

Registered number: 09166111

Air Navigation Solutions Limited

Directors' report and financial statements

For the year ended 31 December 2019

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Air Navigation Solutions Limited

Company information

Directors

Mr H Game
Ms V Halder (resigned 31 January 2019)
Mr I Hauck (appointed 31 January 2019, resigned 17 October 2019)
Mr D Mahns (resigned 10 January 2019)
Mr A Pötzsch (appointed 31 January 2019)
Mr P W Reid
Mr B Sarbinowski (resigned 24 July 2019)
Mr M F Flory (appointed 5 November 2019)

Company number

09166111

Registered office

Old Control Tower
Old Control Tower Road
London Gatwick Airport
West Sussex
RH6 0LD

Independent auditor

Kreston Reeves LLP
Statutory Auditor & Chartered Accountants
Springfield House
Springfield Road
Horsham
West Sussex
RH12 2RG

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Air Navigation Solutions Limited

Strategic report

For the year ended 31 December 2019

The directors present their Strategic report for the year ended 31 December 2019

Business Review

In the 2019 period Air Navigation Solutions continued to deliver Air Traffic Control Services and Engineering Services under the established contracts at Gatwick and Edinburgh Airports and has developed a pipeline of Air Traffic Management project activity with both airports, along with other new customers. In 2019, the majority of revenue continues to be attributed to core contract service provision, with growing additional revenues from project and consultancy activities.

Overall Air Navigation Solutions delivered against the business plan objectives and financial forecast set in 2019. This included the continued delivery of students from the Academy course set up to provide initial training of air traffic controllers to UK CAA licence standards, for all UK market activities.

Air Navigation Solutions is engaged with a number of UK and non-UK prospective customers as a part of the strategic plan which was created in 2019 to enable future growth and improved financial performance in 2020 onwards. As the Company is establishing its presence in the market, the growth will come through the delivery of further projects, consultancy services and selected partnership activities, in addition to tendering for additional core Terminal Air Navigation Services (TANS) ANS contracts at other UK airports. A number of TANS contracts currently undertaken by NATS were expected to be tendered in the open market but have since been renewed without market testing. ANS will continue to lobby the regulator to ensure full access to the UK TANS market particularly given the immaturity of the liberalised market and the

Principal risks and uncertainties

Operational Risk

The principle risk for the business is to ensure that it meets the operational service delivery measures in the customer contracts, which in turn requires enough resourcing, qualified and trained to deliver the Air Traffic Service and Engineering Service. Air Navigation Solutions has a process for recruitment, training (including the training academy at DFS in Langen) and management of both air traffic controllers and air traffic engineers to safeguard a pipeline of key operational staff without over reliance on a very competitive labour market. This is constantly reviewed and monitored.

After 2018 events, increased use of drones in the UK has added a new level of risk in the aviation industry which has been difficult to mitigate with current regulations. The aviation industry is driving changes through regulation which will serve to address this evolving operational environment and the associated risk

Regulatory Risk

The likely impact of BREXIT on regulation is now known, however the scenario (or various scenarios) which may manifest, will not be known until the end of the transition period post BREXIT (December 2020). The required preparation has been undertaken, and therefore mitigation of impact on the business is now being reduced.

Liquidity Risk

The company monitors its liquidity risk which is low, primarily due to the growth of the business in to project services which in turn puts demand on working capital. In most instances however, this is contracted to ensure that this is limited, and ultimately if required the Company has the backing of a strong parent company.

Credit Risk

The company classifies credit risk as low based on the existing customer profile.

Strategic report (continued)
For the year ended 31 December 2019

Covid-19 risk

As set out in note 2.2, since the year end Covid-19 has had a significant detrimental impact to the aviation sector and the directors have, as far as reasonably possible, assessed the impact of the virus on the company. This review took into account the company's trade, customers and suppliers as well as government support offered. The result of this review did not identify any significant uncertainty regarding the ability of the company to continue to trade for at least 12 months from the date these financial statements were approved.

Post balance sheet the company agreed to extend the repayment of an amount owed to group undertakings (note 15), and has also negotiated a credit line of €3,500,000 from the group- although this amount has not been drawn down and forecasts do not anticipate that it will be used.

The company's core service (the provision of Air traffic control services) is considered an essential service and the company has long term contracts with Gatwick and Edinburgh Airports. Operations under these contracts have not been amended as the result of the virus.

Foreign Exchange Risk

The company monitors its exposure due to transactions for services and goods in various currencies including Euros, US Dollars, Canadian Dollars and Norwegian Krone. However, the primary activities are in GBP Sterling and therefore the exposure is low risk and managed on a case by case basis.

Financial Key Performance Indicators

The Company measures its financial performance on several bases. These include turnover and operating profit.

Turnover this financial year increased to £20,317,872 (2018 £16,393,248), with an operating profit of £95,000 (2018 a loss of £1,571,758). This is due to the addition of the Edinburgh Airport contract, with associated revenue and cash profiling, and the growth of additional project and consultancy services as described in the Business Review.

The Directors did not propose a dividend for the year.

This report was approved by the board and signed on its behalf by



Paul Reid
Director

Date: 30 July 2020

Air Navigation Solutions Limited

Directors' report For the year ended 31 December 2019

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

Principal activity

The principal activity of the company during the year was that of services incidental to air transportation.

Results and dividends

The profit for the year after taxation amounted to £95,000 (2018: loss of £1,571,625). The directors did not propose a dividend for the year.

Directors

The directors who served during the year were:

Mr H Game
Ms V Halder (resigned 31 January 2019)
Mr I Hauck (appointed 31 January 2019, resigned 17 October 2019)
Mr D Mahns (resigned 10 January 2019)
Mr A Pötzsch (appointed 31 January 2019)
Mr P W Reid
Mr B Sarbinowski (resigned 24 July 2019)
Mr M F Flory (appointed 5 November 2019)

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 company will continue in business.

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

The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Directors' report (continued)
For the year ended 31 December 2019

Financial instruments

The company's principal financial instruments are comprised of bank balances, trade creditors, trade debtors and loans to and from the company. The main purpose of these instruments is to raise funds to finance the company's operations. The main risks arising from the financial instruments are credit risk, liquidity risk, and interest rate risk.

Due to the nature of the financial instruments used by the company, there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is set out below.

In respect of bank balances the liquidity risk is managed by structuring contract billings so as to try and achieve at least a cash neutral position throughout.

In respect of loans, these are comprised of a loan from the parent company. This loan is interest free and is fully repayable on maturity. The company works closely with its parent to ensure that any additional funding requirements are discussed in advance.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors' liquidity risk is managed by ensuring that sufficient funds are available to meet amounts due.

Post balance sheet events

In January 2020 the company entered in to an agreement to extend the repayment of €3,517,000 included within Amounts owed to group undertakings included within note 11. The repayment of this amount is now due in November 2023.

Auditor

Under the Companies Act 2006 Section 487(2), Kreston Reeves LLP will be automatically reappointed as auditor(s) 28 days after these accounts are sent to the members. Unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

Disclosure of information to auditor

So far as the directors are aware;

- a) there is no relevant audit information of which the company's auditor is unaware.
- b) the directors have taken all the steps that ought to have been 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.

This report was approved by the board on 30 July 2020 and signed on its behalf by



Paul Reid
Director.

Independent auditor's report to the members of Air Navigation Solutions Limited

Opinion

We have audited the financial statements of Air Navigation Solutions Limited for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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.

Independent auditor's report to the members of Air Navigation Solutions Limited

Opinion 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the 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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the members of Air Navigation Solutions Limited

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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Kreston Reeves LLP

Allan Pinner FCCA (Senior Statutory Auditor)
For and on behalf of
Kreston Reeves LLP
Statutory Auditor & Chartered Accountants
Horsham

Date: 30 July 2020

Air Navigation Solutions Limited

Statement of comprehensive income For the year ended 31 December 2019

	Note	2019 £	2018 £
Revenue	3	20,317,872	16,393,250
Cost of sales		(15,035,703)	(13,521,750)
Gross profit		5,282,169	2,871,500
Administrative expenses		(4,948,139)	(4,237,876)
Depreciation	8	(146,746)	(114,281)
Operating profit/(loss)	4	187,285	(1,480,657)
Finance expense		(92,285)	(90,968)
Income tax credit/(expense)	7	-	-
Loss and total comprehensive loss for the year		95,000	(1,571,625)

There was no other comprehensive income for 2019 (2018 - £nil).

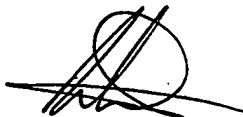
The notes on pages 12 - 20 form part of these financial statements.

Air Navigation Solutions Limited
Registered number: 09166111

Statement of financial position
As at 31 December 2019

	Note	2019 £	2018 £
ASSETS			
Non-Current Assets			
Property, plant and equipment	8	216,035	304,457
Current Assets			
Trade and other receivables	9	4,641,521	2,950,384
Cash and cash equivalents		3,360,833	4,372,243
		<u>8,002,354</u>	<u>7,322,627</u>
Total Assets		<u>8,218,389</u>	<u>7,627,084</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	10	5,000,000	5,000,000
Non-distributable reserves		186,523	186,523
Retained earnings		(4,803,579)	(4,898,579)
Total Equity		<u>382,944</u>	<u>287,944</u>
LIABILITIES			
Non-Current Liabilities			
Trade and other payables	11	2,901,986	2,997,302
Deferred income tax	12	11,910	11,910
		<u>2,913,896</u>	<u>3,009,212</u>
Current Liabilities			
Trade and other payables	11	4,921,289	4,329,668
Corporation tax liability		260	260
		<u>4,921,549</u>	<u>4,329,928</u>
Total Liabilities		<u>7,835,445</u>	<u>7,339,140</u>
Total Equity and Liabilities		<u>8,218,389</u>	<u>7,627,084</u>

The financial statements were approved by the Board of Directors and signed on its behalf by



Paul Reid
Director

Date: 30 July 2020

The notes on pages 12 - 20 form part of these financial statements.

Air Navigation Solutions Limited

Statement of changes in equity For the year ended 31 December 2019

	Attributable to equity holders of the company			
	Ordinary Share Capital	Non- Distributable Reserves	Distributable Retained Earnings	Total
	£	£	£	£
Balance as at 1 January 2018	5,000,000	186,523	(3,326,954)	1,859,569
Total comprehensive income	-	-	(1,571,625)	(1,571,625)
Balance as at 1 January 2019	<u>5,000,000</u>	<u>186,523</u>	<u>(4,898,579)</u>	<u>287,944</u>
Total comprehensive income	-	-	95,000	95,000
Balance as at 31 December 2019	<u><u>5,000,000</u></u>	<u><u>186,523</u></u>	<u><u>(4,803,579)</u></u>	<u><u>382,944</u></u>

Share capital

When shares are issued, the nominal value of the shares is credited to the share capital reserve.

Air Navigation Solutions Limited shares have a nominal value of £1.00 per share.

Non-distributable reserves - capital contribution

This balance represents the equity component of the intercompany parent loan, arising on the date that the loan is advanced. This represents the difference between the present value of future cash flows, discounted at a market rate of interest that would apply to similar debt instruments and the amount payable on the maturity of the loan.

Distributable retained earnings

The retained earnings reserve records the accumulated profits and losses of the company since inception of the business.

The notes on pages 12 - 20 form part of these financial statements.

Air Navigation Solutions Limited

Statement of cash flows For the year ended 31 December 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Profit/(loss) after income tax		95,000	(1,571,625)
Non-cash adjustments			
Depreciation	8	146,746	114,281
Loss on disposal		-	138
Cash flows before changes in working capital		<u>241,746</u>	<u>(1,457,206)</u>
Changes in working capital			
(Increase) in trade and other receivables	9	(1,691,137)	(778,594)
Increase in trade and other payables	11	496,305	1,912,349
Increase in working capital		<u>(1,194,832)</u>	<u>1,133,755</u>
Income taxes received		-	35,860
Net cash used in operating activities		<u>(953,086)</u>	<u>(287,591)</u>
Cash flows from investing activities			
Payments to acquire property, plant and equipment	8	(58,324)	(270,044)
Proceeds from sale of property, plant and equipment		-	6,206
Net cash used in investing activities		<u>(58,324)</u>	<u>(263,838)</u>
Net (decrease) in cash and cash equivalents		<u>(1,011,410)</u>	<u>(551,429)</u>
Cash and cash equivalents at beginning of year		4,372,243	4,923,672
Cash and cash equivalents at end of year		<u><u>3,360,833</u></u>	<u><u>4,372,243</u></u>

There was no cash generated from financing activities

The notes on pages 12 - 20 form part of these financial statements.

**Notes to the financial statements
For the year ended 31 December 2019**

1. General information

Air Navigation Solutions Limited ("the company") is a limited liability company incorporated and domiciled in the UK. The address of the registered office is Old Control Tower, Old Control Tower Road, London Gatwick Airport, West Sussex, RH6 0LD.

2. Accounting policies

2.1 Basis of preparation

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies adopted by the company which have been applied consistently to all the years presented are set out below.

The financial statements are presented in UK Sterling, which is the company's functional currency. All financial information presented in UK Sterling has been rounded to the nearest pound unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements.

The directors consider there to be only one area in the financial statements involving a high degree of judgement or complexity and therefore significant to the financial statements. This relates to the stage of completion of projects as outlined in note 2.2. The total costs to complete are a forecast and can vary from actual future costs. Different estimates would give a different stage of completion, and hence revenue figure.

IFRS 16 (Leases) came in to effect from 1 January 2019 but has not had a material impact on the Financial statements of the Company as the company does not have material operating lease commitments (note 2.9).

2.2 Going concern

The financial statements have been prepared on a going concern basis.

At 31 December 2019 the company had net assets of £382,944 and net current assets of £3,080,805. Since the year end Covid-19 has had a significant detrimental impact to the aviation sector and the directors have, as far as reasonably possible, assessed the impact of the virus on the company. This review took into account the company's trade, customers and suppliers as well as government support offered. The result of this review did not identify any significant uncertainty regarding the ability of the company to continue to trade for at least 12 months from the date these financial statements were approved.

Post balance sheet the company agreed to extend the repayment of an amount owed to group undertakings (note 15), and has also negotiated a credit line of €3,500,000 from the group-although this amount has not been drawn down and forecasts do not anticipate that it will be used.

The company's core service (the provision of Air traffic control services) is considered an essential service and the company has long term contracts with Gatwick and Edinburgh Airports. Operations under these contracts have not been amended as the result of the virus.

**Notes to the financial statements
For the year ended 31 December 2019**

2. Accounting policies (continued)

2.3 Revenue

Revenues and other operating income are recognised if:

- the provision of the service involves the transfer of the material risks and rewards to the customer;
- it is probable that future economic benefits will be generated from the transaction;
- there is no right of disposition nor effective control; and
- the level of revenues and the costs to sell incurred and expected can be quantified

Revenues are recognised based on the stage of completion. The stage of completion results from the relationship between the contract costs incurred up to the date of the statement of financial position and planned contract costs to this date. If the execution of the service contract requires a significant period of time contract costs may also include direct borrowing costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

The contract costs are expensed using the matching principle. If the total contract costs exceed the total contract revenue, the expected loss is expensed immediately. If the results of a service contract cannot be estimated reliably the probable revenues are recorded at the value of the costs incurred.

Where payments on account are made in excess of the revenue recognised, the deferred element is included in payables as deferred income. Where revenue invoiced is less than the revenue recognised, the accrued element is included in receivables as accrued income.

2.4 Foreign currency transactions

The financial statements are presented in UK Sterling as this is the functional currency of the company.

Transactions in currencies other than the functional currency of the company are recorded at the rates of exchange prevailing on the dates of the transactions. At the balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are restated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the period.

2.5 Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition or production cost less accumulated depreciation and impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, as follows:

Refurbishment	10% straight line
Furniture and fixtures	20% straight line
Office equipment	33.33% straight line
Plant and machinery	25% straight line

**Notes to the financial statements
For the year ended 31 December 2019**

2. Accounting policies (continued)

2.6 Taxation

The taxation expense represents the sum of the tax currently payable and deferred tax. Tax currently payable is based on taxable profits or losses for the year and is calculated using tax rates enacted or substantially enacted at the balance sheet date.

Deferred taxation is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted.

Deferred tax assets and liabilities are not discounted.

2.7 Financial instruments

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets are recognised when the company has rights or other access to economic benefits. Such assets consist of cash, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially favourable terms. When these criteria no longer apply, a financial asset or liability is no longer recognised.

Financial assets and liabilities are recognised at fair value, which in the case of trade receivables, trade payables and amounts owed to group undertakings is similar to cost and are subsequently measured at amortised cost, and are detailed in note 14.

2.8 Pensions

No provisions are recognised in respect of defined contribution pension schemes. The level of contributions by the company is dependent on the income relevant to the pension calculations. The payments for defined contribution pension schemes are expensed when due and reported in the statement of comprehensive income as part of administrative expenses.

2.9 Leases

The company only has short-term leases or leases for which the underlying asset is immaterial in value. The company therefore recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The company is party to a contractual arrangement to make payments for the use of a building however these amounts are then reimbursed by the supplier. It is only the supplier who has the right to direct how and for what purpose the asset is used throughout the period. As a result it is deemed that this contract does not contain a lease, in accordance with the requirements of IFRS 16.

Notes to the financial statements
For the year ended 31 December 2019

3. Revenue and segmental information

The revenue, loss before taxation and net assets are attributable to the one principal activity of the company, the services incidental to air transportation, from the company's locations in the UK. Consequently the company has one business and one geographic segment.

	2019 £	2018 £
Revenue from services	20,317,872	16,393,250
	<u>20,317,872</u>	<u>16,393,250</u>

4. Operating profit/(loss)

The operating profit is stated after charging:

	2019 £	2018 £
Net (profit)/ loss on foreign currency differences	(31,361)	108,733
Auditor's remuneration for audit services	21,000	16,450
Auditor's remuneration for non-audit services	20,000	40,376

5. Directors' emoluments

	2019 £	2018 £
Emoluments	266,910	283,400
Sums paid to third parties for directors services	253,812	186,363
Employer's pension contributions	8,880	8,567
	<u>529,602</u>	<u>478,330</u>

The number of directors to whom retirement benefits were accruing during the year was 1 (2018 - 1).
The highest paid director's emoluments were £266,910 (2018: £283,400) and £8,880 (2018: £8,567) of employer's pension contributions.

6. Wages and employees

The monthly average number of employees (including executive directors) was:

	2019 No.	2018 No.
Operations staff	139	113
Administration staff	20	12
Total average monthly number of employees	<u>159</u>	<u>125</u>

Staff costs, including director's remuneration, were as follows:

	2019 £	2018 £
Gross wages	11,474,545	10,094,587
Social security costs	1,319,781	1,114,152
Employer's pension contributions	1,384,239	1,011,880
Other staff costs	18,940	24,871
	<u>14,197,505</u>	<u>12,245,490</u>

Notes to the financial statements
For the year ended 31 December 2019

7. Taxation

	2019 £	2018 £
Taxation (credit)/charge		
Current income tax (credit)/charge	-	-
Deferred income tax (credit)/charge	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Reconciliation of income tax to accounting profit	2019 £	2018 £
Profit/ (Loss) before income tax	95,000	(1,571,625)
Tax at the domestic income tax rate of 19% (2018: 19%)	18,050	(298,609)
Tax losses not recognised as a deferred tax asset	-	298,609
Utilisation of tax losses brought forward	(18,050)	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The Company has not recognised a deferred tax asset for amounts where the recoverability of such an asset is not currently considered probable.

The company has tax losses available for future use of £4.7m (2018: £5.0m).

8. Property, plant and equipment

	Refurbishment £	Furniture and fixtures £	Office equipment £	Plant and machinery £	Total £
Cost					
At 1 January 2019	2,028	12,942	389,317	142,283	546,570
Additions	-	14,038	44,286	-	58,324
At 31 December 2019	<u>2,028</u>	<u>26,980</u>	<u>433,603</u>	<u>142,283</u>	<u>604,894</u>
Depreciation					
At 1 January 2019	812	7,331	164,415	69,555	242,113
Charge for the year	1,216	4,289	105,670	35,571	146,746
At 31 December 2019	<u>2,028</u>	<u>11,620</u>	<u>270,085</u>	<u>105,126</u>	<u>388,859</u>
Net book value					
At 1 January 2019	<u>1,216</u>	<u>5,611</u>	<u>224,902</u>	<u>72,728</u>	<u>304,457</u>
At 31 December 2019	<u>-</u>	<u>15,360</u>	<u>163,518</u>	<u>37,157</u>	<u>216,035</u>

Notes to the financial statements
For the year ended 31 December 2019

9. Trade and other receivables

	2019 £	2018 £
Trade receivables	2,822,717	1,650,033
Amounts owed by group undertakings	17,243	-
Prepayments	84,690	51,539
Accrued income	1,516,863	1,021,130
Other receivables	200,008	227,682
	<u>4,641,521</u>	<u>2,950,384</u>

10. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
5,000,000 Ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>

11. Trade and other payables

	2019 £	2018 £
Non-current liabilities		
Amounts owed to group undertakings	<u>2,901,986</u>	<u>2,997,302</u>
Current liabilities		
Trade payables	775,690	556,318
Amounts owed to group undertakings	685,958	934,679
Social security and other taxes	1,345,605	918,277
Accruals	909,015	998,787
Deferred income	966,844	790,579
Other payables	238,177	131,028
	<u>4,921,289</u>	<u>4,329,668</u>

Included in trade payables are amounts due to related parties as disclosed in note 13.

12. Deferred taxation

	Balance sheet		Income statement	
	2019 £	2018 £	2019 £	2018 £
Temporary differences	(11,910)	(11,910)	-	-
	<u>(11,910)</u>	<u>(11,910)</u>	<u>-</u>	<u>-</u>

**Notes to the financial statements
For the year ended 31 December 2019**

13. Related party transactions

Ultimate controlling party

The company is a wholly owned subsidiary of DFS Aviation Services GmbH (formerly known as The Tower Company GmbH), a private limited company incorporated in Germany.

The ultimate parent company is DFS Deutsche Flugsicherung GmbH, a private limited company incorporated in Germany. The Group Financial Statements can be obtained from DFS Deutsche Flugsicherung GmbH Headquarters, Am DFS-Campus 10, 63225 Langen, Germany.

The ultimate controlling party is the Federal Republic of Germany as it is the 100% shareholder of DFS Deutsche Flugsicherung GmbH.

Trading activities

Company name	Nature of relationship	2019 £	2018 £
Purchases of goods and services (normal commercial terms)			
Purchases from DFS Aviation Services GmbH	Parent company	1,485,574	1,087,086
Purchases from DFS Deutsche Flugsicherung GmbH	Ultimate parent company	13,806	43,432
Purchases from Reid Aviation Solutions Limited	Company under the control of one of the directors	243,038	195,217
		<u>1,742,418</u>	<u>1,325,735</u>
Sales of goods and services (normal commercial terms)			
Sales to DFS Aviation Services GmbH	Parent company	(1,670)	1,670
Sales to DFS Deutsche Flugsicherung GmbH	Ultimate parent company	31,049	-
		<u>29,379</u>	<u>1,670</u>
Payable to related parties			
DFS Aviation Services GmbH	Parent company	685,958	892,917
DFS Deutsche Flugsicherung GmbH	Ultimate parent company	13,806	43,432
Reid Aviation Solutions Limited	Company under the control of one of the directors	19,111	18,810
DFS International Business Services GmbH	Owns 100% of DFS Aviation Services GmbH	2,901,986	2,997,302
		<u>3,620,861</u>	<u>3,952,461</u>

**Notes to the financial statements
For the year ended 31 December 2019**

13. Related party transactions (continued)

Key management compensation

Key management are considered to be the board of directors only. Compensation for Key management is therefore set out in note 5.

Guarantees

During the year the company's ultimate parent company, DFS Deutsche Flugsicherung GmbH, acted as guarantor for the company's contractual agreement with Gatwick Airport Limited.

14. Financial instruments

The company purchases or issues financial instruments in order to finance its operations and to manage the interest rate risk that arises from its operations. The company does not undertake trading in financial instruments.

The main risk arising from the company's financial instruments is credit risk.

Credit risk

The company is exposed to credit risk primarily on its trade receivables as it relies heavily on its primary customers with which it has a contract for services. The maximum credit risk exposure relating to financial assets is represented by their carrying value at the balance sheet date. Trade receivables are managed in respect of credit and cash flow risks by the terms of the contract for services between the company and the customer.

Financial assets

All financial assets are classified as loans and receivables under IFRS 7.

Financial liabilities

All financial liabilities are classified as held at amortised cost under IFRS 7.

Fair values of financial assets and liabilities

The fair value of the company's financial assets and liabilities is not materially different from their book values.

All financial liabilities in the company's statement of financial position are classified as held at amortised cost for the current year.

The following table discloses an analysis of trade receivables for the company that are not impaired. The standard credit terms offered by the company are 90 days.

	2019 £	2018 £
Current	1,528,608	330,189
31 - 60 days	1,208,319	1,267,050
61 - 90 days	65,990	-
Over 90 days	19,800	52,794
	<u>2,822,717</u>	<u>1,650,033</u>

**Notes to the financial statements
For the year ended 31 December 2019**

14. Financial instruments (continued)

During the year ended 31 December 2016 the company received an interest free loan from DFS International Business Services GmbH, the parent company of DFS Aviation Services GmbH, which owns 100% of the issued share capital of the company. The amount received was €3,517,000 repayable in November 2018. This loan was renegotiated in the year ended 31 December 2017 for repayment in November 2020. Post year end the loan has been renegotiated again (note 15).

The translated amount, representing the present value of future cash flows, discounted at a market rate of interest that would apply to similar debt instruments has been included as a non-current liability. The difference between the amount payable on the maturity of the loan and the discounted balance, has been recognised directly in equity.

An interest charge has been recognised using the effective interest method and has been included within finance charges. The loan balance at the relevant year ends has been retranslated at the exchange rate prevailing as at that date.

15. Post balance sheet events

In January 2020 the company entered in to an agreement to extend the repayment of €3,517,000 included within Amounts owed to group undertakings included within note 11. The repayment of this amount is now due in November 2023.