

Company Registration No. 03141268 (England and Wales)

SATAIR UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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SATAIR UK LIMITED

COMPANY INFORMATION

Directors	J Ravenhall H Reijnen H Brand
Company number	03141268
Registered office	Unit 3 Space Waye North Feltham Trading Estate Feltham Middlesex TW14 0TH
Auditor	Glazers 843 Finchley Road London NW11 8NA
Business address	Unit 3 Space Waye North Feltham Trading Estate Feltham Middlesex TW14 0TH

SATAIR UK LIMITED

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SATAIR UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

Satair UK Limited is in the business of distribution and maintenance of aircraft main and emergency batteries for commercial airlines, helicopter, military and business / corporate market sectors of the aerospace aftermarket industry and has been so for over 60 years with the London office opening in 1979.

Our Parent Company, Satair A/S is a global distributor of aircraft spares and consumables primarily for the aftermarket and has headquarters in Copenhagen Denmark. Satair A/S is in turn part of Airbus SE; a company listed in France, Germany and Spain and registered in the Netherlands.

We continue to be the main European stock holding point of the battery stocks held by Satair Group, widening the battery range and continuing to increase our battery service capability into new areas such as the A350 and A220 batteries and selected battery packs for a wide range of civil and military applications.

Since our relocation into our new, much larger and tailored premises in March 2018 we have also developed extensive skills in the handling and shipment of aerospace parts with a "Dangerous Goods" classification.

Additionally, in 2018 we commenced distribution services for Airbus FHS. Under a long-term agreement Satair UK Limited, support their business with a variety of UK and global airlines. This is a prime example of the closer cooperation achieved with the Airbus Group. Growth in this business is excellent and in 2019 an additional 8 staff were employed along with an additional 4 in February 2020 to handle the A220 business transferred into London from Germany.

Our close working relationship with the wider Satair and Airbus repair group based in Hamburg has continued to work well and in addition to the Drainmast product, we continue to evaluate a range of new Airbus proprietary products, which will be progressively introduced into our workshops. In 2019, our repair centre throughput grew by 8% and this trend has continued into the 1st quarter of 2020.

Our approval under AS9110 / AS9120, which was achieved in 2015 continue to aid the growth of our business and provide our customers with more stringent quality standards than the ISO9001-2015 quality approval.

These standards are a major differentiator in our business with many OEM's demanding these standards. To date we are unable to find evidence that any other commercial battery-servicing provider has these standards.

2019 continued to see customer growth in terms of services provided, numbers served and volumes sold to, this along with a generally buoyant market has resulted in increased sales. This is despite the effects of the decreasing value of the pound (GBP) due to the uncertain politically climate and the increased costs associated with the lease on and operation of the new building.

SATAIR UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

Satair UK's business transactions involve a variety of commercial and financial risks that may adversely affect its performance and future operation. Satair UK is continually engaged in efforts to identify measure and where possible mitigate these risks. Outlined below is a list of these risks. This is not an exhaustive list nor are the risks listed in any priority.

Developments in the aviation Industry

For the past 30 years or more, the aviation industry has seen almost continuous growth at an average annual rate of 4-5%. This was only interrupted by the Gulf war in 1991, the terrorist attack on 11 September 2001 and the financial crisis starting in 2008.

Satair UK's marketing potential is primarily determined by the type of aircraft in operation, the scope of operations and the total number of aircraft flying. As these increase so does our potential market.

Competition and Prices

Satair UK's market is highly competitive and as distributor and service agent we must be able to deliver the right combination of inventory and service backed by stringent quality standards, hence our move to achieve AS9110 /9120 back in 2015 and the transition to the revised standards in 2017.

The market is relatively fragmented and few distributors have captured a dominant share of the market, although our market share in commercial aerospace batteries increased markedly over 2019.

SATAIR UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Development and performance

Dependency on Suppliers

Satair UK has distributorships or sales agreements with the major battery manufactures around the world and as such, we are highly dependent upon our suppliers. The risk is being spread by not having exclusive rights and by having a number of differing distributorships.

With the increased range of stocked products within our new site and the new services being provided we have seen a progressive reduction in our dependence on a small number of suppliers since 2018.

Dependency on Customers

Satair UK provide services to in excess of 170 customers and augment sales via intercompany sales to out of territory-based users. We are not dependant on any one customer with our largest customer accounting for slightly in excess of 6.5% of our sales.

Stock

Stock is agreed and controlled with our central planning functions and strict stocking policies are adhered to. In the event of unwanted stock within the UK operation, this can be moved swiftly to other operating theatres where sales are higher. The most significant risk is the grounding of certain aircraft - to date this has happened over an elongated time period and the effect has been minimal.

Technology

Much of the technology used is tried and tested and new technology introduction is a long and complicated process requiring type approval and extensive testing. There is no doubt that new technology will at some time be proven but this will be by the manufacturers with the support and assistance of the Airframe manufactures.

On the basis, that Satair UK retains its excellent relationships with the manufacturers there is no reason why it should not benefit from new technologies.

Furthermore, the take up of new technology will not occur over night and this again gives a degree of certainty within the market.

Currency Fluctuations

The majority of our stock is bought in either USD or EUR. This is then converted to GBP at prevailing rates at the time of delivery. As 80%+ of our sales are made in either USD or EUR the company can suffer from both positive and adverse currency movements which directly affect the margins achieved.

Since the Brexit referendum and the ensuing Brexit negotiations, we have seen a weakening British Pound. However, this is in part cushioned by our group purchase and pricing policies, to which we adhere to.

SATAIR UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Key performance indicators

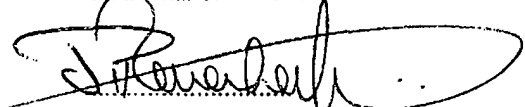
In 2019, we again revisited the KPI's initially introduced in 2012 as part of the wider integration into Satair. As a result, new KPI's based around our AS9110/9120 approvals have been progressively refined and provide an improved monitor and measure of the health of the business. We continue to measure workshop labour utilisation and gross margins and these have seen improvement and stability over the last 12 months. Cost control remains very tight and the results of earlier year's projects and cost saving plans have continued to create benefit for us.

In terms of battery servicing volumes - a key measure, 2019 saw a 8% year on year growth a result of new business and inherent growth from existing customers.

Brexit

The major effect of the Brexit process in 2018 and 2019 relates to the general weakness of the pound, however, Satair UK is mindful of the possible implications to the business from arising from any form of exit. The business is in close dialogue with both Satair A/S and Airbus and is continuing to plan to ensure business continuity post the Brexit date. A result of this detailed planning was the successful application and granting of Third Country approvals direct with EASA. This protects our repair business and effectively means that operations can continue once the Brexit process is completed. We continue to react to Brexit changes and plans for both a deal and NO deal scenario are in place.

On behalf of the board



J Ravenhall

Director

17/09/2020

SATAIR UK 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 activities

The principal activity of the company continued to be that of the distribution, repair, servicing and certification of aerospace nickel cadmium batteries, sealed lead acid batteries, emergency batteries and ground support aviation equipment, plus the provision of warehouse & distribution services for other group companies such as Airbus Flight hours services (AFHS).

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Ravenhall
H Reijnen
H Brand

Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Financial instruments

Treasury operations and financial instruments

The company uses various financial instruments including cash, trade receivables and payables that arise directly from its operations. The existence of these financial instruments exposes the company to a number of financial risks, of which the more significant risks are liquidity risk, foreign currency risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below:

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Foreign currency risk

The majority of stock purchases and sales are in USD and Euros. The company holds bank accounts in these currencies to reduce the impact of foreign exchange transaction costs.

Credit risk

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

SATAIR UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Post reporting date events

The 1st quarter of 2020 was very positive for Satair UK Ltd, with 5% growth being seen within its battery servicing business and the projected growth in AFHS being realised along with the expected increase in staff numbers. However the global effect of the Covid-19 Pandemic was seen from the beginning of the second quarter. With up to 85% of the world's commercial airline fleet being grounded for a period of time we have experienced a major downturn in the demand for spare parts used for regular and planned maintenance and as such, our distribution revenue has been adversely affected. Our battery servicing business has been affected but has been cushioned by two major factors:

1. Ongoing need for battery maintenance even whilst fleets are grounded.
2. Withdrawal from the UK market of a major competitor and subsequent flow of new customers for our services.

The combined effect of these factors will be to maintain our throughput and profitability within this area to a level in line with our 2019 results whilst establishing a growth platform once full flying schedules are returned to.

Our business services to AFHS are operated on a cost recovery plus agreed margin basis and it is in this area that we have seen the major volume reductions; this has resulted in the need to rebalance staff numbers and this is currently under review.

As the full ramifications of the Pandemic became evident, the company took the required actions and moved to separated shift and team working, moving as many staff to home working as possible. The company also took advantage of the UK Government's Furlough scheme for both staff who needed to self-isolate and, on a short-term basis, to reduce operational capacity whilst maintaining service levels and the required skill base.

The company remains in good operational health and is poised to benefit from any market upturn.

Future developments

The relationship with Satair and Airbus continues to grow ever stronger and close alignment with the Satair Repair organisation based in Hamburg Germany has created a number of further opportunities to introduce new products and services.

Worthy of note are the distribution services undertaken on behalf of Airbus FHS, which commenced in late 2018 and which grew rapidly in 2019 requiring an additional 8 operational staff, further projected growth amongst the customer and platform base will require an additional 4 staff in early 2020.

Additional services of this nature for Airbus companies is expected over the next few years as our organisations move ever closer and continue the strong growth seen over the last few years.

Auditor

The auditor, Glaziers, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

SATAIR UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

On behalf of the board

A handwritten signature in black ink, appearing to read 'J. Ravenhall', is written over a dotted line.

J Ravenhall
Director

Date: 17/09/2020

SATAIR UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

SATAIR UK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SATAIR UK LIMITED

Opinion

We have audited the financial statements of Satair UK Limited (the 'company') for the year ended 31 December 2019 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, 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 United Kingdom Accounting Standards, including FRS 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 company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for 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.

Opinions on other matters prescribed by the Companies Act 2006

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

SATAIR UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SATAIR UK LIMITED

Matters on which we are required to report by exception

In the light of the 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 and the directors' report.

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

- adequate accounting records have not been kept, 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, 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.

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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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.

Paraskumar Shah FCA (Senior Statutory Auditor)
for and on behalf of Glazers

17 September 2020

Chartered Accountants
Statutory Auditor

843 Finchley Road
London
NW11 8NA

SATAIR UK LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Revenue	3	14,386,430	14,022,998
Cost of sales		(13,382,990)	(13,182,561)
Gross profit		1,003,440	840,437
Distribution costs		(115,127)	(146,661)
Administrative expenses		(1,250,704)	(1,035,047)
Other operating income		871,130	896,888
Operating profit	4	508,739	555,617
Investment income	7	24,315	15,584
Profit before taxation		533,054	571,201
Tax on profit	8	(135,230)	(102,778)
Profit for the financial year		397,824	468,423

The income statement has been prepared on the basis that all operations are continuing operations.

SATAIR UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

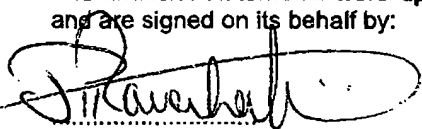
	2019	2018
	£	£
Profit for the year	397,824	468,423
Other comprehensive income	-	-
Total comprehensive income for the year	<u>397,824</u>	<u>468,423</u>

SATAIR UK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Non-current assets					
Property, plant and equipment	9		1,326,488		1,314,614
Current assets					
Inventories	10	5,535,289		5,364,585	
Trade and other receivables	11	1,385,202		1,376,308	
Cash and cash equivalents		1,062,735		1,339,467	
		7,983,226		8,080,360	
Current liabilities	12	(2,440,575)		(2,944,304)	
Net current assets			5,542,651		5,136,056
Total assets less current liabilities			6,869,139		6,450,670
Provisions for liabilities	13		(72,671)		(52,026)
Net assets			6,796,468		6,398,644
Equity					
Called up share capital	16		125,000		125,000
Retained earnings			6,671,468		6,273,644
Total equity			6,796,468		6,398,644

The financial statements were approved by the board of directors and authorised for issue on 17/09/2020 and are signed on its behalf by:



J Ravenhall
Director

Company Registration No. 03141268

SATAIR UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2018	125,000	5,805,221	5,930,221
Year ended 31 December 2018:			
Profit and total comprehensive income for the year	-	468,423	468,423
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	125,000	6,273,644	6,398,644
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	397,824	397,824
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	<u>125,000</u>	<u>6,671,468</u>	<u>6,796,468</u>

SATAIR UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	20	71,301		1,954,224	
Income taxes paid		(168,628)		(2,444)	
Net cash (outflow)/inflow from operating activities		(97,327)		1,951,780	
Investing activities					
Purchase of property, plant and equipment		(203,720)		(678,589)	
Interest received		24,315		15,584	
Net cash used in investing activities		(179,405)		(663,005)	
Net (decrease)/increase in cash and cash equivalents		(276,732)		1,288,775	
Cash and cash equivalents at beginning of year		1,339,467		50,692	
Cash and cash equivalents at end of year		1,062,735		1,339,467	

SATAIR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Satair UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 3 Space Waye, North Feltham Trading Estate, Feltham, Middlesex, TW14 0TH.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on despatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the provision of services, which relates to the re-charge and servicing of aviation batteries, is recognised once the service has been completed and despatched for return to the customer.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Leasehold	Over the term of the lease
Plant and machinery	Over 10 years
Fixtures, fittings & equipment	Over 7 years
Computer equipment	Over 3 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

SATAIR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.5 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

SATAIR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

SATAIR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

SATAIR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

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

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

SATAIR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3 Revenue

An analysis of the company's revenue is as follows:

	2019 £	2018 £
Revenue analysed by class of business		
Sales of goods and services	14,386,430	14,022,998

	2019 £	2018 £
Other significant revenue		
Interest income	24,315	15,584

	2019 £	2018 £
Revenue analysed by geographical market		
Europe	9,584,580	9,743,023
Asia	3,780,109	2,924,509
USA	940,732	1,272,766
Other	81,009	82,700
	14,386,430	14,022,998

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging:		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	23,837	451
Fees payable to the company's auditor for the audit of the company's financial statements	16,000	15,000
Depreciation of owned property, plant and equipment	191,846	95,523
Operating lease charges	334,782	352,736

SATAIR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Directors	3	3
Sales and operations staff	18	15
Administrative staff	2	2
Total	23	20

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	1,007,445	707,345
Social security costs	103,542	75,405
Pension costs	93,625	73,097
	1,204,612	855,847

6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	131,845	126,231
Company pension contributions to defined contribution schemes	16,160	14,632
	148,005	140,863

7 Investment income

	2019 £	2018 £
Interest income		
Interest receivable from group companies	24,315	15,584

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	24,315	15,584
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SATAIR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

8 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	102,189	85,094
Adjustments in respect of prior periods	12,396	(13,925)
Total current tax	114,585	71,169
Deferred tax		
Origination and reversal of timing differences	20,645	31,609
Total tax charge	135,230	102,778

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	533,054	571,201
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	101,280	108,528
Depreciation on assets not qualifying for tax allowances	909	2,170
Under/(over) provided in prior years	12,396	(13,925)
Deferred tax adjustments	20,645	6,005
Taxation charge for the year	135,230	102,778

SATAIR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

9 Property, plant and equipment

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2019	281,890	948,554	112,127	121,790	1,464,361
Additions	-	203,720	-	-	203,720
At 31 December 2019	281,890	1,152,274	112,127	121,790	1,668,081
Depreciation and impairment					
At 1 January 2019	9,396	116,492	8,009	15,850	149,747
Depreciation charged in the year	18,793	116,438	16,018	40,597	191,846
At 31 December 2019	28,189	232,930	24,027	56,447	341,593
Carrying amount					
At 31 December 2019	253,701	919,344	88,100	65,343	1,326,488
At 31 December 2018	272,494	832,062	104,118	105,940	1,314,614

10 Inventories

	2019 £	2018 £
Finished goods and goods for resale	5,535,289	5,364,585

11 Trade and other receivables

	2019 £	2018 £
Amounts falling due within one year:		
Trade receivables	489,851	665,941
Amounts owed by group undertakings	362,720	85,257
Other receivables	364,696	414,934
Prepayments and accrued income	167,935	210,176
	1,385,202	1,376,308

Trade receivables disclosed above are measured at amortised cost.

SATAIR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

12 Current liabilities

	2019 £	2018 £
Trade payables	1,528,249	2,151,702
Amounts owed to group undertakings	582,175	414,901
Corporation tax	10,204	64,247
Accruals and deferred income	319,947	313,454
	<u>2,440,575</u>	<u>2,944,304</u>

13 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	14	<u>72,671</u>	<u>52,026</u>

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
ACAs	<u>72,671</u>	<u>52,026</u>
Movements in the year:		2019 £
Liability at 1 January 2019		52,026
Charge to profit or loss		20,645
Liability at 31 December 2019		<u>72,671</u>

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

15 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>93,625</u>	<u>73,097</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

SATAIR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

16 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
125,000 Ordinary of £1 each	125,000	125,000

17 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	301,768	301,768
Between two and five years	1,139,244	1,163,966
In over five years	2,170,194	2,447,240
	<u>3,611,206</u>	<u>3,912,974</u>

18 Related party transactions

Transactions with related parties

The company has taken advantage of the exemption available in FRS 102 "Related party disclosures" whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

19 Ultimate controlling party

The immediate parent company is Satair A/S, a company incorporated in Denmark.

The ultimate parent company is Airbus SE., a company listed and registered in the Netherlands. The consolidated financial statements of Airbus SE. are publically available at www.airbus.com.

SATAIR UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

20 Cash generated from operations

	2019 £	2018 £
Profit for the year after tax	397,824	468,423
Adjustments for:		
Taxation charged	135,230	102,778
Investment income	(24,315)	(15,584)
Depreciation and impairment of property, plant and equipment	191,846	95,523
Movements in working capital:		
Increase in inventories	(170,704)	(959,141)
(Increase)/decrease in trade and other receivables	(8,894)	1,960,739
(Decrease)/increase in trade and other payables	(449,686)	301,486
Cash generated from operations	<u>71,301</u>	<u>1,954,224</u>

21 Analysis of changes in net funds

	1 January 2019 £	Cash flows £	31 December 2019 £
Cash at bank and in hand	<u>1,339,467</u>	<u>(276,732)</u>	<u>1,062,735</u>