £12.25 million was new funding to the business. A further loan amount of £7 million remains available for drawing until 31 December 2020, subject to Clydesdale's consent.

In March 2020, Airline Investments exercised its purchase option rights in respect of the three Embraer 145 aircraft held under finance leases. An additional shareholder loan of £0.64 million was provided to assist the purchase. Ownership of one aircraft was immediately transferred to Loganair with consideration settled through repayment of inter-company debt due to Loganair by Airline Investments. The other two aircraft remained on their existing leases to Loganair until 30 June 2020 at which point ownership of the aircraft was transferred to Loganair in return for Airline Investments subscribing for £4 million of new equity in Loganair. On 1 July 2020, Airline Investments subscribed for a further £2 million of new equity in Loganair with consideration paid in cash. An additional shareholder loan of £1 million was provided for the purpose, taking the total shareholder loan balance outstanding to £8.09 million. The shareholder loans are repayable on demand, subject to an undertaking that the shareholders will not demand repayment before 30 September 2021 unless the group has adequate funds for the purpose. No interest is currently charged on the loans.

29. Events since the balance sheet date (continued)

At 31 March 2019, there was no explicit evidence of human to human transmission of Covid-19. The subsequent spread of Covid 19 does not provide further evidence of conditions that existed at the year end and is therefore considered to be a non-adjusting post balance sheet event in accordance with Section 32 of FRS 102. Accordingly, the development of Covid-19 has not been reflected in the directors' assessment of the measurement of assets and liabilities such as impairment of tangible assets, expected credit losses, the net realisable value of inventory and the recoverability of deferred tax assets.