-Registered No. 04449144

AIRPLUS INTERNATIONAL LIMITED

Annual report and financial statements

for the year ended 31 December 2019

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AIRPLUS INTERNATIONAL LIMITED

Registered No. 04449144

Director and advisers

Director

Paul Grant Spelman

Secretary and registered office

Oakwood Corporate Secretary Limited

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566 Chiswick High Road
Chiswick Park
London, W4 5YE

Solicitors

DWF
1 Scott Place
2 Hardman Street
Manchester
Lancashire
UK
M3 3AA

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium
1 Harefield Road
Uxbridge, Middlesex
UB8 1EX

Bankers

Deutsche Bank AG
6 Bishopsgate
London
EC2N 4DA
Great Britain

Deutsche Bank AG
Roßmarkt 11
60311 Frankfurt am Main
Germany

Strategic report for the year ended 31 December 2019

The director presents the Strategic report for the year ended 31 December 2019.

Review of business

The results for the year are set out in the income statement on page 8. The level of business was satisfactory. All products saw significant and sustained levels of growth successful in 2019. The result for the company shows a profit before income tax of £9.6 million for the year (2018 £8.0 million). The profit before income tax includes a tax refund of 1.7 million for the years 2016 and 2017 due to the utilisation of losses from group companies.

The AirPlus business continued to develop positively in all aspects in 2019 and further growth is expected. Previously established partnerships continued to thrive and the Santander reseller partnership performed as expected.

Key Performance Indicators

The company's director monitors the performance of the business, with revenue being the company's key performance indicator. The company achieved revenue of £18.6 million in 2019 (2018 £17.8 million).

Principal risks and uncertainties

Commercial risk

The primary commercial risk results from a highly competitive market and potential losses of key customers to competitors. The company actively monitors client performance and maintains its client relationships, provides customer services and reacts to customer demands to mitigate the loss risk.

Any technical transformation of the magnitude we are undertaking in 2020 comes with associated risks of client loss, as changes in the processes are associated with the technical transformation.

Regulatory rules and regulations from government or European organizations, as well as any potential adverse implications as a result of "Brexit", could pose a risk to revenue streams moving forward. It has now been confirmed that on 31 December 2020 the UK will exit the European Union. The terms of the United Kingdom's withdrawal from the European Union are however not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider Economy.

COVID 19 is evident in the UK and is already having a negative impact on our business as travel is being restricted by corporate clients. Once again, the full impact of this is difficult to forecast.

Results

The company's profit for the financial year of £8.1 million (2018 £6.5 million) will be transferred to reserves.

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

Paul Grant Spelman
Director
30 June 2020

Director's report for the year ended 31 December 2019

The director presents the annual report and the audited financial statements of the company for the year ended 31 December 2019.

Principal activities

The principal activity of the company is the provision of business travel payment, settlement and analysis services.

Dividends

In January 2019, the company paid the first interim dividend of £12.0 million and in March 2019, the company paid a second interim dividend of £7.5 million (2018: £7.5 million) to Lufthansa AirPlus Servicekarten GmbH.

Director

The director of the company for the year ended 31 December 2019 and up to the date of signing these financial statements is as follows:

Paul Grant Spelman

Future Developments

In medium term the company expects a negative impact on the business because of COVID 19. In long term the company expects the global economy to recover, which will also affect the business positively.

Financial risk management

The company's financial risk strategy is determined on a group wide basis by the company's ultimate parent company. The company's operations expose it to a variety of financial risks that primarily include the effects of credit, interest rate and foreign exchange risk. The company does not use derivative financial instruments and as such no hedge accounting is applied. Price risk, liquidity risk and cash flow risk are not significant to the company and have therefore not been separately discussed.

Credit risk
The company's credit risk is primarily attributable to its trade debtors. The company establishes credit limits with each customer which are approved by management and the client. The company's exposure is monitored on a daily basis using automated credit blocks. The company transfers its funds to a group affiliate at the end of each business day, creating an intercompany loan repayable on demand.

Interest rate risk
There is no interest rate risk, because during the course of the year the company had interest-bearing assets and liabilities which comprise intercompany balances, all of which earned interest at a fixed rate.

Foreign exchange risk
The immediate parent company is based in Germany and uses the Euro as a functional and transactional currency, exposing the company to exchange risk. The immediate parent company uses currency risk management policies to reduce the impact in the company.

Director's report for the year ended 31 December 2019 (continued)

Statement of director's responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

Statement of disclosure of information to Auditors

The director at the date of approval of this report confirms that:
(1) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
(2) the director has taken all the steps that she ought to have taken as a director in order to make herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will not continue in office. A resolution concerning the appointment of the new auditors will be proposed at the Annual General Meeting.

Going Concern

The director's consideration of the appropriateness of the going concern basis in preparing the financial statements is set out in note 1 to the financial statements.

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

Paul Grant Spelman
Director
30 June 2020

Independent auditors' report to the members of Airplus International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Airplus International Limited's 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement and the statement of changes in equity for the year then ended 31 December 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – uncertain outcome of the impact of COVID 19

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the summary of significant accounting policies note to the financial statements concerning the company's ability to continue as a going concern. The company is reliant on its immediate parent company, Lufthansa AirPlus Servicekarten GmbH ("LASG"), for ongoing financial support to enable it to pay its liabilities as they fall due, based on a letter of support has been provided to the company by LASG to the Company, stating LASG's agreement to provide such funding. However, the letter mentions that it does not construe a financial obligation and, were access to funds not available to finance ongoing operations, the company would not be able to continue as a going concern. This, together with the other matters set out in Note 1 to the financial statements in paragraph 1b) Going concern, represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments that may be required should the company not be a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Airplus International Limited (continued)

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Director's Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Director's Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Director's Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Airplus International Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Alex Crompton

Alex Crompton (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
30th June 2020

Income statement for the year ended 31 December 2019

	Note	**2019**	2018
		£	£
Revenue	2	**18,633,083**	17,781,766
Administrative expenses		**(10,225,804)**	(9,789,207)
Operating profit	5	**8,407,279**	7,992,559
Non operating income	8	**1,664,922**	-
Finance income	6	**363,333**	390,244
Finance costs	7	**(792,384)**	(374,560)
Profit before income tax		**9,643,150**	8,008,243
Income tax expense	8	**(1,541,844)**	(1,527,813)
Profit for the financial year		**8,101,306**	6,480,430

All amounts relate to continuing operations.

The Company had no other comprehensive income/expense in the financial year. Therefore, no statement of other comprehensive income has been prepared.

AIRPLUS INTERNATIONAL LIMITED Registered No. 04449144

Statement of financial position as at 31 December 2019

	Note	2019	2018
		£	£
Fixed assets			
Property, plant and equipment	9	**3,330**	8,951
Total non-current assets		**3,330**	8,951
Current assets			
Trade and other receivables	10	**57,826,531**	65,284,933
Cash at book and in hand		**3,181,765**	2,759,568
Total current assets		**61,008,296**	68,044,501
Creditors: amounts falling due within one year	12	**(21,446,816)**	(17,089,948)
Net current assets		**39,561,480**	50,954,553
Total assets less current liabilities		**39,564,810**	50,963,504
Creditors: amounts falling due after more than one year	12	**(30,000,000)**	(30,000,000)
Net assets		**9,564,810**	20,963,504
Equity			
Called up share capital	13	**600,000**	600,000
Retained earnings		**8,964,810**	20,363,504
Total equity		**9,564,810**	20,963,504

The notes on pages 11 to 24 are an integral part of these financial statements.
The financial statements on pages 8 to 24 were approved by the director on 30 June 2020 and were signed on behalf of the board by:

Paul Grant Spelman
Director

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

	Called up share capital	Retained earnings	Total equity
	£	£	£
Balance as at 1 January 2018	600,000	21,383,074	21,983,074
Profit for the financial year	-	6,480,430	6,480,430
Distribution of dividends	-	(7,500,000)	(7,500,000)
Balance as at 31 December 2018	600,000	20,363,504	20,963,504
Profit for the financial year	-	8,101,306	8,101,306
Distribution of dividends (Refer note 14)	-	(19,500,000)	(19,500,000)
Balance as at 31 December 2019	600,000	**8,964,810**	9,564,810

Retained earnings represent accumulated comprehensive income for the year and prior years.

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

General Information

AirPlus International Limited is a private company limited by shares and it is incorporated in United Kingdom. The address of its registered office is Building 4, 566 Chiswick High Road, Chiswick Park, London, W4 5YE, England, United Kingdom. The registered number of the company is 04449144.

The principal activity of the company is the provision of business travel payment, settlement and analysis services.

Statement of compliance

The individual financial statements of AirPlus International Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated

a) Basis of Accounting

These financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in policy "Critical accounting judgements and Key sources of estimation uncertainly" included within this note.

b) Going Concern

Management has considered the financial position of Airplus International Limited (The "Company") at 31 December 2019 and the projected cash flows and financial performance of the underlying business for the 12 months from the date of this statement. Notwithstanding actions taken to ensure that appropriate cash resources are available, the Company's latest cash flow forecast identifies a deficit of available funding and the Company intends to obtain additional funding from its parent company, Lufthansa AirPlus Servicekarten GmbH ("LASG") in order to fund the Company's operations and meet its liabilities as they fall due. The company has obtained a letter from LASG, stating that company's agreement to provide such support to the company as needed for a period of at least 12 months from the date of the financial statements, and has made appropriate inquiries as to the ability of LASG and the ultimate parent, Deutsche Lufthansa AG, to provide such support. Therefore, management considers that the company has adequate resources to continue in operational existence for the foreseeable future and, for this reason, have adopted the going concern basis in preparing the accompanying financial information. However, there can be no guarantee that funding from LASG will be forthcoming when required by the company and the letter provided states that it does not construe a financial obligation, as a result, this represents a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include any adjustments that may be required should the company not be a going concern.

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Summary of significant accounting policies (continued)

c) Reduced disclosure exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The company is a qualifying entity as its results are consolidated into the financial statements of Deutsche Lufthansa AG which are publicly available.

ci) Exemptions for qualifying entities under FRS 102

As a qualifying entity, the company has taken advantage of the following exemptions:

i) the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
ii) the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
iii) the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
iv) the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

d) Foreign currency

(i) *Functional and presentation currency*

The company's functional and presentation currency is the pound sterling.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

e) Revenue

Revenue is largely earned through service agreements with the immediate parent undertaking, Lufthansa AirPlus Servicekarten GmbH (LASG). AirPlus International Limited generates revenue in the form of an intercompany interchange fee, which reflects a percentage of transactions made using cards of business customers residing in the UK. The services offered in exchange for this fee are card administrative services such as payment collection and invoicing. Additional revenue comes from company cards issued by AirPlus International Limited itself. Revenue is recognised when the related services have been delivered. Accounts receivable represent the full outstanding customer balances on these credit cards and are recognised at the point of the customer transaction.

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Summary of significant accounting policies (continued)

f) Employee Benefit

The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

(i) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(ii) Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(iii) Defined contribution pension plans

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge disclosed in note 4 represents contributions payable by the company to the fund.

g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on an undiscounted basis.

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Summary of significant accounting policies (continued)

h) Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated so as to write off the cost of property, plant and equipment, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	33%
Fixtures and fittings	17-33%

Repairs, maintenance and minor inspection costs are expensed as incurred.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and included in 'Other operating (losses) /gains'.

i) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Lease incentives

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

The company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

j) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Summary of significant accounting policies (continued)

j) Impairment of non-financial assets (continued)

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within trade payables in current liabilities.

l) Financial Instruments

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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 the income statement.

If there is 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 the income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Summary of significant accounting policies (continued)

l) Financial Instruments (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, 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 receipts discounted at a market rate of interest.

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. Accounts 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.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The company does not hold or issue derivatives financial instruments.

(iii) Offsetting

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

m) Related party transactions

The company has taken advantage of the exemption, as provided by paragraph 33.1A of FRS 102 on the grounds that it is a wholly owned subsidiary of a group headed by Deutsche Lufthansa AG, whose financial statements are publicly available. Hence, it does not disclose transactions with members of the same group that are wholly owned. The company discloses transactions with related parties which are not wholly owned with the same group.

n) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. Summary of significant accounting policies (continued)

n) Critical accounting judgements and key sources of estimation uncertainty (continued)

(i) Impairment of debtors

The company makes an estimate of the recoverable values of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the aging profile of debtors and historical experience.

2. Revenue

Revenue consists entirely of services made and provided in the United Kingdom, and relates to the provision of business travel payment, settlement and analysis services.

3. Director's remuneration

	2019	2018
	£	£
Aggregate remuneration	**168,854**	162,806
Aggregate company contributions paid to a money purchase scheme	**22,369**	21,144
	191,223	183,950

Retirement benefits are accruing to one (2018: one) director under a money purchase scheme.

4. Staff Costs

The average monthly number of persons (including the one director in the year) employed by the company during the year was 41 (2018: 41).

Staff costs were as follows	**2019**	2018
	£	£
Staff costs		
Wages and salaries	**2,065,308**	1,895,014
Social security costs	**301,899**	353,477
Other pension costs	**186,031**	188,811
	2,553,238	2,437,302

No pension contributions are prepaid or outstanding at year-end (2018: nil).

The employee expenses are disclosed net of an income of £ 895,480 (2018: £ 979,000) from the recharge of salaries to the parent company due to the secondment of 3 employees. This income reduces (2018: reduces) the personnel expenses in fiscal year 2019 correspondingly.

Notes to the financial statements for the year ended 31 December 2019 (continued)

4. Staff Costs (Continued)

	2019 Number	2018 Number
Average monthly number of persons employed by the company during the year (including director):		
Selling and distribution	**17**	15
Administration	**24**	26
	41	41

5. Operating profit

	2019 £	2018 £
Operating profit is stated after charging / (crediting):		
Depreciation of property, plant and equipment		
- owned assets	**5,621**	41,526
Operating leases charges		
- plant and machinery	**2,136**	2,938
- other	**396,941**	362,433
Services provided by the company's auditors		
- fees payable for the audit	**84,700**	69,500
- fees payable for other services from auditors	**11,329**	9,219
Fees payable for other services	**100,347**	131,915
Foreign exchange loss/(profit)	**39,682**	(132,574)
	640,756	484,957

6. Finance income

	2019 £	2018 £
Interest receivable on late payments from customers	**363,333**	390,244
	363,333	390,244

7. Finance costs

	2019 £	2018 £
Interest payable on bank overdrafts	**549**	352
Interest payable on amounts due to group	**791,835**	374,208
	792,384	374,560

Notes to the financial statements for the year ended 31 December 2019 (continued)

8. Income tax expense

	2019	2018
	£	£
Current tax		
UK corporation tax charge on profits for the year	**1,520,948**	1,533,936
Adjustments in respect of prior years	**18,467**	-
Total current tax	**1,539,415**	1,533,936
Deferred tax		
Origination and reversal of timing differences	**2,429**	(6,123)
Adjustments in respect of prior years	-	-
Total deferred tax (note 11)	**2,429**	(6,123)
Income tax expense	**1,541,844**	1,527,813

Factors affecting tax charge for year

The standard rate of corporation tax in the UK is 19% (2018: 19%). The tax assessed for the year is lower than (2018: higher than) to the rate of corporation tax in the UK of 19% (2018: 19%).

The reasons for the difference are explained below:

	2019	2018
	£	£
Profit before income tax	**9,643,150**	8,008,243
Profit before income tax multiplied by the standard rate of corporation tax in UK of 19% (2018: 19%)	**1,832,199**	1,521,566
Effects of:		
Tax refund for 2016 and 2017 not chargeable to tax (Refer Note-1)	**(316,336)**	-
Prior year adjustments	**18,467**	-
Expenses not deductible for tax purposes	**6,095**	6,246
Accelerated capital allowances and other timing differences	**(1,010)**	6,123
Deferred tax recognised in year	**2,429**	(6,123)
Tax charge	**1,541,844**	1,527,813

Notes to the financial statements for the year ended 31 December 2019 (continued)

Note-1: The non-operating income amounting to £ 1,664,922, represents losses surrendered by fellow Lufthansa Group subsidiaries and utilised by the Company in previous years. Since repayment is no longer required for this amount, the liability has been written back. During the year, the company received this amount as a tax refund from HMRC.

8. Income tax expense (continued)

Factors affecting future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporation tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%.

Notes to the financial statements for the year ended 31 December 2019 (continued)

9. Property, plant and equipment

	Computer Equipment	Fixtures and Fittings	Total
	£	£	£
Cost			
At 1 January 2019	87,141	453,408	540,549
Additions	-	-	-
At 31 December 2019	**87,141**	**453,408**	**540,549**
Accumulated Depreciation			
At 1 January 2019	83,147	448,451	531,598
Charge for the year	3,994	1,627	5,621
At 31 December 2019	**87,141**	**450,078**	**537,219**
Net book value			
At 31 December 2019	**-**	**3,330**	**3,330**
At 31 December 2018	3,994	4,957	8,951

10. Trade and other receivables

	2019	2018
	£	£
Trade receivables	**52,656,953**	58,258,590
Amounts owed by group undertakings	**4,107,179**	4,479,510
Other receivables	**876,512**	1,538,878
Corporation Tax	**-**	918,034
Deferred tax asset (note 11)	**16,551**	18,980
Prepayments and accrued income	**169,336**	70,941
	57,826,531	65,284,933

Amounts owed by group undertakings are unsecured and repayable on demand. Interests are calculated on the monthly overdue of credit and debit balance by group undertakings with interest rates given by Lufthansa. As of 31st December 2019 there was a credit balance overdraft. The balance of £4,107,179 (2018: £896,359) is interest free.

Trade debtors are stated after provisions for impairment of £380,119 (2018: £178,725).

Notes to the financial statements for the year ended 31 December 2019 (continued)

11. Deferred tax

	Recognised 2019 £
At 1 January 2019	18,980
Deferred tax charge in income statement for year	(2,429)
Adjustment for prior years	-
At 31 December 2019	16,551

	Recognised 2019 £	Recognised 2018 £
Decelerated capital allowances	**16,551**	18,980
Deferred tax asset recognised	**16,551**	18,980

The director considers that it is likely that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements.

12. Creditors: amounts falling due within one year and after more than one year

	2019 £	2018 £
Creditors: amounts falling due after more than one year		
Loan extended by immediate parent company (LASG)	**30,000,000**	30,000,000
	30,000,000	30,000,000

The maturity date of this loan agreement is 30th of June 2020 and accrues interest at a rate of 3-month GBP-LIBOR +0.15% (2018: +0.25%). This loan is unsecured. Following the extension of the loan in June 2020 the loan has been shown as a non-current liability in line with the revised maturity date of June 2021.

	2019 £	2018 £
Creditors: amounts falling due within one year		
Trade payables	**1,720,142**	1,370,744
Amounts owed to group undertakings	**17,104,103**	13,837,739
Corporation tax	**779,948**	-
Accruals and deferred income	**1,842,623**	1,881,465
	21,446,816	17,089,948

Amounts owed by group undertakings are unsecured and repayable on demand. An amount of £8,729,041 (2018: £3,569,762) accrues interest which is calculated on a monthly basis. The interest ranges from 1.88% to 1.94% during the year (2018: 1.62% to 1.91%) and the remaining balance of £8,375,062 (2018: £10,267,977) is interest free.

Notes to the financial statements for the year ended 31 December 2019 (continued)

13. Called up share capital

	2019	2018
	£	£
Authorised		
600,000 (2018: 600,000) ordinary shares of £1 each	**600,000**	600,000
Allotted, issued and fully paid		
600,000 (2018: 600,000) ordinary shares of £1 each	**600,000**	600,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

14. Dividends

	2019	2018
	£	£
First interim dividend for the year	**12,000,000.00**	7,500,000.00
Second interim dividend for the year	**7,500,000.00**	-
Amount paid per share	**32.50**	12.50

15. Financial commitments

At 31 December 2019, the company had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	2019	2018
Payments due		
	£	£
Not later than one year	**441,630**	410,404
Later than one year and not later than five years	**802,295**	1,767,185
Later than five years	-	-
	1,243,925	2,177,589

Notes to the financial statements for the year ended 31 December 2019 (continued)

16. Ultimate and immediate parent company

The immediate parent undertaking is Lufthansa AirPlus Servicekarten GmbH incorporated in Germany.

The ultimate parent undertaking and controlling party is Deutsche Lufthansa AG, Germany, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. The address of the parent's registered office is Von-Gablenz-Straße 2-6, 50679 Cologne, Germany.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned with the Deutsche Lufthansa AG, Germany, group.

17. Events after the end of the reporting period.

Since the year-end, due to the global impact of the Coronavirus (Covid-19) pandemic, the company and wider group has been impacted. This is a non-adjusting subsequent event, as it does not impact the valuation of assets as at year end date. It is not possible, at this time, to quantify the change in market value in a meaningful way, due to ongoing volatility as the situation is fluid and unpredictable.

No other events of particular significance have occurred since the end of the reporting period.