

**AIRLINE INVESTMENTS LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2021**

Company No. 08151808

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## **AIRLINE INVESTMENTS LIMITED**

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## **AIRLINE INVESTMENTS LIMITED**

### **STRATEGIC REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2021**

##### **The AIL Group**

The AIL Group comprises the two companies Airline Investments Ltd (AIL) and Loganair Ltd (Loganair). AIL acts as a holding company and the group's trading activities take place within Loganair.

##### **Introduction**

The challenges brought by the Covid-19 pandemic have been felt throughout every aspect of every day life. The aviation industry was amongst the first to experience its severe impact and looks likely to be amongst the last to recover, with a collapse in passenger demand – affecting international travel in particular - leading to airline failures, mass redundancies and a record number of aircraft placed in storage.

It is against this extraordinary background that we are heartened to report that Loganair has "weathered the storm". Our turnover in 2020/21 more than halved, falling from £169 million in 2019/20 to only £81 million in 2020/21, yet our loss before tax narrowed from the £12.0 million reported in 2019/20 to £4.2 million in 2020/21. Excluding the impact of restructuring costs of £1.4 million and fuel hedging costs of £3.0 million, the group made a profit before tax of £0.3 million in the year ended 31 March 2021. The fact that we are able to report this underlying improvement as the industry undergoes its most turbulent period in living memory points to the resilience of Loganair's business model and the persistence of its employee group.

With this in mind, the Board wishes to place on record its grateful thanks to Loganair's employees, its owners and its key stakeholders for the part that each has played in ensuring the group's survival through the most challenging year in the airline's 59-year history. Thanks to these collective efforts, Loganair is not only the largest UK regional airline but we believe is now also best placed to prosper as demand for both scheduled and contract services recovers over the coming months and years.

##### **Loganair's response to the Covid-19 pandemic**

Unlike many other airlines that suspended operations either partially or completely during the first lockdown, Loganair maintained services every day throughout the pandemic. This ensured that lifeline links to the Scottish islands; the Isle of Man; City of Derry and on key routes to and from Aberdeen were kept open for essential travel requirements. Financial support was provided by the Scottish Government, the Isle of Man Government and the UK Department for Transport to assure continuity of service on several lifeline routes where normal commercial arrangements were rendered unsustainable in the short term.

In April 2020, we converted two Saab 340B passenger aircraft to become dedicated air ambulances, which undertook missions on behalf of the Scottish Ambulance Service [SAS] and the Northern Ireland Health Board through the remainder of the year. The aircraft formed the front-line response for transport of Covid-19 patients; many such missions were undertaken from the Scottish islands, crewed by Loganair pilots and cabin crew and SAS paramedics, in addition to providing additional air ambulance capacity for other SAS requirements as the need arose.

Many Loganair routes were suspended during the pandemic due to the collapse in demand for scheduled passenger air travel. We were successfully able to develop new charter business and undertook more flying for freight and mail. A combination of essential scheduled routes, this charter and contract flying and special missions such as the ambulance service led to more than half of Loganair's aircraft continuing to fly throughout the pandemic – a greater proportion than any other UK airline. Others were placed in short-term storage and we exercised breaks in lease agreements to return four aircraft to their lessors, reducing the net fleet size by two aircraft after taking account of new deliveries.

In common with other UK airlines, we made extensive use of the UK Government's CJRS "furlough" programme to support our employees throughout the pandemic. In conjunction with our employee groups and recognised unions, we agreed reductions in normal pay and group pension contributions through the second quarter of 2020 and again from November 2020.

## **AIRLINE INVESTMENTS LIMITED**

### **STRATEGIC REPORT (Continued)**

#### **FOR THE YEAR ENDED 31 MARCH 2021**

##### **Loganair's response to the Covid-19 pandemic (continued)**

The furlough scheme and agreed salary changes were instrumental in helping us to safeguard employment for as many of Loganair's employees as practicable. Even so, in view of the long-term structural changes to our business prompted by the pandemic, the inescapable need for 90 redundancies arose in Autumn 2020. Many positions closed through voluntary severance and early retirement programmes, but equally many did not. As openings have arisen in 2021, we have been pleased to welcome back a number of those employees who were made involuntarily redundant and we hope to continuing doing so. To those who have left Loganair under all circumstances, we thank them for their service and wish them well for the future.

The possibility of further redundancies over Winter 2020/21 was averted through the extension of the furlough programme and our continued constructive engagement with our employee groups and recognised unions. We were heartened to confirm in May 2021 that no further redundancies were expected; at the same time, we set out a path to return all serving employees to their normal rates of pay by 1 September 2021. Our recognised unions have welcomed Loganair becoming the first UK airline to achieve this.

The rapidly evolving nature of the pandemic and its impact on our industry was best evidenced by the partial recovery between July and September 2020 – ahead of the second wave lockdowns in the autumn and winter. This led to efforts to re-open several of our scheduled routes to provide UK regional connectivity. The recovery in demand was not sustained, and material trading losses were consequently incurred in the months of September and October before corrective steps could be taken.

Through careful cost and capacity controls, all of these scheduled routes have since been re-opened in the second quarter of 2021. Coupled to our diverse base of income from charter and cargo operations, we are encouraged to have been able to accomplish this re-start whilst maintaining positive cashflow and trading results, at a time where publicly-listed airlines continue to report heavy losses and cash outflows.

##### **Loganair's route network**

Loganair became the UK's largest regional airline in March 2020 following the collapse of Flybe shortly before the pandemic took hold. This significantly delayed our announced plans to expand our route network and thereby safeguard essential connectivity within the UK regions, but we can affirm that we are now serving 18 UK domestic routes formerly operated by Flybe. When combined with activity of other airlines, 44 of 46 domestic routes flown at the time of Flybe's collapse have now been re-opened under the stewardship of a new operator, with Loganair being the largest single contributor to this effort.

Airports including Southampton, Exeter, Cardiff, Birmingham and Cornwall Airport Newquay now all receive frequent Loganair services. We have entered into new long-term commercial arrangements with the majority of these new airports, and their addition also creates a wide range of convenient single-airline connections for customers to and from Loganair's Highlands & Islands network.

Throughout the pandemic, Loganair was the sole operator of passenger air services to and from the Isle of Man, flying to Liverpool, London and Manchester. We provided services under an agreement with the Isle of Man Government to assure basic connectivity throughout the pandemic, and have recently expanded our complement of IOM-based aircrew to continue these services, and add others, as we transition to a commercially-based arrangement there.

We introduced services from Teesside International once again from 1 February 2021, initially serving Aberdeen and later expanding our network there to encompass services to Belfast City, Bristol, Jersey, London Heathrow and Newquay. Two Embraer 145 aircraft are now based at Teesside under a long-term commercial arrangement with the airport operator, and we expect to add further routes for Summer 2022.

We have also announced services between Aberdeen and Dublin from 1 September 2021, taking on the route following the insolvency of Irish carrier Stobart Air, and also took on the route linking City of Derry with Liverpool following Ryanair's closure of its service.

95% of Loganair's route network links destinations within the UK, which means that we have been less susceptible to the significant disruption in international travel caused by Covid-19 border restrictions. We resumed services to Ireland in July 2021; expect to return to Denmark in September 2021 and plan to resume services to Norway in Summer 2022.

## **AIRLINE INVESTMENTS LIMITED**

### **STRATEGIC REPORT (Continued)**

#### **FOR THE YEAR ENDED 31 MARCH 2021**

##### **Loganair's route network (continued)**

Air Passenger Duty represents a significant proportion of the cost of travel for our customers, especially given that the duty is applied to both the outward and return legs of most UK domestic return journeys. We participated in the UK Government's Union Connectivity Review, undertaken by Sir Peter Hendy, and were encouraged to see that his initial recommendations included the ending of this anomaly. This outcome was publicly endorsed by the Prime Minister. We are continuing to press for the early implementation of this change, with Loganair's new GreenSkies programme (covered in a later section of this report) providing the necessary safeguards for the environment for which many opponents of the reform have called.

##### **Airline partnerships**

Loganair's long-standing partnership with British Airways has been expanded through the addition of further routes to the codeshare agreement between the two airlines, including routes from Southampton to Edinburgh, Glasgow and Newcastle and from Teesside to London Heathrow. We have recently agreed to add further routes to the Loganair / British Airways partnership and look forward to building on the strength of this relationship over the coming months and years.

Our agreement with fellow UK regional airline Blue Islands is already yielding results for both airlines and for customers, through new connections available to and from the Channel Islands and on UK domestic routes via Manchester, where our respective route networks also meet. In addition to our existing relationships with major airlines including KLM, Emirates, Qatar Airways and United Airlines, we are in the advanced stages of implementing new partnerships with three major airlines for whom Loganair's enhanced route network provides valuable connecting opportunities.

##### **Contract and charter work**

We were delighted to commence operations on behalf of Babcock Offshore on 1 July 2020, flying ATR42 aircraft between Aberdeen and Sumburgh to service personnel requirements on behalf of three major oil companies in the Sumburgh Partnership grouping. The contract was expanded to encompass a second aircraft from 1 July 2021.

Loganair's operations on behalf of Royal Mail continued throughout the pandemic, and extra flights and capacity were added to cope with peak mail demand arising from the consumer switch to on-line shopping during the pandemic lockdowns. We also undertook an extra service each night for Royal Mail over several months to carry Covid-19 home test kits to the testing laboratory in Northern Ireland for analysis, supporting both the national effort against the pandemic and continuation of employment within the Loganair team.

We are encouraged by the progress made to open several new charter opportunities during the year, including new work in the offshore oil & gas sector, supporting major construction projects and in the charter market for marine ships' crew changes and sports teams in particular. These have seen Loganair aircraft operate as far afield as Alesund in Norway, Riga in Latvia and Ibiza in Spain over the last year. Many of these opportunities are likely to remain open to Loganair after the pandemic, and we have taken steps to assure availability of aircraft and crews to continue to serve these markets.

**AIRLINE INVESTMENTS LIMITED****STRATEGIC REPORT (Continued)****FOR THE YEAR ENDED 31 MARCH 2021****Our fleet**

We continue to progress the renewal of our fleet. Our Saab 340 fleet reduced from 16 to 13 aircraft and we added an additional ATR42-500 passenger aircraft during the year. As noted, use of pre-existing flexibility in our aircraft lease portfolio helped us to reduce capacity over the course of the pandemic, although we will add two further ATR42 aircraft in 2021/22 to restore the fleet strength as demand for our services progressively recovers. The fleet composition is:

Fleet summary as at 31 March		2016	2017	2018	2019	2020	2021
BN2 Islander	Owned	2	2	2	2	2	2
Viking DHC6-400 Twin Otter	Leased	2	2	2	2	2	2
DHC6-300 Twin Otter	Owned	1	1	1	1	1	1
Saab 340	Owned	9	9	9	9	5	5
	Leased	6	7	8	8	11	8
Dornier 328-110	Owned	3	3	2	2	2*	2*
	Leased	1	-	-	-	-	-
Saab 2000	Owned	1	-	-	-	-	-
	Leased	3	5	5	4	1	-
Embraer 135 Regional Jet	Leased	-	-	-	4	2	2
Embraer 145 Regional Jet	Owned	-	-	-	-	1	3
	Leased	-	-	1#	13	12	10
ATR72-500/600	Leased	-	-	-	-	3	3
ATR42-500	Leased	-	-	-	-	2	4
<b>TOTAL</b>		<b>28</b>	<b>29</b>	<b>30</b>	<b>45</b>	<b>44</b>	<b>42</b>

\* aircraft withdrawn from commercial service and retained on an approved maintenance programme pending sale

# aircraft flown on Loganair's behalf under a wet-lease agreement

**Employees**

The group employed an average of 817 people in 2020/21 (2019/20: 857). This is based on headcount alone, and across the operation, the underlying reduction in "full-time equivalents" employed within Loganair meant that we reduced from 846 FTEs immediately prior to the pandemic to 715 through the redundancy programme outlined earlier, and voluntary arrangements including unpaid leave and part-time working.

The Board wishes to extend its gratitude to all those who served during the year for their hard work, understanding and team spirit throughout the pandemic – which, at many times, has been as greatly encouraging as it has been humbling. We must also recognise the efforts of the volunteers who staff our Mental Health First Aid programme who have provided invaluable assistance to colleagues in need through these most difficult of times for us all.

The willingness of our employees to participate in voluntary service during their own time or whilst on furlough through the pandemic has been equally commendable. Loganair employees have been enthusiastic volunteers in the Project Wingman initiative to provide pastoral support for NHS staff and many others have volunteered with community Covid-19 testing and vaccination centres. We are proud of their efforts and for the difference that these have helped to make through the NHS and the communities we serve.

## **AIRLINE INVESTMENTS LIMITED**

### **STRATEGIC REPORT (Continued)**

#### **FOR THE YEAR ENDED 31 MARCH 2021**

##### **Employees (continued)**

Our Gender Pay Report for the 2021 calendar year shows a Gender Pay Gap of 14.9% (2020: 36.3%). The significant change is partly due to the impact of the CJRS furlough scheme for employees whose salaries are above the group average, notably pilots and engineers. We continue to work to prioritise equal opportunities and encourage greater female representation in our pilot and engineering workgroups in particular.

We conducted our third group-wide Employee Survey in May 2021. The results were extremely encouraging despite the impact of the pandemic on our people: 77% of employees participated (2019: 83%) and 88% stated they were proud to work at Loganair (2019: 87%). 86% felt they had been kept properly up to date by the group during the Covid-19 pandemic and 90% understood the key issues and challenges faced by the business as we emerge from the pandemic.

Within the employee survey, 82% of respondents said that people from all backgrounds could succeed at Loganair, which was the highest ever score in response to this question. To further build on our performance as an inclusive employer, we're pleased to have launched a new Diversity & Inclusion Committee, led by our employee groups.

We have also introduced a new Remote Working Policy to afford defined flexibility of working locations for our office-based employees after the pandemic. Remote working, supported by technology, has enabled the airline's essential functions to continue in a way that we would not have envisaged possible before the pandemic, and it is now appropriate for us to adopt these learnings in the way we do business in future.

##### **Safety and security**

Safety and security are the two key priorities within the airline. We undertook 30,525 flights in the 2020 calendar year (2019: 53,224) – making Loganair the third busiest UK airline behind only British Airways and easyJet – and all were completed without serious incident. Our thanks go to every Loganair employee for placing safety and security at the forefront of their every-day work.

In recognition of the challenging operational environment in which many Loganair flights take place, the airline continues to operate programmes which exceed regulatory requirements including our Flight Data Monitoring system (only mandated for much larger commercial aircraft) and the upgrade of navigational and traffic avoidance systems fitted to our aircraft. Specific safety actions have also been implemented to address issues arising from the Covid-19 pandemic including additional checks upon return to service of aircraft from storage and recency training for return to work of employees including pilots, engineers and cabin crew after periods of furlough.

The Safety Review Board has continued to meet regularly throughout the year, with four meetings scheduled and undertaken. External audits by regulators and customers have continued through the pandemic, and we are encouraged to see a reflection of the positive safety and security culture within Loganair within each of those reports. Our Employee Survey also included key questions around our safety culture and it is positive to note that the results to every such question in 2021 were ahead of the already-high levels attained in the previous survey in 2019.

##### **Customer service and accessibility**

We have continued our efforts to improve the accessibility of Loganair's services to customers with reduced mobility and special access requirements during the year. "Aviramp" boarding ramps have been introduced across the entire Highlands & Islands network – even including the beach airport at Barra - in conjunction with airport operator HIAL, affording ease of boarding and disembarkation for our customers.

We have also worked hard to bring the learnings from several decades of Loganair providing NHS patient travel facilities in Scotland to the Isle of Man-Liverpool route, which is the mainstay of the island's external healthcare provision. Early indications are that these benefits have been warmly welcomed by individual users of the Isle of Man Patient Transfer Service.

The delivery of further ATR42 aircraft means that an increasing proportion of our fleet is now equipped with seats with extra space to be able to accommodate passengers with particular types of mobility needs including those returning to our island communities after orthopaedic surgery.

## AIRLINE INVESTMENTS LIMITED

### STRATEGIC REPORT (Continued)

#### FOR THE YEAR ENDED 31 MARCH 2021

##### Environment and sustainability

The environmental impact of air travel was already firmly established as a major challenge for our industry before the onset of the pandemic, and our internal working group had made positive progress to reduce emissions and reduce our impact on the environment across a number of areas including fuel efficiency, use of electrical power in ground service vehicles, aircraft external washing and on-board recycling.

Throughout the pandemic, we have maintained our commitment to all of these environmental initiatives and have worked to ensure that our recovery from the pandemic does not lead to a directly correlated resumption in environmental impact, whether through carbon emissions or other forms. Loganair's fleet renewal programme, introducing the most environmentally-efficient aircraft, has a significant part to play.

In June 2021, we announced our new *GreenSkies* environmental initiative. Loganair is committing to be carbon neutral by 2040, in line with the Scottish Government's targets for domestic air travel and a decade ahead of the UK Government's corresponding target. We expect to achieve this through deployment of new technologies including electrical and hydrogen-powered flight, and are delighted to be a partner in the Ampaire and ZeroAvia programmes to develop these capabilities. Flight trials will be taking place over routes flown by Loganair in the Orkney Islands in Summer 2021.

Loganair is also the only UK regional airline to be invited to participate in the UK's "Jet Zero Council" programme for future flight initiatives. This was launched by the Prime Minister in 2020 and now meets under the joint stewardship of the Secretary of State for Transport and Secretary of State for Business, Energy & Industrial Strategy.

Ahead of the new technology being tested and certified for use in commercial aviation, we introduced a programme of carbon offsets across the entire Loganair route network from 1 July 2021 to address our environmental impact. Through investment in schemes such as windfarms, reforestation programmes and solar energy, an equivalent amount of carbon to that generated by each Loganair flight is removed from the environment. It provides assurance to every customer – whether an individual traveller or a group – that the environmental impact of their journey is being recognised and addressed.

To fund the programme and investment in future-flight technologies, we have visibly added £1 to each Loganair customer's ticket price in what we believe to be the first scheme worldwide to directly relate the economic cost of flying to its environmental impact. We are pleased to report that the reaction to the scheme from customers and key stakeholders has been very positive.

##### Principal risks and uncertainties

The management of the business and the execution of our 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**

Our trading is dependent on the demand for air travel in a number of different regional markets but is predominantly exposed to demand within the UK. We can be affected by macro issues out of our control, most notably evidenced by the ongoing Covid-19 pandemic. Other potential issues include regional or local economic or environmental conditions; Government taxation policies applicable to air travel and/or tourism; 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 our financial results. In order to mitigate this risk, we regularly review our route network to align capacity to demand as far as is reasonably practicable.



## **AIRLINE INVESTMENTS LIMITED**

### **STRATEGIC REPORT (Continued)**

#### **FOR THE YEAR ENDED 31 MARCH 2021**

##### **Principal risks and uncertainties (continued)**

- **Competitive forces**

We are exposed to competitive forces including the possibility of new entrants to our markets which could impact on the financial viability of our services. We have already seen the impact of competitors increasing their activity on UK domestic routes; have reacted accordingly and will continue to do so.

- **Closure of airspace**

Severe weather or other natural events have resulted in closure at short notice of airspace which could impact on the operation of the airline. Closure of borders to all international travel or travellers depending on their nationality, work or Covid-19 vaccination status can also have a material impact on demand for our services.

##### **Financial risk management**

- **Foreign currency risk**

We seek to match, as far as possible, receipts and payments in each individual currency. A substantial proportion of our 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. We enter into forward US Dollar contracts to mitigate this risk.

- **Liquidity risk**

To ensure that sufficient funds are available for ongoing operations and future developments we maintain a mixture of cash holdings and secured loan finance. We monitor our cash levels and available facilities on a regular basis to ensure that we have sufficient cash resources to meet our obligations, as and when they fall due.

- **Fuel and carbon price risk**

Fuel and carbon credits form an important part of our cost base. The price of fuel is subject to significant volatility which is outside our control. We enter into forward contracts to mitigate this risk.

- **Credit risk**

The credit risk on liquid funds and derivative financial instruments is limited because our counterparties are banks or financial institutions with high credit ratings.

##### **Brexit**

The Trade & Co-operation Agreement (TCA) which was signed shortly before the end of the UK's transition period on exiting the European Union contains several provisions around rights for UK airlines to fly internationally, together with transferability of pilots' and engineers' licences.

The policies of the UK Government to allow overseas airlines to fly domestically within the UK under "wet-lease" agreements and to freely grant permits to non-EU airlines to fly between the UK and EU countries have created an uneven competitive field for UK airlines such as Loganair. Working with other UK airlines similarly affected, we continue to press the UK Government to exercise the rights it has at its disposal to ensure that a level playing field prevails across all aspects of international competition.

The TCA and the resulting Customs and import restrictions have led to additional cost and extended timelines to Loganair for the routine transport of items such as aircraft spare parts. We have increased our holding of spare parts in the UK, notably for the ATR aircraft which form a growing proportion of our fleet, to take all reasonable steps to ensure that these do not impact on our service provision to our customers.

## AIRLINE INVESTMENTS LIMITED

### STRATEGIC REPORT (Continued)

#### FOR THE YEAR ENDED 31 MARCH 2021

##### Financing

Following lender due diligence, Loganair agreed a CLBILS loan facility of up to £25 million with Clydesdale Bank in early July 2020. £18 million was drawn down upon completion and, given the continuing impact of the pandemic and re-imposition of social restrictions we prudently drew down the remaining £7 million in December 2020.

Complementing the CLBILS loan, the group's majority investors, Stephen and Peter Bond, simultaneously made significant additional investments into the business to assure its continued financial strength throughout the Covid-19 pandemic and thereafter, comprising an injection of working capital and an alleviation on rentals of aircraft leased from a related party, controlled by them.

With new financing in place our liquidity position is strong. Cash balances at 31 March 2021 were £19.5 million.

##### KPI measures

The principal key performance indicators we use 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 2021	31 March 2020
Number of passengers carried	252,259	1,047,281
Flight hours	19,235	47,526
ASKs '000 on scheduled services	234,625	662,924
Passenger load factor on scheduled services	29.8%	56.7%

The reduction in all KPIs can be attributed to the impact of the Covid-19 pandemic as detailed within the report.

##### Section 172 statement

During the year the Board has acted in a way it considers, in good faith, would most likely promote the success of the group for the benefit of its members as a whole. In doing so the Board has had regard to the specific matters set out in section 172(1) (a) to (f) of the Companies Act 2006 as set out below:

- The likely consequences of any decisions in the long term**  
 Our fleet restructure is intended to position us with the most appropriate aircraft types to underpin our operation for many years ahead.
- The interests of the group's employees**  
 This is covered in the earlier section entitled "Employees". Our decisions in relation to our employee groups throughout the pandemic have taken full account of the need to ensure that Loganair retains a full complement of duly experienced, trained, capable and competent team members to fulfil its objectives and safely deliver its services for the benefit of its customers.

Loganair also sponsors the Loganair 1997 Pension Scheme, a defined benefit scheme closed to future accrual and with no active members. We continue to work closely with the scheme's trustees to manage the risks of the scheme.

## **AIRLINE INVESTMENTS LIMITED**

### **STRATEGIC REPORT (Continued)**

#### **FOR THE YEAR ENDED 31 MARCH 2021**

##### **Section 172 statement (continued)**

- **The need to foster the group's business relationships with suppliers, customers and others**  
Relationships with customers are covered in the earlier sections entitled "Customer service and accessibility" and "Contract and charter work". Our cooperation with other airlines for codeshare and interline arrangements are a key element of our strategy as covered in the section entitled "Airline partnerships". Our key supplier relationships are with airports, fuel suppliers, aircraft maintenance providers, ground handling suppliers and aircraft lessors and we negotiate appropriate long term contracts with each of these suppliers.
- **The impact of the group's operation on the community and the environment**  
This is covered in the earlier section entitled "Environment and sustainability".
- **The desirability of the group to maintain a reputation for high standards of business conduct**  
Flight safety is paramount to all we do and we expect our whole team to act with the highest levels of integrity in looking after our customers and each other.
- **The need to act fairly as between members of the group**  
The company's shareholders are also all directors of the company and therefore participate fully in decisions related to the company.

##### **Future developments**

We look forward to celebrating Loganair's 60th anniversary in February 2022, a record unrivalled by any other UK regional airline in the history of the industry, and during which time countless others have tried and failed. Loganair's record is built upon safe and dependable service to communities throughout the UK; stability of employment and progression prospects for our team; innovation and personal service for our customers; and diversity of business which provides true resilience within our business model.

The actions described in this report have been painful and difficult but nevertheless essential to ensure the group's future through what has been the most difficult trading environment in our history. While the effects of the pandemic will remain with us for some while to come we are confident that the group has the strength and resources to undertake its continuing role as the UK's largest regional airline providing essential connectivity across the UK.

**By order of the Board**

*Peter Simpson*

**P A Simpson**  
17/9/2021

## **AIRLINE INVESTMENTS LIMITED**

### **DIRECTORS REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2021**

The directors present their report and financial statements for the year ended 31 March 2021. 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	<i>Chairman</i>
S W Bond	<i>Deputy Chairman</i>
D A Harrison	
A A Murray	
P A Simpson	
A F Bond	
V L Bond (Resigned 16 October 2020)	

#### **Greenhouse gas emissions**

During the year CO<sub>2</sub> emissions relating to the operation of flights totalled 37,858 tonnes across 29,738 flights (2020: 115,773 tonnes, 62,442 flights). The figures were obtained from the annual independently verified emissions report submitted for compliance with EU law.

Electricity and gas used across the group's bases totalled 3,146,259kWh (tCO<sub>2</sub>: 618) as obtained from spend across the year (2020: 3,008,140kWh). For the purposes of travel and transport the group's vehicle emissions for the year were 188 tonnes of CO<sub>2</sub> (2020: 103 tonnes).

In total the Carbon Intensity ratio (tCO<sub>2</sub>/£'000s) for the year was 0.48 (2020: 0.69).

The group aims to improve energy efficiency of its operations and ensure continued regulatory requirement as outlined in the Strategic report under Environment and sustainability.

#### **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.

#### **Employees and employee involvement**

The continued service of experienced staff members throughout all aspects of the airline's operation is integral to Loganair's safety and operational delivery. Retention of experienced and skilled staff members, particularly in the roles of pilots and engineers, and development and training programmes for staff skills in these, and other areas is a key objective for management.

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, newsletters and regular updates by management. Consultative meetings are regularly held with individual workgroups, and where recognised, trade unions who have collective bargaining rights for those workgroups within the group.

## **AIRLINE INVESTMENTS LIMITED**

### **DIRECTORS REPORT (continued)**

#### **FOR THE YEAR ENDED 31 MARCH 2021**

##### **Equality and diversity**

We offer challenging and worthwhile opportunities for employment to everyone, no matter of gender, sexual orientation, background, age or disability. Our commitment to inclusion stems from the very top of our business and we know having a wide range of diversity and experience will help us deliver services that respond to our customers and the communities we serve.

##### **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 company's insurance brokers.

##### **Going concern**

The directors have prepared forecasts which assume a continued recovery in revenue-earning activity after taking account of forecast reduced demand for air travel versus historic levels, together with continued cost and cash discipline measures. Based on those forecasts, the directors have a reasonable expectation that the group has adequate resources to continue trading for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the financial statements.

In the event that there are further waves of the pandemic causing prolonged national lockdowns or regional lockdowns affecting markets upon which the group is dependent, the group could require further financing or may breach covenants on existing facilities. The directors believe this risk is inherent across the sector in which the group trades, and that the group's diversified income streams constitute a significant mitigation of its risks.

However, if severe yet plausible events such as further lockdowns were to occur, there can be no guarantee that additional financing could be secured if it was required. This represents a material uncertainty which may cast significant doubt, under those conditions, upon the group's ability to continue as a going concern. The group financial statements do not include the adjustments that would result if it was unable to continue as a going concern.

##### **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 group and 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

## **AIRLINE INVESTMENTS LIMITED**

### **DIRECTORS REPORT (continued)**

#### **FOR THE YEAR ENDED 31 MARCH 2021**

##### **Directors' responsibilities statement (continued)**

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.

**By order of the board**

*Peter Simpson*

**P A Simpson**  
17/9/2021

## **AIRLINE INVESTMENTS LIMITED**

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

#### **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 2021, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated and parent company Balance sheet, Consolidated Cash Flow Statement, Consolidated and parent company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Material uncertainty related to going concern**

We draw attention to note 1(c) in the financial statements, which indicates that there exists significant uncertainty as a consequence of Covid-19 and there is a possibility that under prolonged further national lockdowns or regional lockdowns affecting markets up on which the Group is dependent, the Group could require further financing or may breach covenants on existing facilities. There is no guarantee that additional financing could be secured if it was required. As stated in note 1(c), these events or conditions, along with the other matters as set forth in note 1(c), indicate that a material uncertainty exists that may cast significant doubt on the Group'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.

We have nothing to report in this regard.

## **AIRLINE INVESTMENTS LIMITED**

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

#### **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**

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**

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:

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

#### **Responsibilities of directors for the financial statements**

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

In preparing the financial statements, the directors are responsible for assessing the 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



## **AIRLINE INVESTMENTS LIMITED**

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

#### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and industry in which it operates through our general commercial and sector experience and discussions with management. We determined the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework being FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relate to the Civil Aviation Authority.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
  - identifying and evaluating the design effectiveness of controls that management has in place to prevent and detect fraud;
  - challenging assumptions and judgements made by management in its significant accounting estimates;
  - identifying and testing journal entries, with a focus on material and unusual manual journals, considered by the engagement team to carry a higher risk of fraud;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item;
  - making inquiries of management as to whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud;
  - obtaining an understanding of certain manual journals and adjustments made to revenues, in particular to deferred income, and corroborating management explanations where relevant.
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the group operates;
  - understanding of the requirements of FRS 102 in conformity with the requirements of the Companies Act 2006 and the application of the legal and regulatory requirements of the group.
- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition through manipulation of deferred income and through other manual adjustments to revenue.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the group's operations, including the nature of its revenue sources and revenue recognition policies, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatements;
  - the group's control environment, including the policies and procedures implemented to comply with the requirements of FRS 102 and the Companies Act 2006, the adequacy of procedures for the authorisation of transactions, and procedures to ensure that possible breaches of laws and regulations are appropriately investigated and reported.

**AIRLINE INVESTMENTS LIMITED**

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

**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*

**James Andersen**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Glasgow  
17/9/2021

**AIRLINE INVESTMENTS LIMITED****CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2021**

		Before restructuring and fuel hedging costs 2021 £000	Restructuring costs 2021 £000	Fuel hedging costs 2021 £000	Total 2021 £000	2020 £000
	Notes					
Turnover	3	81,106	-	-	81,106	169,037
Operating expenses	4	(80,524)	(571)	(3,045)	(84,140)	(166,704)
<b>Gross (Loss)/Profit</b>		582	(571)	(3,045)	(3,034)	2,333
Administrative expenses		(10,652)	(837)	-	(11,489)	(13,823)
Other operating income	4	11,037	-	-	11,037	-
<b>Operating (Loss)/Profit</b>		967	(1,408)	(3,045)	(3,486)	(11,490)
Other interest receivable and similar income	7	70	-	-	70	69
Interest payable and similar charges	8	(748)	-	-	(748)	(578)
<b>(Loss)/Profit on ordinary activities before taxation</b>		289	(1,408)	(3,045)	(4,164)	(11,999)
Tax on (loss)/profit on ordinary activities	9				634	(1,390)
<b>Loss for the financial year</b>					(3,530)	(13,389)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2021**

	2021 £000	2020 £000
<b>Loss for the financial year</b>	(3,530)	(13,389)
Actuarial (loss)/gain	(821)	326
Deferred tax on actuarial (loss)/gain	156	(62)
Movement in fair value of cash flow hedges	3,978	(5,121)
Deferred tax on cash flow hedges	(756)	973
<b>Total comprehensive expense for the year</b>	(973)	(17,273)

The notes on pages 23 to 41 form part of these statements

**AIRLINE INVESTMENTS LIMITED**  
**REGISTERED NUMBER: 08151808**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2021**

	Notes	2021 £000	2020 £000
<b>Fixed assets</b>			
Tangible assets	10	17,045	21,659
<b>Current assets</b>			
Stocks	12	2,393	2,869
Debtors	13	15,075	21,961
Cash at bank and in hand		19,496	2,972
		36,964	28,802
<b>Creditors: amounts falling due within one year</b>	14	(49,466)	(69,251)
<b>Net current (liabilities)</b>		(12,502)	(41,449)
<b>Total assets less current liabilities</b>		4,543	(19,790)
<b>Creditors: amounts falling due after one year</b>	15	(25,000)	-
<b>Provisions for liabilities and charges</b>	16	-	(35)
<b>Net liabilities excluding pension asset</b>		(20,491)	(19,825)
<b>Pension asset</b>			
Defined benefit scheme with net assets	17	2,509	2,850
<b>Net liabilities including pension asset</b>		(17,948)	(16,975)
<b>Capital and reserves</b>			
Called up share capital	18	152	152
Share premium account	19	12,292	12,292
Cash flow hedging reserve	19	(775)	(4,753)
Capital redemption reserve	19	18	18
Profit and loss account	19	(29,635)	(24,684)
<b>Shareholders' funds - equity interests</b>		(17,948)	(16,975)

The financial statements were approved by the Board on 17/9/2021 and were signed on its behalf by:

*Peter Simpson*

**P A Simpson**  
**Director**

The notes on pages 23 to 41 form part of these statements

**AIRLINE INVESTMENTS LIMITED**  
**COMPANY REGISTERED NUMBER: 08151808**  
**BALANCE SHEET**  
**AS AT 31 MARCH 2021**

	Notes	2021 £000	2020 £000
<b>Fixed assets</b>			
Tangible assets	10	-	3,225
Investment in subsidiaries	11	26,200	20,200
			23,425
<b>Current assets</b>			
Debtors	13	1,317	1,477
Cash at bank and in hand		47	40
		1,364	1,517
<b>Creditors: amounts falling due within one year</b>	14	(11,249)	(10,834)
<b>Net current liabilities</b>		(9,885)	(9,317)
<b>Total assets less current liabilities</b>		16,315	14,108
<b>Provisions for liabilities and charges</b>	16	-	(35)
<b>Net assets</b>		16,315	14,073
<b>Capital and reserves</b>			
Called up share capital	18	152	152
Share premium account	19	12,292	12,292
Capital redemption reserve	19	18	18
Profit and loss account	19	3,853	1,611
<b>Shareholders' funds - equity interests</b>		16,315	14,073

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 profit of the parent company for the year was £2,242,000 (2020: £1,111,000).

The financial statements were approved by the Board on 17/9/2021 and were signed on its behalf by:

*Peter Simpson*

**P A Simpson**  
**Director**

The notes on pages 23 to 41 form part of these statements

**AIRLINE INVESTMENTS LIMITED****CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2021**

	2021 £000	2020 £000
<b>Cash flows from operating activities</b>		
Loss for the financial year	(3,530)	(13,389)
Adjustments for:		
Depreciation and amortisation	2,637	4,884
Impairment of fixed assets	2,647	-
Loss on sale of tangible fixed assets	304	686
Profit on sale and leaseback	-	(455)
Gain on sale of financial instruments	(363)	-
Receipts from sale of financial instruments	452	-
Interest receivable and similar income	(70)	(144)
Interest payable and similar charges	748	653
Pension scheme deficit contribution	(411)	(411)
Taxation	(634)	1,390
Decrease/(Increase) in stocks	476	(607)
Increase/(Decrease) in debtors	5,699	(783)
(Decrease)/Increase in creditors	(9,101)	11,692
Cash from operations	(1,146)	3,516
Tax paid	-	-
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,146)</b>	<b>3,516</b>
<b>Cash flows from investing activities</b>		
Payments to acquire tangible and intangible fixed assets	(1,077)	(4,505)
Receipts from sale of tangible fixed assets	103	19
Interest received	1	9
<b>Net cash used in investing activities</b>	<b>(973)</b>	<b>(4,477)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(748)	(368)
Drawdown of loans	25,000	6,000
Repayment of loans	(5,750)	(3,250)
Repayment of capital element of finance leases	-	(2,340)
<b>Net cash generated from financing activities</b>	<b>18,502</b>	<b>42</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>16,383</b>	<b>(919)</b>
Foreign exchange translation adjustment	141	896
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,972</b>	<b>2,995</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>19,496</b>	<b>2,972</b>

The notes on pages 23 to 41 form part of these statements

**AIRLINE INVESTMENTS LIMITED****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2021**

	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
<b>At 1 April 2019</b>							
Transactions with shareholders:	154	12,304	368	16	126	(12,657)	311
Repurchase of shares	(2)	(12)	-	2	-	(1)	(13)
Release from capital contribution	-	-	-	-	(126)	126	-
	152	12,292	368	18	-	(12,532)	298
Loss for the year	-	-	-	-	-	(13,389)	(13,389)
Other comprehensive income	-	-	(5,121)	-	-	1,237	(3,884)
<b>At 31 March 2020</b>	<b>152</b>	<b>12,292</b>	<b>(4,753)</b>	<b>18</b>	<b>-</b>	<b>(24,684)</b>	<b>(16,975)</b>
<b>At 1 April 2020</b>	<b>152</b>	<b>12,292</b>	<b>(4,753)</b>	<b>18</b>	<b>-</b>	<b>(24,684)</b>	<b>(16,975)</b>
Loss for the year	-	-	-	-	-	(3,530)	(3,530)
Other comprehensive income	-	-	3,978	-	-	(1,421)	2,557
<b>At 31 March 2021</b>	<b>152</b>	<b>12,292</b>	<b>(775)</b>	<b>18</b>	<b>-</b>	<b>(29,635)</b>	<b>(17,948)</b>

The notes on pages 23 to 41 form part of these statements

**AIRLINE INVESTMENTS LIMITED****COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2021**

	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 2019	154	12,304	16	126	375	12,975
Transactions with owners:						
Repurchase of shares	(2)	(12)	2	-	(1)	(13)
Release from capital contribution	-	-	-	(126)	126	-
Profit for the year	-	-	-	-	1,111	1,111
At 31 March 2020	152	12,292	18	-	1,611	14,073
Profit for the year	-	-	-	-	2,242	2,242
At 31 March 2021	152	12,292	18	-	3,853	16,315

The notes on pages 23 to 41 form part of these statements



## AIRLINE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

#### 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").

##### (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

The directors have prepared forecasts which assume a continued recovery in revenue-earning activity after taking account of forecast reduced demand for air travel versus historic levels, together with continued cost and cash discipline measures. Based on those forecasts, the directors have a reasonable expectation that the group has adequate resources to continue trading for the foreseeable future. Sensitivity analysis has been performed and under that scenario, the group would still be able to operate within its facilities and also comply with its loan covenants. Results in the period following 31 March 2021 to date have also exceeded those expectations. For these reasons, they continue to adopt the going concern basis of accounting in preparing the financial statements.

In the event that there are further waves of the pandemic causing prolonged national lockdowns or regional lockdowns affecting markets upon which the group is dependent, the group could require further financing or may breach covenants on existing facilities. The directors believe this risk is inherent across the sector in which the group trades, and that the group's diversified income streams constitute a significant mitigation of its risks.

However, if severe yet plausible events such as further lockdowns were to occur, there can be no guarantee that additional financing could be secured if it was required. This represents a material uncertainty which may cast significant doubt, under those conditions, upon the group's ability to continue as a going concern. The group financial statements do not include the adjustments that would result if it was unable to continue as a going concern.

##### (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. Where a passenger journey has been unfulfilled and no claim for a refund is submitted for a period of 2 months, estimated by management as the expected period for a claim to be submitted, the group recognises this as earned revenue. For passenger journeys disrupted due to Covid-19, passengers have been offered opportunities to rebook flights for a later period and an appropriate extension has been made to the 2 month period in these circumstances.

A limited number of routes operated by the group are subject to contractual support. This income is included within reported revenue and is recognised in line with complying with the provisions and performing in line with the terms of the contracts.

The group operates a customer loyalty programme, Clan Loganair. This programme awards customers with points to redeem against future Loganair flights. In accordance with FRS 102, the fair value attributed to the Clan Loganair points is deferred as a liability and recognised as revenue on redemption of the points once the provision of the service is fulfilled. The fair value of a Clan Loganair award point reflects the fair value of the range of flights that the points could be redeemed against and is reduced to account for the proportion of award credits that are not expected to be redeemed based on the results of trends.

## AIRLINE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

#### 1. Accounting policies (continued)

##### (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 have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

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	30-45	years from date of manufacture
Rotables	10	years
Capitalised maintenance	2-3	years
Plant and equipment	5-10	years
Office and IT equipment	3-10	years
Motor vehicles	5	years

## AIRLINE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2021

#### 1. Accounting policies (continued)

##### (j) 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.

##### (k) 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.

##### (l) Stock

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

##### (m) 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.

##### (n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

##### (o) 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.

##### (p) 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 16.

##### (q) Contribution to pension funds

For current employees, the group contributes to a stakeholder scheme providing individual arrangements for employees. The assets of the scheme 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 scheme in respect of the accounting year.

Loganair is the sponsoring employer for the Loganair 1997 Pension Scheme, a defined benefit scheme closed to new entrants and future accrual. The assets of the defined benefit scheme are held separately from those of the group, 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 asset/liability 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. The surplus in the scheme is recognised as an asset, with Loganair having the right to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

## AIRLINE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2021

#### 1. Accounting policies (continued)

##### (r) 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.

##### (s) 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.

##### (t) Capital contribution

In line with FRS 102 the shareholder loans repayable over a defined period are 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 applicable balance sheet date which has been waived by the shareholders and as such deemed to be a capital contribution. No adjustment is made for loans repayable on demand.

##### (u) Other operating income

Grant income received through the Coronavirus Job Retention Scheme has been recognised in other operating income. No other government grants were received in the year.

Proceeds from the administration of former subsidiaries are recognised in other operating income.

##### (v) Financial Instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account. For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### (w) Restructuring costs

Costs associated with the introduction of a new aircraft type to the existing fleet are disclosed separately due to the non-recurring nature and material spend associated with these activities. Costs include staff salaries and training, aircraft cover, aircraft branding and marketing expenditure, as well as other costs incurred whilst the aircraft are not involved in revenue generating activities. Any costs associated with the phasing out of existing fleet types such as accelerated depreciation of assets or stock value impairment are also included within these costs.

## AIRLINE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2021

1. Accounting policies (continued)

(x) Fuel hedging costs

The costs associated on excess fuel volumes hedged on out the money forward contracts, brought about as a result of the Covid-19 pandemic, have been disclosed separately. Fuel used in operations has been charged to the profit and loss at contractually hedged rates.

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 17.

**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.

**Residual values of fixed assets**

Extensive industry information is available on the value of aircraft operating within the regional aviation industry. The group uses this to estimate the residual value of the aircraft throughout the year.

**Unflown revenue**

Where a passenger journey has been unfulfilled and no claim for a refund is submitted for a period of 2 months, the group recognises this as earned revenue.

**Fuel and foreign currency requirement**

The group has estimated fuel and US dollar requirements for the following year based on revised projections as at 31 March 2021 as a result of the Covid-19 outbreak. This has been determined from available information at that time including economic projections and committed flying at that time. Where any hedging is deemed ineffective hedge accounting has not been applied and the respective gain or loss is recognised in the profit and loss for the year as opposed to the statement of comprehensive income.

**Carrying value of investments**

The directors use projected future cashflows discounted over time to determine the carrying value of investments held. Using the latest projections to March 2023 the directors have determined that no impairment is required.

**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 they either intend to liquidate the group or to cease trading or have no realistic alternative but to do so. As set out in the going concern accounting policy above, there are plausible events which could 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.

**Impairment of rotatable assets**

Based on the condition at the end of the year, the group has used prices from submitted work orders and industry experience to determine the cost to return rotatable assets to a serviceable condition. This has been used as the basis for an impairment provision against the carrying value.

**AIRLINE INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2021****3. Turnover**

Total turnover for the period has been derived from the group's principal activity mainly undertaken in the United Kingdom.

**4. Operating Loss**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Operating Loss is stated after charging/(crediting):		
Depreciation and amortisation	2,637	4,884
Impairment of tangible fixed assets	2,647	-
Gain on sale of fixed assets	(84)	(2)
Loss on disposals of rotatables beyond economic repair	388	688
(Gain) on sale and leaseback	-	(455)
Gain on sale of financial instruments	(363)	-
Foreign exchange translation adjustment	141	896
Other operating income:		
Job Retention Scheme grants	8,953	-
Receipts from administration of former subsidiary	1,165	-
Operating lease rentals:		
Aircraft	7,620	7,476
Land and buildings	1,036	1,110
Auditors' remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	10	8
Fees payable to the company's auditor for other services:		
Audit of the accounts of subsidiaries	63	59
Audit related assurance services	4	4
Tax compliance services	12	10

**5. Staff numbers and costs****Number of employees**

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

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Pilots and cabin crew	405	427	-	-
Ground support	331	343	-	-
Administration	81	87	1	1
	<u>817</u>	<u>857</u>	<u>1</u>	<u>1</u>
<b>Employment costs</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	26,129	34,925	88	211
Social security costs	2,494	3,466	12	29
Other pension costs	477	2,295	-	-
	<u>29,100</u>	<u>40,686</u>	<u>100</u>	<u>240</u>

**AIRLINE INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2021****6. Directors' emoluments**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Emoluments for qualifying services	254	319	88	211
Social security costs	33	43	12	29
Other pension costs	-	-	-	-
	<u>287</u>	<u>362</u>	<u>100</u>	<u>240</u>

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 (2020: nil).

Amounts included above in respect of the highest paid director:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Emoluments for qualifying services	181	211	88	211

**7. Other interest receivable and similar income**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank interest	1	9	-	-
Net interest on pension scheme	69	60	-	-
	<u>70</u>	<u>69</u>	<u>-</u>	<u>-</u>

**8. Interest payable and similar charges**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank interest	655	177	-	-
Other	93	3	-	-
Interest on finance lease	-	272	-	272
Interest on intercompany loan	-	-	-	75
Imputed interest on shareholder loans	-	126	-	126
	<u>748</u>	<u>578</u>	<u>-</u>	<u>473</u>

# AIRLINE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2021

### 9. Taxation

The tax charge is based on the (Loss)/Profit for the year and represents:

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
U.K. corporation tax	-	-	-	-
Adjustment in respect of previous periods	-	-	-	-
Deferred taxation:				
Origination and reversal of timing differences	(634)	1,471	(34)	20
Adjustment in respect of previous periods	-	(81)	-	(81)
	<u>(634)</u>	<u>1,390</u>	<u>(34)</u>	<u>(52)</u>

The tax assessed for the group in year is higher (2020: higher) than the standard rate of corporation tax in the UK at 19% (2020: 19%). The tax assessed for the company in year is lower (2020: lower) than the standard rate of corporation tax in the UK at 19% (2020: 19%). The difference is explained as follows:

(Loss)/Profit on ordinary activities before tax	(4,164)	(11,999)	2,208	1,059
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(791)	(2,280)	420	201
Adjustments in respect of prior periods	-	(81)	-	(81)
Capital allowances for period in excess of depreciation	142	34	132	18
Expenses not deductible for tax purposes	-	-	-	-
Group relief surrendered/(claimed)	-	-	(558)	-
Deferred tax not recognised on trading losses	(149)	3,973	(24)	(118)
Other timing differences	164	(256)	(4)	(72)
	<u>(634)</u>	<u>1,390</u>	<u>(34)</u>	<u>(52)</u>

The aggregate current and deferred tax relating to items that are recognised as items of comprehensive income is a charge of £600,000 (2020: credit of £911,000).



# AIRLINE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2021

### 10. Tangible fixed assets

#### Group

	Aircraft £000	Capitalised maintenance £000	Rotables £000	Plant & equipment £000	Office & IT equipment £000	Motor vehicles £000	Total £000
<b>Cost or valuation</b>							
At 1 April 2020	19,374	1,953	11,842	3,947	2,108	791	40,015
Additions	-	171	780	97	29	-	1,077
Disposals	-	-	(500)	(19)	-	(8)	(527)
At 31 March 2021	19,374	2,124	12,122	4,025	2,137	783	40,565
<b>Depreciation</b>							
At 1 April 2020	8,832	854	4,496	2,143	1,418	613	18,356
Charge for the year	781	561	552	462	222	59	2,637
Impairment	-	-	2,647	-	-	-	2,647
On disposals	-	-	(112)	-	-	(8)	(120)
At 31 March 2021	9,613	1,415	7,583	2,605	1,640	664	23,520
<b>Net book values</b>							
At 31 March 2021	9,761	709	4,539	1,420	497	119	17,045
At 31 March 2020	10,542	1,099	7,346	1,804	690	178	21,659

#### Company

	Aircraft £000
<b>Cost or valuation</b>	
At 1 April 2020	3,939
Additions	-
Disposals	(3,939)
At 31 March 2021	-
<b>Depreciation</b>	
At 1 April 2020	714
Charge for the year	72
On disposals	(786)
At 31 March 2021	-
<b>Net book value</b>	
At 31 March 2021	-
At 31 March 2020	3,225

**AIRLINE INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2021****11. Investments**

<b>Company</b>	<b>Shares in group undertakings £000</b>
<b>Cost or valuation</b>	
At 1 April 2020	20,200
Additions	6,000
Impairment	-
At 31 March 2021	<u>26,200</u>
<b>Net book value</b>	
At 31 March 2021	<u>26,200</u>
At 31 March 2020	<u>20,200</u>

Investments relate to shareholdings in Loganair Limited, which is a wholly owned subsidiary of the company. The registered office of Loganair Limited is Lightyear Building, 9 Marchburn Drive, Glasgow Airport, Paisley, PA3 2SJ.

**12. Stocks**

	<b>Group</b>		<b>Company</b>	
	<b>2021 £000</b>	<b>2020 £000</b>	<b>2021 £000</b>	<b>2020 £000</b>
Aircraft consumable spares	2,393	2,869	-	-
	<u>2,393</u>	<u>2,869</u>	<u>-</u>	<u>-</u>

**13. Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>2021 £000</b>	<b>2020 £000</b>	<b>2021 £000</b>	<b>2020 £000</b>
Trade debtors	6,635	9,148	-	35
Other debtors	4,820	7,587	317	442
Directors loans	1,000	1,000	1,000	1,000
Prepayments and accrued income	1,941	1,921	-	-
Derivative asset	679	2,305	-	-
	<u>15,075</u>	<u>21,961</u>	<u>1,317</u>	<u>1,477</u>

**AIRLINE INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2021****14. Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	-	5,750	-	-
Shareholder loan	7,906	7,092	7,906	7,092
Trade creditors	6,790	13,870	10	-
Other taxes and social security costs	11,751	3,281	-	-
Accruals and deferred income	18,911	27,831	32	282
Other creditors	5,300	3,675	3,300	3,300
Derivative liability	1,454	7,752	-	-
Amounts due to subsidiary	-	-	-	160
	<b>52,112</b>	<b>69,251</b>	<b>11,248</b>	<b>10,834</b>

The movement in shareholder loans represents further amounts advanced of £814,000. The shareholder loans are interest free and repayable on demand.

**15. Creditors: amounts falling due after one year**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts falling due between one and five years				
Bank loan	25,000	-	-	-

On 1 July 2020, Loganair concluded a new CLBILS three-year loan arrangement with Clydesdale Bank. An amount of £18 million was drawn immediately of which £5.75 million refinanced existing debt with Clydesdale and £12.25 million was new funding to the business. A further amount of £7 million was drawn in December 2020 taking the total amount outstanding under the loan to £25 million.

The facility is fully repayable in June 2023, with no repayments mandated before the end of the term.

## AIRLINE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2021

## 16. Provisions for liabilities and charges

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
<b>Deferred taxation</b>				
At beginning of period	35	(444)	35	87
(Credit)/charge to profit and loss	(635)	1,390	(35)	(52)
On items taken directly to comprehensive income	600	(911)	-	-
At end of period	-	35	-	35

Deferred tax is provided at 19% (2020: 19%) analysed over the following timing differences:

Group	Provided 2021 £000	Unprovided 2021 £000	Provided 2020 £000	Unprovided 2020 £000
Accelerated capital allowances	-	2	391	-
Short term timing differences	-	654	(356)	(43)
Trading losses	-	(6,472)	-	(6,200)
Deferred tax (asset)/ liability	-	(5,816)	35	(6,243)

The group has unrecognised deferred tax assets of £5,816,000 (2020: £6,243,000) of which £6,472,000 (2020: £6,200,000) relate to trading losses. These trading losses have not been recognised due to uncertainty over their recoverability in the foreseeable future.

Company	Provided 2021 £000	Unprovided 2021 £000	Provided 2020 £000	Unprovided 2020 £000
Accelerated capital allowances	-	2	35	-
Trading losses	-	-	-	(135)
Deferred tax liability/(asset)	-	2	35	(135)

The company has unrecognised deferred tax assets of £2,000 (2020: £135,000) of which nil (2020: £135,000) relate to trading losses. These trading losses have not been recognised due to uncertainty over their recoverability in the foreseeable future.

**AIRLINE INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2021****17. 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.

Loganair 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.

Loganair contributes £411,000 per annum in annual instalments to fund the deficit as agreed in the March 2019 valuation and associated Recovery Plan.

A formal actuarial valuation was carried out as at 31 March 2019. The results of that valuation have been projected to 31 March 2021 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**

	<b>2021 £000</b>	<b>2020 £000</b>
Defined benefit obligations	(15,378)	(13,150)
Fair value of plan assets	17,887	16,000
Net defined benefit asset	<u>2,509</u>	<u>2,850</u>

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**

	<b>2021 £000</b>	<b>2020 £000</b>
Net interest expense	(69)	(60)
Credit recognised in profit and loss	<u>(69)</u>	<u>(60)</u>

**Amounts recognised in the consolidated statement of comprehensive income**

	<b>2021 £000</b>	<b>2020 £000</b>
Remeasurements of the net surplus:		
Return on scheme assets (excluding amount included in net interest expense)	(1,445)	488
Actuarial losses/(gains)	<u>2,266</u>	<u>(814)</u>
Loss/(gain) recorded in other comprehensive income	<u>821</u>	<u>(326)</u>

**AIRLINE INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2021****17. Retirement benefits - pension costs (continued)**

	<b>2021</b>	<b>2020</b>
<b>The principal actuarial assumptions used were:</b>		
RPI Inflation assumption	3.25%	2.55%
CPI Inflation assumption	2.45%	1.75%
Rate of increase in salaries	0.00%	0.00%
Liability discount rate	2.00%	2.25%
<b>Increases for pensions in payment:</b>		
Guaranteed Minimum Pension (GMP)	2.45%	1.75%
Benefits accrued in excess of GMP	3.25%	2.55%
<b>Revaluation of deferred pensions:</b>		
Benefits accrued in excess of GMP	2.45%	1.75%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees commuting pension for cash	25.00%	25.00%
<b>Expected age at death of current pensioner aged 65</b>		
Male aged 65 at year end	87.1	87.1
Female aged 65 at year end	89.4	89.4
<b>Expected age at death of future pensioner at age 65:</b>		
Male aged 45 at year end	88.4	86.5
Female aged 45 at year end	90.9	89.4

**Reconciliation of scheme assets and liabilities**

	<b>Assets £000</b>	<b>Liabilities £000</b>	<b>Total £000</b>
At start of period	16,000	(13,150)	2,850
Benefits paid	(330)	330	-
Contributions from the employer	411	-	411
Interest income/(expense)	361	(292)	69
Return on assets (excluding amount included in net interest expense)	1,445	-	1,445
Actuarial gains	-	(2,266)	(2,226)
At end of period	<u>17,887</u>	<u>(15,378)</u>	<u>2,509</u>

<b>The return of plan assets was:</b>	<b>2021 £000</b>	<b>2020 £000</b>
Interest income	361	425
Return on plan assets (excluding amount included in net interest expense)	1,445	(488)
<b>Total return on plan assets</b>	<u><b>1,806</b></u>	<u><b>(63)</b></u>

**AIRLINE INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2021****17. Retirement benefits - pension costs (continued)**

The major categories of scheme assets are as follows:

	2021 £000	2020 £000
Corporate bonds	4,300	3,983
Index linked bonds	5,725	5,480
LGIM Dynamic Diversified Fund	7,266	5,919
Cash	35	75
LDI	463	434
Insured pensions	98	109
Total market value of assets	17,887	16,000

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 £477,000 (2020: £2,295,000). There were unpaid contributions of £125,000 (2020: £374,000) at the end of the financial year.

**AIRLINE INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2021****18. Share capital**

	2021 £000	2020 £000
<b>Allotted, called up and fully paid</b>		
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
8,576 S1 Preference shares of £1 each	8	8
	<u>152</u>	<u>152</u>

The S1 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:

<b>Class of share</b>	<b>Voting rights</b>
All classes of shares	Each share is entitled to one vote

**19. 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.

**20. Other financial commitments**

At 31 March 2021 the group had future minimum rental commitments under non-cancellable operating leases as follows (a number of leases for airport property are on a rolling 3 month contract basis):

	2021 £000	2020 £000
<b>Aircraft and engines</b>		
Payable within one year	6,214	8,076
Payable between one and five years	14,128	23,428
Payable in more than five years	-	-
	<u>20,342</u>	<u>31,504</u>
 <b>Land and buildings</b>	 <b>£000</b>	 <b>£000</b>
Payable within one year	1,124	959
Payable between one and five years	1,788	1,393
Payable in more than five years	61	96
	<u>2,973</u>	<u>2,448</u>



## AIRLINE INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2021

#### 21. Financial assets and liabilities

##### Forward currency contracts

At 31 March 2021, Loganair had entered into forward currency contracts. This included the purchase of \$29,000,000 through forward currency contracts, with execution dates between April 2021 and March 2022. The weighted average exchange rate of these contracts is 1.2894 resulting in a sale of £22,492,000. The fair value of these forward currency contracts at 31 March 2021 was a liability of £1,454,000.

At 31 March 2020 Loganair had entered into forward contracts which had an asset fair value of £1,410,000. These were all fully settled and recycled to the profit and loss account during the current financial year.

Loganair determined that it was highly likely all forward contracts were effective based on projections as at 31 March 2021, as such no charge for ineffective hedging has been taken to the profit and loss account in the year (2020: credit of £348,000).

The change in fair value of the hedging instrument that was recognised in comprehensive income during the period was a loss of £2,864,000 (2020: gain of £1,048,000), being the difference between the asset fair value at the end of the prior year of £1,410,000 and the liability fair value at the end of the current year £1,454,000.

##### Fuel commodity swap contracts

At 31 March 2021, Loganair had entered into fuel commodity swap contracts for the purchase of aviation fuel. This included the purchase of 9,500 tonnes through fuel contracts, with execution dates between April 2021 and March 2022. The average price per tonne for these contracts is \$440.95 resulting in a purchase commitment of \$4,189,000. The fair value of these fuel contracts at 31 March 2021 was an asset of £679,000.

At 31 March 2020 Loganair had entered into fuel commodity swap contracts for the purchase of aviation fuel which had a liability fair value of £6,163,000. These were all fully settled and recycled to the profit and loss account during the financial year.

Loganair determined that it was highly likely all forward contracts were effective based on projections as at 31 March 2021, as such no charge for ineffective hedging has been taken to the profit and loss account in the year (2020: charge of £1,590,000).

The change in fair value of the hedging instruments that was recognised in comprehensive income during the period was a gain of £6,842,000 (2020: loss of £6,168,000), being the difference between the liability fair value at the end of the prior year of £6,163,000 and the asset fair value at the end of the current year £679,000.

#### 22. Security

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

#### 23. Capital commitments

At 31 March 2021 the group had capital commitments of £nil (2020: £nil).

#### 24. 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 limited by share capital and is jointly controlled by Stephen Bond and Peter Bond.

**AIRLINE INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2021****25. Key management personnel**

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

**26. Financial assets and liabilities**

<b>Group</b>	<b>2021</b>	<b>2020</b>
<b>Financial assets measured at amortised cost</b>	<b>£000</b>	<b>£000</b>
Trade debtors	6,635	9,148
Other debtors	4,820	7,587
Directors loans	1,000	1,000
Cash at bank and in hand	19,496	2,972
	<u>31,951</u>	<u>20,707</u>

<b>Financial assets measured at fair value – Derivative asset</b>	<u>679</u>	<u>2,305</u>
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	<b>£000</b>	<b>Restated £000</b>
<b>Financial liabilities measured at amortised cost</b>		
Trade creditors	6,790	13,870
Bank loans and overdrafts	25,000	5,750
Shareholder loans	7,906	7,092
Other creditors	5,300	3,675
Accruals	5,679	8,941
	<u>50,675</u>	<u>39,328</u>

<b>Financial liabilities measured at fair value – Derivative liability</b>	<u>1,454</u>	<u>7,752</u>
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**Company**

<b>Financial assets measured at amortised cost</b>	<b>£000</b>	<b>£000</b>
Trade debtors	-	35
Other debtors	317	442
Directors loans	1,000	1,000
Amounts due from fellow subsidiary	-	-
Cash at bank and in hand	47	40
	<u>1,364</u>	<u>1,517</u>

<b>Financial assets measured at fair value – Derivative asset</b>	<u>-</u>	<u>-</u>
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<b>Financial liabilities measured at amortised cost</b>	<b>£000</b>	<b>£000</b>
Trade creditors	10	-
Accruals	32	282
Shareholder loans	7,906	7,092
Other creditors	3,300	3,300
Amounts due to fellow subsidiary	-	160
	<u>11,248</u>	<u>10,834</u>

<b>Financial liabilities measured at fair value – Derivative liability</b>	<u>-</u>	<u>-</u>
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Upon further review it was identified that deferred income in the prior year had been included within the financial liabilities of the group. Having reconsidered, the directors do not consider this meets the definition of a financial liability and the prior year amount for accruals has been restated from £27,831,000.

**AIRLINE INVESTMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2021****27. Related party transactions**

Transactions with related parties are disclosed below:

	At 1 April 2020 £000	Change in year £000	At 31 March 2021 £000
<b>Group</b>			
Shareholder loans	7,092	814	7,906
Shareholder guarantee	3,300	-	3,300
	<u>10,392</u>	<u>814</u>	<u>11,206</u>
	At 1 April 2020 £000	Increase in year £000	At 31 March 2021 £000
<b>Company</b>			
Shareholder loans	7,092	814	7,906
Shareholder guarantee	3,300	-	3,300
	<u>10,392</u>	<u>814</u>	<u>11,206</u>

The group made payments to Evelyn Business Services Ltd, a company controlled by Stephen and Peter Bond. Total lease charges for the year amounted to £1,334,000 (2020: £2,565,000) and net reserve payments of £2,276,000 (2020: £3,070,000). The group has £1,104,000 (2020: £1,104,000) of aircraft deposits in relation to aircraft owned by Evelyn Business Services Ltd included within other debtors.

The movement in shareholder loans represents further amounts advanced of £814,000. The shareholder loans are interest free and repayable on demand.

The company has applied the exemption under FRS 102 not to disclose transactions with subsidiaries that are wholly owned.