Company number: 06860099

Chapman Freeborn Holdings Limited

Annual Report and Consolidated Financial Statements
For the year ended 31 December 2019

Chapman Freeborn Holdings Limited

Company Information

Directors	R Batliwala P Joarder M Manning N Dursley J Janukenas Z Surintas V Usackas
Company secretary	P Joarder
Registered number	06860099
Registered office	3 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Trading Address	3 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Independent auditors	PricewaterhouseCoopers LLP The Portland Building 25 High Street Crawley West Sussex RH10 1BG
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP

Chapman Freeborn Holdings Limited

Contents

Group Strategic Report
For the year ended 31 December 2019

The directors present their strategic report for Chapman Freeborn Holdings Limited ("the company") and its subsidiary undertakings (together referred to as "the group") for the year ended 31 December 2019.

Review and analysis of the business during the current year

The principal activity of the group in the year under review was that of an air charter brokerage.

The group continues its aircraft activities, in all sectors of the market, with the ability to service our customers at very short notice.

Development and performance during the year

As reported in the group's Consolidated Statement of Comprehensive Income, revenue has shown an increase from £125,190,000 to £155,201,000. Profit after tax has shown a decrease from £12,639,000 to £8,557,000 in the current year. The increase in the results for revenue is due to general increase in sales and exceptional performance by key subsidiaries compared to last year. Conversely greater margin pressure was encountered due to increased supply and change in customer mix.

Financial position at the reporting date

The Consolidated Statement of Financial Position shows that the group's net assets at the year-end have decreased from £43,192,000 to £24,078,000.

Principal and financial risks and uncertainties facing the business

Management continually monitor the key risks facing the group together with assessing the controls used for managing these risks. The board of directors formally reviews and documents the principal risks facing the business at least annually.

The principal risks and uncertainties facing the group are as follows:

- Environmental and market – air charter broking can be materially impacted by changes in global economies, political instability, natural events and supply chain mechanics affecting the movement of cargo and passengers. The group manages exposure by constantly monitoring global events, constant communication with customer needs and regular liaising with current and potential suppliers;
- Competitor pressure – the market in which the group operates is considered to be highly competitive with low barriers to entry. The group manages the risk by maintaining strong relationship with its key customers;
- Variety of financial risks – the group's operations expose it to a number of financial risks including the effects of changes in foreign exchange rates, credit risk, liquidity risk and interest rate risk, all of which are monitored, and strategies adopted on a regular basis;
- Strategic risk – the group's growth strategy is of complementary acquisitions, with a focus on increasing managed capacity through access to aircraft from our parent group or adding directly to our subsidiary's capabilities. We carry out detailed reviews of potential acquisitions and additions to our managed capacities to ensure in line with our strategic aims and when opportunities are identified appropriate due diligence is carried out either by adequately qualified internal teams or external companies as required.

Group Strategic Report
For the year ended 31 December 2019

Key performance indicators

Management use a range of performance measures to monitor and manage the business. The performance measures are set out below:

	2019	2018	% Change
Profit ratios: Gross profit margin %	**30.0**	34.4	(12.8)
Liquidity ratios: Working capital on total assets	**0.22**	0.50	(56.0)
Employee turnover	**17%**	25%	(32.0)

The gross profit margin reduction is due to the impact of increased market pressures on the Group, and the working capital reduction is due to payment of dividend during the year (see note 11).

Section 172(1) Directors' Statement

The board of directors of Chapman Freeborn Holdings Limited consider, both individually and together, that they have acted in a way that they consider in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with customers, suppliers, and others;
- the impact of the company's operations on the community and environment; and
- the desirability of the company maintaining a reputation for high standards of business conduct.

Directors' fulfil their duties as follows:

Risk Management: we provide business critical services to our clients, often in time pressured and challenging environments. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management.

Consideration of stakeholders' interests has always been integral to the work of the Board and in its decision making. The Board's decision-making process includes considering and evaluating the impact of decisions on the key identified stakeholders. For strategic decisions the Board evaluates associated documentation to allow for an informed assessment, for example an outline of key risks and opportunities and of the possible impact on stakeholders and the long-term strategic impact.

Stakeholder engagement

The Board acknowledges that the long-term success of the group is dependent on the way it works with several important stakeholders. Key stakeholders are considered in their decision making and in doing so ensure the directors' duty is discharged under section 172 of the Companies Act 2006.

Group Strategic Report
For the year ended 31 December 2019

Customers

Customers are proactively engaged through our global team structure in order to build long standing relationships and deliver high standards of service. We also have dedicated Customer Service teams to ensure we have met our customers' needs and expectations.

Our Compliance team ensure that we achieve customer quality requirements and that we conform to all applicable requirements.
During 2019, we have continued to invest in our commercial function in order to support our customers' needs.

Our sales teams are now structured on a regional basis with specialist knowledge across the range of our products and services, supported by dedicated product managers, to ensure that we can provide the highest level of service and care to our customers globally.

Product reports are provided by the commercial team for each Board Meeting, which detail our performance against budget and current commercial environments.

Suppliers

Our supplier relationships are vital to our overall success, allowing us to deliver an extraordinary experience to our customers in all the markets in which we operate.

The group is committed to maintaining the highest possible standards of integrity and trust in our business relationship with suppliers, and in turn, looks for suppliers and contractors who operate with values and standards like ours.

Employees

The Board recognises that the ability to retain talented and committed employees contributes significantly to the success of the group.

Engagement with employees takes many forms including surveys, formal and informal meetings and regular email communications.

Shareholders

Our Board contains directors appointed by the company's shareholder. These representatives attend the Board meetings and receive monthly management accounts and Board packs containing summaries of the key matters.

Environment

The risk of environmental damage is controlled through the implementation and enforcement of health and safety policies and procedures.

The Group is committed to further reducing the environmental impact of our operations through the efficient use of resources, the reduction of waste and carbon emissions, recycling, transport planning and the careful handling of hazardous substances.

The Group will encourage its employees and business partners to conduct activities in an environmentally responsible manner by:

a) Supporting local environment sustainability initiatives such as energy saving, green travel or waste reduction programmes.
b) Challenging unsustainable activities such as the wasteful use of energy.

Group Strategic Report
For the year ended 31 December 2019

c) Being vigilant with respect to reporting any environmental risks, hazards or situations which do not appear right, including any potential regulatory breaches.

Principal decisions taken in the year

The Board approved the group budget for 2020 and expenditure on major strategic projects, such as strategic acquisitions and increases in managed fleet capacity.

The Board considers that it has complied in all material respects with their s172(1) duties.

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

M Manning
Director
Date: 24.07.2020

Directors' Report
For the year ended 31 December 2019

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

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £7,794,000 (2018: £10,972,000). Dividends amounting to £21,263,000 (2018: £9,074,000) were paid during the year.

Directors

The directors who served during the year, up to and including the date of signing the financial statements unless otherwise stated, were:

R Batliwala

S Ouzounian (resigned 31 March 2020)

P Joarder

M Manning (appointed 24 June 2020)

N Dursley (appointed 24 June 2020)

J Janukenas (appointed 24 June 2020)

Z Surintas (appointed 24 June 2020)

V Usackas (appointed 24 June 2020)

Financial instruments

The group's operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, credit risks, liquidity risk and interest rate risk. Further details of these risks can be found in note 19.

Foreign currency risk

The group's principal foreign currency exposures arise from trading with overseas companies. The group also maintains Euro and US Dollar bank accounts. The directors do not consider this risk to be significant in that it could not materially impact the group.

Credit risk

Investments of cash surpluses are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are reviewed on a regular basis and allowances for losses are made when necessary.

Liquidity risk

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

Interest rate risk

The group has both interest bearing assets and liabilities. Interest bearing assets include only cash balances that earn interest at fixed and variable rates. Interest bearing liabilities incur interest at fixed and variable rates.

Directors' Report
For the year ended 31 December 2019

Future Developments

On 12th May 2020, Chapman Freeborn sold its shares in Logik Logistics, a road freight forwarding subsidiary to its minority shareholder.

On 18th June 2020, Chapman Freeborn signed an agreement to acquire Arcus Air Logistics and Arcus Air OBC from the Arcus Air Group. This acquisition will further strengthen the group's business in continuing a strategy of growth through diversification in the niche aircraft charter industry.

Employee involvement

The Board and senior management team recognise the importance to retain talented and committed employees, to contribute to the success of the group. The board enable all business leaders to work extensively with Group HR to develop and execute staffing initiatives that support this agenda.

Current initiatives:

- The board of directors receive and discuss people demographics and reporting information in line with business objectives on a monthly basis.
- Formal and informal performance meetings take place throughout the year, with robust probation and annual appraisals taking place to support talent management, succession planning and reward initiatives.
- Engagement and staff wellbeing incentives take many forms, including regular staffing events, feedback forums, news updates, team building events, employee awards, EAP services and mental health communication and support.

Initiatives being implemented in 2020:

- A staff intranet is being developed to create an employee forum that enhances internal communication and creates further clarity on directions and values.
- Mental health and emotional support initiatives are being continuously developed, including EAP service and electronic pulse checks (mental health support).
- Supporting equality and diversity initiatives through employee surveys. Creating a process that allows business leaders to use feedback to support decision making and ongoing improvements to the working environment.
- 360-degree talent management tools to be implemented to support career development and strengthen succession planning efforts.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged.

It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- So far as the director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- The director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditors are aware of that information.

Directors' Report
For the year ended 31 December 2019

Post balance sheet events

The economic impact of the COVID-19 pandemic is having a substantial impact upon most businesses. The Directors have considered whether COVID-19 had a material impact as a post balance sheet event given potential concerns over expected reduced trading and the cash flow implications, as well as the expectations that customers might be slower to pay and the increased chance of bad debts.

Despite the subsequent global economic impact, Chapman Freeborn has had a very strong first half as a result of a substantial increase in bookings and the Directors continue to carefully monitor the expected performance over the coming year.

The first half has provided the Group with a stronger than forecasted cash position following year end. The Directors are aware that this will need to be managed over the coming year and have taken steps to improve the cash flow including reducing or removing credit terms where appropriate.

The Directors have reviewed the balances held at year end most likely to be materially impacted as a result of COVID-19 and are satisfied that any impact is immaterial and consider COVID-19 a non-adjusting post balance sheet event. Efforts made post year end to reduce aged debtors mean that the recoverability of debtors held at year end is not materially affected. The Directors acknowledge that the likelihood of impairments to assets is greater over the coming financial year; however, these will require assessment once the long-term economic impact of COVID-19 is clearer.

Qualifying third-party indemnity provision

The company has made qualifying third-party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Branches outside the UK

The Company and its subsidiaries have an established branch in China.

Auditors

During the year PricewaterhouseCoopers LLP were appointed as auditors of the Group and Company to fill a casual vacancy. The auditors will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

M Manning
Director
Date: 24.07.2020

Statement of Directors' Responsibilities in respect of the Financial Statements
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 regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 group and parent company and of the profit or loss of the group and parent 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 IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, 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 group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors' report to the members of Chapman Freeborm Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Chapman Freeborn Holdings Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and parent company statements of financial position as at 31 December 2019; the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and parent company statement of changes in equity for the year then ended; 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 group 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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 group's and parent 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as 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 Chapman Freeborn Holdings Limited

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 Directors' 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 Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' 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 group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' 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 Directors' Responsibilities in respect of the Financial Statements set out on page 10, 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 parent 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.

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 parent 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 parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
24 July 2020

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Gross transaction value (GTV)	4	**332,597**	347,502
Revenue	4	**155,201**	125,190
Cost of sales		**(112,870)**	(82,142)
Gross Profit		**42,331**	43,048
Administrative expenses		**(28,577)**	(25,726)
Operating profit		**13,754**	17,322
Finance income	9	**157**	69
Finance costs	9	**(558)**	(15)
Finance (costs)/income – net	9	**(401)**	54
Profit before income tax		**13,353**	17,376
Income tax expense	10	**(4,796)**	(4,737)
Profit for the year		**8,557**	12,639
Other comprehensive (expense)/income			
Items that may subsequently be reclassified to profit or loss			
Currency translation differences		**(795)**	708
Other comprehensive (expense)/income for the year		**(795)**	708
Total comprehensive income for the year		**7,762**	13,347
Profit for the year attributable to:			
Minority interest		**763**	1,668
Owners of the parent company		**7,794**	10,971
		8,557	12,639
Total comprehensive income for the year attributable to:			
Minority interest		**659**	1,798
Owners of the parent company		**7,103**	11,549
		7,762	13,347

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	**2019 £'000**	2018 £'000	2017 £'000
Non-current assets				
Intangible assets	12	**3,879**	2,837	2,917
Right of use asset - PPE	13	**2,169**	-	-
Right of use asset - Aircraft	13	**8,633**	-	-
Property, plant and equipment	13	**1,463**	2,040	1,129
Deferred tax assets	20	**487**	242	262
		16,631	5,119	4,308
Current assets				
Trade and other receivables	15	**35,602**	42,788	36,635
Current tax assets		**139**	-	-
Cash and cash equivalents	16	**10,806**	28,792	28,065
		46,547	71,580	64,700
Total assets		**63,178**	76,699	69,008
Current liabilities				
Trade and other payables	17	**23,578**	30,323	26,990
Current tax liabilities		**3,639**	3,099	2,056
Lease liabilities	18	**5,534**	-	-
		32,751	33,422	29,046
Non-current liabilities				
Lease liabilities	18	**6,201**	-	-
Current tax liabilities		**-**	85	65
Deferred tax liabilities	20	**148**	-	-
		6,349	85	65
Total liabilities		**39,100**	33,507	29,111
Net assets		**24,078**	43,192	39,897

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	2019 £'000	2018 £'000	2017 £'000
Equity attributable to owners of the parent				
Share capital	21	311	1,562	1,562
Capital redemption reserve	22	1,251	-	8,588
Foreign currency translation differences	22	552	1,236	658
Retained earnings	22	19,341	37,500	27,015
		21,455	40,298	37,823
Minority interest		2,623	2,894	2,074
Total equity		24,078	43,192	39,897

The financial statements on pages 14 to 52 were approved and authorised for issue by the board and signed on its behalf by:

P Joarder
Director
Date: 24/07/2020

The notes on pages 22 to 52 form part of these financial statements.

Parent company Statement of Financial Position
As at 31 December 2019

Company registration number: 06860099

	Notes	2019 £'000	2018 £'000
Non-current assets			
Investments	14	**29,026**	29,026
		29,026	29,026
Current assets			
Trade and other receivables	15	**13,753**	5,262
Corporation tax receivable		**22**	-
Cash and cash equivalents	16	**756**	289
		14,531	5,551
Total assets		**43,557**	34,577
Current liabilities			
Trade and other payables	17	**37,320**	6,502
		37,320	6,502
Total liabilities		**37,320**	6,502
Net assets		**6,237**	28,075
Equity attributable to owners of the parent			
Share capital	21	**311**	1,562
Capital redemption reserve	22	**1,251**	-
Retained earnings	22	**4,675**	26,513
Total equity		**6,237**	28,075

The parent company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit for the financial year of the parent company was £3,489,000 (2018: £28,588,000).

The financial statements on pages 14 to 52 were approved and authorised for issue by the board and signed on its behalf by:

M Manning
Director
Date: 24.07.2020

The notes on pages 22 to 52 form part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital	Capital redemption reserve	Foreign exchange reserve	Retained earnings	Equity attributable to owners of parent company	Minority interest	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2018	**1,562**	**8,588**	**658**	**27,015**	**37,823**	**2,074**	**39,897**
Comprehensive income:							
Profit for the year	-	-	-	10,971	10,971	1,668	12,639
Other comprehensive income	-	-	578	-	578	130	708
Total comprehensive income for the year	-	-	578	10,971	11,549	1,798	13,347
Transactions with owners:							
Dividend: Equity capital	-	-	-	(9,074)	(9,074)	(946)	(10,020)
Transfer to/from profit and loss account	-	(8,588)	-	8,588	-	-	-
Additions and disposals of minority interest	-	-	-	-	-	(32)	(32)
Total transactions with owners, recognised directly in equity	-	(8,588)	-	(486)	(9,074)	(978)	(10,052)
At 31 December 2018 - as originally presented	**1,562**	-	**1,236**	**37,500**	**40,298**	**2,894**	**43,192**
Change in accounting policy - Adoption of IFRS 16	-	-	7	(626)	(619)	-	(619)
At 31 December 2018 - restated	**1,562**	-	**1,243**	**36,874**	**39,679**	**2,894**	**42,573**

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital	Capital redemption reserve	Foreign exchange reserve	Retained earnings	Equity attributable to owners of parent company	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive income							
Profit for the year	-	-	-	7,794	7,794	763	8,557
Other comprehensive income	-	-	(691)	-	(691)	(104)	(795)
Total comprehensive income for the year	-	-	(691)	7,794	7,103	659	7,762
Transactions with owners:							
Dividend: Equity capital	-	-	-	(21,263)	(21,263)	(930)	(22,193)
Share buy-back	(1,251)	1,251	-	(4,064)	(4,064)	-	(4,064)
Total transactions with owners, recognised directly in equity	(1,251)	1,251	-	(25,327)	(25,327)	(930)	(26,257)
At 31 December 2019	**311**	**1,251**	**552**	**19,341**	**21,455**	**2,623**	**24,078**

The notes on pages 22 to 52 form part of these financial statements.

Parent company Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital	Capital redemption reserve	(Accumulated losses)/retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2018	1,562	8,588	(1,589)	8,561
Profit for the year	-	-	28,588	28,588
Total comprehensive income for the year	-	-	28,588	28,588
Dividends	-	-	(9,074)	(9,074)
Transfer to retained earnings	-	(8,588)	8,588	-
Total transactions with owners, recognised directly in equity	-	(8,588)	(486)	(9,074)
At 31 December 2018	1,562	-	26,513	28,075
Profit for the year	-	-	3,489	3,489
Total comprehensive income for the year	-	-	3,489	3,489
Dividends	-	-	(21,263)	(21,263)
Share buy-back	(1,251)	1,251	(4,064)	(4,064)
Total transactions with owners, recognised directly in equity	(1,251)	1,251	(25,327)	(25,327)
At 31 December 2019	**311**	**1,251**	**4,675**	**6,237**

The notes on pages 22 to 52 form part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from operations	27	**19,016**	15,639
Taxation paid		**(4,422)**	(3,654)
Cash generated from operating activities		**14,594**	11,985
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,185)**	(1,286)
Sale of property, plant and equipment		**42**	26
Addition of minority interest		**-**	(32)
Finance income		**157**	69
Cash used in investing activities		**(986)**	(1,223)
Cash flows from financing activities			
Interest paid		**(9)**	(15)
Share buy-back		**(4,064)**	-
Lease payments		**(5,328)**	-
Dividends paid		**(22,193)**	(10,020)
Cash used in financing activities		**(31,594)**	(10,035)
Net (decrease)/increase in cash and cash equivalents		**(17,986)**	727
Cash and cash equivalents at beginning of period		**28,792**	28,065
Cash and cash equivalents at end of period		**10,806**	28,792

The notes on pages 22 to 52 form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2019

1 **General information**

Chapman Freeborn Holdings Limited is a private company, limited by shares and incorporated in England and Wales, United Kingdom, with a registration number 06860099. The address of the registered office is 3 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 OPA. The principal activity of the group is air chartering.

2 **Accounting policies**

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

Basis of Preparation

The group's consolidated financial statements have been prepared on a going concern basis under the historical cost convention, unless otherwise specified within these accounting policies, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with IFRS Interpretation Committee (IFRS IC) interpretations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company's individual financial statements have been prepared on a going concern basis under the historical cost convention, unless otherwise specified within these accounting policies, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

First time adoption – Group consolidated financial statements

The group's consolidated financial statements for the year ended 31 December 2019 will be the first annual financial statements that comply with IFRS. The group has applied IFRS 1 in preparing these financial statements. The group's transition date is 1 January 2019. The group prepared its opening IFRS balance sheet at 1 January 2018. The reporting date of the financial statements is 31 December 2019.

In preparing these financial statements in accordance with IFRS 1, the group has applied the relevant mandatory exceptions from full retrospective application of IFRS.

The following optional exemptions have been applied by the group:

- Restatement of all business combination prior to the transition date; and
- Separation of cumulative translation differences existing at the transition date.

Reconciliations have been provided to quantify of the effect of the transition to IFRS in note 28 to the financial statements.

Certain amounts in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position have been grouped together for clarity, with their breakdown being shown in the notes to the financial statements.

The distinction presented in the Consolidated Statement of Financial Position between current and non-current entries has been made on the basis of whether the assets and liabilities fall due within one year or more.

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

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

First time adoption – Parent company individual financial statements

The Company's individual financial statements for the year ended 31 December 2019 will be the first annual financial statements that comply with FRS 101. The Company's transition date is 1 January 2019. The Company prepared its opening balance sheet at 1 January 2018. The reporting date of the financial statements is 31 December 2019.

There were no adjustments to equity or total comprehensive income arising on the transition to FRS 101 at the transition date and in the comparative period.

Disclosure exemptions – Parent company individual financial statements

In preparing its individual financial statements under FRS 101, the Company has taken advantage of the following disclosure exemptions permitted by FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8' Accounting policies, changed in accounting estimates and errors';
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 3 to 6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 3 to 6. In addition, note 19 – Financial instruments to the financial statements includes the Group's objectives, policies and processes for managing its capital risk and its exposures to interest rate risk, credit risk and liquidity risk

Whilst the Group's performance in the first half of FY20 has been very strong, COVID-19 has increased uncertainty surrounding the future trading environment for the Group. Accordingly, the Directors have undertaken a thorough assessment in evaluating Going Concern.

In all scenarios tested there are no reasonably foreseeable downside scenarios where the Group would not be able to maintain adequate liquidity.

The Directors have taken steps to equip the Group to deal with the economic impact of the COVID-19 pandemic. The Directors believe the steps detailed above and the strong cash position at the end of June 2020 mean the Group is well placed to manage its business and meet its liabilities as they fall due. In reaching this conclusion, the Directors have taken into account the risks identified in the Principal Risks and Uncertainties on page 3.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

2 **Accounting policies (continued)**

Changes in accounting policy and disclosures

New standards, amendments and interpretations adopted by the group

As this is the first year that the group has applied IFRS there are no specific new standards which have been adopted.

Basis of consolidation

The group Financial Statements incorporate the Financial Statements of the Company and enterprises controlled by the company (and its subsidiaries) group made up to 31 December each year.

Control is achieved where the company has power over the investee: exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns.

The acquisition of subsidiaries is accounted for using the acquisition method. On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values on the date of acquisition. The interest of non-controlling shareholders is stated at the non-controlling shareholders proportion of the fair values of the identifiable assets, liabilities and contingent liabilities recognised. Consideration payable on acquisition is measured at fair value.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

Intercompany transactions and balances between group enterprises are eliminated on consolidation.

Revenue

Revenues are derived from aircraft chartering brokering services. In line with IFRS 15 Revenue from Contracts with Customers, where a contract has been determined as principal, the full amount of the invoice is recognised as revenue. Where Chapman Freeborn is not acting as principal, revenue is recognised on an agency basis and only gross profit, being the difference between the amount invoiced to the customer and the third-party costs incurred, is reported as revenue. Revenue is measured as the transaction price receivable for the provision of services to third-party customers, is stated exclusive of value added tax and is only recognised when control has passed to the customer.

The different revenue streams are listed below and the segments the revenue will be included in as shown in note 4 – Revenue.

Cargo services – Air cargo charter, Air cargo management and On-board courier service

Amounts are recognised as revenue when the economic benefits are deemed to have passed to the customer, which is generally the flight date. In instances where the Group is acting as agent, the net amount receivable by the Group is recognised as revenue. The determination as to whether Chapman Freeborn Partner is considered principal or agent in a contract depends on whether or not Chapman Freeborn is contractually obliged under the terms of the contract to provide the particular service.

Passenger services - Commercial charters and Aircraft leasing

Amounts are recognised as revenue when the economic benefits are deemed to have passed to the customer, which is generally the flight date. In these instances, the Group is acting as agent and the net amount receivable by the Group is recognised as revenue.

Other - Road freight solutions and Flight support service

Amounts are recognised as revenue when the economic benefits are deemed to have passed to the customer, which is generally the transport date. In these instances, the Group is acting as agent and the net amount receivable by the Group is recognised as revenue.

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Other non-GAAP measures

Gross transaction value (GTV) represents the total value invoiced to customer and is stated exclusive of value added tax.

Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is assessed for impairment at each year-end.

Software

Software is stated in the financial statements at cost less accumulated amortisation and any impairment value. Amortisation is provided to write off the cost less estimated residual value of software over its expected useful life (which is reviewed at least at each financial period end) at a rate of 25 to 33% on a straight line basis.

Property, plant and equipment

Property, plant and equipment is stated in the financial statements at cost less accumulated depreciation and any impairment value. Depreciation is provided to write off the cost less estimated residual value of property, plant and equipment over its expected useful life (which is reviewed at least at each financial period end), as follows:

- Motor Vehicles	10 – 33% straight line
- Fixtures and fittings	10 – 33% straight line
- Leasehold property	over the period of the lease

Any gain or loss arising on the de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit and loss in the period that the asset is derecognised.

Impairment

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each annual balance sheet date and whenever there is an indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Leases

The following describes the Company's accounting policy upon the adoption of IFRS 16 when it acts as a lessee and a lessor, applied from the date of initial application:

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized at the inception of the lease, initial direct costs incurred, and lease payments made at or before the lease commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are tested for recoverability when an indicator of impairment exists. Impairment is assessed at the lowest cash-generating-unit level, and is measured by comparing the recoverable amount to its carrying value and recording an impairment where the carrying value exceeds the recoverable amount.

Right-of-use assets are included in property and equipment in the Consolidated Statement of Financial Position.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased for accretion expense and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification to the lease or a change in the assessment to purchase the underlying asset.

Significant judgment in determining the lease term of contracts with renewal options The Company determines the lease term as the non-cancellable term of the lease, together with an periods covered by an option to extend the lease if it is reasonably certain to be exercised, considering all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company re-assesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

2 **Accounting policies (continued)**

Finance costs and income

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Employee benefits

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income 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 group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising in investments in subsidiaries except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial instruments

Financial assets

Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI.

The group reclassifies debt investments when and only when its business model for managing those assets changes.

The group's financial assets include trade and other receivables and cash and cash equivalents.

Recognition and derecognition

Purchases and sales of financial assets are recognised on the trade date (that is, the date on which the group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Impairment

The group assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial liabilities

Initial recognition and measurement

Finance liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge. The group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, include directly attributable transaction costs. The group's financial liabilities include trade payables and other payables and loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

2 Accounting policies (continued)

Financial instruments (continued)

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognised in the Consolidated Statement of Comprehensive Income.

The group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Consolidated Statement of Comprehensive Income when the liabilities are derecognised as well as through the effective interest rate (EIR) method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the Consolidated Statement of Comprehensive Income. Interest bearing liabilities are classified as non-current liabilities unless they are due to be settled within 12 months after the Consolidated Statement of Financial Position date.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Consolidated Statement of Comprehensive Income.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the period-end. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Comprehensive Income.

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

3 Significant judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. 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)

3 Significant judgements and estimates (continued)

Impairment of goodwill
The impairment review of goodwill is based on the estimation of future cash flows and discount rates in order to calculate the present value of the cash flows. The carrying amount of goodwill at the balance sheet date and key assumptions are disclosed in note 12.

Useful economic lives of property, plant and equipment
The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. See note 13 for the carrying amount of the property, plant and equipment, and note 2 for the useful economic lives for each class of assets

Impairment of Trade receivables
The company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the ageing profile of receivables an historical experience. See note 15 for the net carrying amount of the receivables

Lease accounting
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:
- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing; and
- Makes adjustments specific to the lease, e.g. term, currency and security.
- The company used incremental borrowing rates specific to each lease and the rates range between 3%-5%.

Critical judgements in applying the entity accounting policies

Lease accounting
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of aircraft, offices, and equipment, the following factors are normally the most relevant:
- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate). Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the company could replace the assets without significant cost or business disruption.

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

4 Revenue

Breakdown of revenue and gross transaction value (GTV) based on business operations location:

	2019		2018	
	Revenue	**GTV**	Revenue	GTV
	£'000	**£'000**	£'000	£'000
United Kingdom	**116,466**	**165,203**	93,801	176,102
EU & Rest of world	**38,735**	**167,394**	31,389	171,400
	155,201	**332,597**	125,190	347,502

Gross transaction value (GTV) represents the total value invoiced to customers and is stated exclusive of value added tax.

Disaggregation of revenue from contracts with customers:

2019

	Cargo	**Pax**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Timing of revenue recognition:				
At a point in time	**138,031**	**14,726**	**2,444**	**155,201**
	138,031	**14,726**	**2,444**	**155,201**

2018

	Cargo	Pax	Other	Total
	£'000	£'000	£'000	£'000
Timing of revenue recognition:				
At a point in time	116,639	7,342	1,209	125,190
	116,639	7,342	1,209	125,190

Assets and liabilities related to contracts with customers:

The group has not identified any material contract assets.

The group has recognised the following liabilities related to contracts with customers:

	2019	2018
	£'000	£'000
Contract liabilities – Deferred income	**3,373**	5,249
Total current contract liabilities	**3,373**	5,249

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

4 Revenue (continued)

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

	2019 £'000	2018 £'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Deferred income	**5,249**	4,604

5 Material profit or loss items

	2019 £'000	2018 £'000
Aircraft Fuel	**48,953**	44,003
Other Direct Operating costs (DOCs)	**55,057**	33,087
Courier costs	**4,628**	5,050
Employee costs	**19,654**	18,352
Depreciation of property, plant and equipment	**5,617**	358
Auditors' remuneration and non-audit fees	**196**	110
Exchange loss/(gain)	**180**	(951)

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

6 Auditors' remuneration

	2019 £'000	2018 £'000
Fees payable to the company's auditors for the audit of the parent company and consolidated financial statements	**117**	17
Fees payable to the company's auditors for other services:		
The audit of the company's subsidiaries	**79**	-
Tax compliance services	**-**	18
All other services	**-**	75
	196	110

7 Employees

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

	Group		Company	
		Restated		
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Wages & salaries	**17,187**	15,998	**-**	-
Social security costs	**1,891**	1,698	**-**	-
Cost of defined contribution scheme	**358**	440	**-**	-
Other costs	**218**	216	**-**	-
	19,654	18,352	**-**	-

The above restatement of the comparative staff costs has been made to correct the amounts disclosed in the employees note in the prior year financial statements. All amounts were appropriately recorded in the Statement of Comprehensive Income, so this restatement has had no impact on either the profit for the year or net assets.

The average monthly number of employees, including the directors, during the year was as follows:

	Group		Company	
	2019 No.	2018 No.	**2019 No.**	2018 No.
Commercial staff	**146**	138	**-**	-
Administration	**113**	97	**-**	-
Directors	**-**	-	**3**	3
	259	235	**3**	3

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

8 Directors' remuneration

	2019	2018
	£'000	£'000
Directors' emoluments	659	606
Pension	18	27
	677	633

At the year-end, retirement benefits were accruing to no directors (2018: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £275,000 (2018: £275,000).

The value of the group's contributions paid to a defined contribution pension scheme in respect of highest paid director amounted to £Nil (2018: £12,000).

9 Finance income and costs

	2019	2018
	£'000	£'000
Bank and other interest receivable	157	69
Finance income	157	69
Other bank loans and overdrafts	(9)	(15)
Interest on leases	(549)	-
Finance costs	(558)	(15)
Net finance (cost)/income	(401)	54

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

10 Income tax expense

	2019 £'000	2018 £'000
Current tax		
Current tax on profit for the year	**127**	445
	127	445
Foreign tax		
Foreign tax on income for the year	**4,766**	4,226
	4,766	4,226
Total current tax	**4,893**	4,671
Deferred tax		
Origination and reversal of temporary differences	**61**	66
Adjustments in respect of prior year	**(158)**	-
Total deferred tax	**(97)**	66
Income tax expense	**4,796**	4,737

The tax assessed for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Factors affecting the tax expense for the year		
Profit before taxation	**13,353**	17,376
Profit before taxation multiplied by standard rate of UK corporation tax of 19% (2018: 19%)	**2,537**	3,301
Effects of:		
Expenses not deductible for tax purposes	**17**	29
Tax effects of different tax rates of subsidiaries in other tax jurisdictions	**2,242**	1,407
Total tax charge	**4,796**	4,737

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

10 Income tax expense (continued)

Factors that may affect future tax charges

Changes to the UK Corporation tax rates were substantively enacted on 7 September 2016 to reduce the main rate of Corporation tax to 17% from 1 April 2020 and deferred tax balances at the balance sheet date have been measured using this rate.

Subsequent to the balance sheet date, a further change was substantively enacted on 17 March 2020 to maintain the rate at 19%.

11 Dividends

	2019 £'000	2018 £'000
Ordinary shares		
Dividends paid on equity capital	**22,193**	9,000
'A' Preference shares		
Dividends paid on equity capital	-	74
	22,193	9,074

12 Intangible assets

Group	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 January 2018	3,759	-	3,759
At 31 December 2018	3,759	-	3,759
Reclassification	-	1,042	1,042
At 31 December 2019	**3,759**	**1,042**	**4,801**
Impairment			
At 1 January 2018	842	-	842
Impairment charge	80	-	80
At 31 December 2018	922	-	922
At 31 December 2019	**922**	-	**922**
Net book value			
At 31 December 2019	**2,837**	**1,042**	**3,879**
At 31 December 2018	2,837	-	2,837
At 31 December 2017	2,917	-	2,917

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

12 Intangible assets (continued)

Impairment assessment

Goodwill and other intangibles are tested for impairment at least annually or when there is an indication that the carrying value may not be recoverable. Value in use is calculated as the net present value of the projected risk-adjusted cash flows of the cash-generating unit (CGU). These forecast cash flows are based on the 2021 budget and the five-year strategic plan. The impairment models will include sensitivity testing to ascertain whether a reasonable change in the underlying assumptions could indicate an impairment

All CGUs were tested for impairment. No charge was made in the current year (2018: £78,788).

In determining the value in use of CGUs it is necessary to make a series of assumptions to estimate the present value of future cash flows. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

- sales: projected sales are built up in line with the strategic business plan;
- margins: reflect the anticipated margins within the strategic business plan;
- discount rate: an exercise has been undertaken to review the discount rate resulting in a post-tax discount rate of 8.65%; and
- long-term growth rates: growth rates for the period after the detailed forecasts are based on the long-term GDP projections, which is 2%.

Goodwill sensitivity analysis

The results of the group's impairment tests are dependent upon estimates and judgements made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to potential changes in key assumptions has therefore been reviewed and there are no reasonably possible changes to key assumptions that would cause the carrying amount for any CGU to exceed its recoverable amount.

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

13 Property, plant and equipment

Group	Right-of-use assets - PPE £'000	Right-of-use assets - Aircraft £'000	Motor Vehicle £'000	Fixtures and fittings £'000	Lease-hold property £'000	Total £'000
Cost or valuation						
At 1 January 2018	-	-	169	2,518	727	3,414
Additions	-	-	29	1,257	-	1,286
Disposals	-	-	(10)	(144)	-	(154)
Exchange adjustments	-	-	1	20	-	21
At 31 December 2018 - as originally presented	-	-	189	3,651	727	4,567
Adoption of IFRS 16	2,899	8,344	-	-	-	11,243
At 31 December 2018 - Restated	2,899	8,344	189	3,651	727	15,810
Additions	44	4,870	83	1,102	-	6,099
Disposals	-	-	(47)	(197)	-	(244)
Reclassification	-	-	26	(1,106)	-	(1,080)
Exchange adjustments	(67)	(349)	-	-	-	(416)
At 31 December 2019	**2,876**	**12,865**	**251**	**3,450**	**727**	**20,169**
Accumulated depreciation						
At 1 January 2018	-	-	92	1,909	284	2,285
Charge for the year	-	-	24	284	50	358
Disposals	-	-	(3)	(125)	-	(128)
Exchange adjustments	-	-	-	12	-	12
At 31 December 2018	-	-	**113**	**2,080**	**334**	**2,527**
Charge for the year	707	4,232	34	373	50	5,617
Disposals	-	-	(46)	(156)	-	(202)
Exchange adjustments	-	-	2	(76)	-	(38)
At 31 December 2019	**707**	**4,232**	**103**	**2,221**	**384**	**7,904**
Net book value						
At 31 December 2019	**2,169**	**8,633**	**148**	**1,229**	**343**	**12,265**
At 31 December 2018	-	-	76	1,571	393	2,040
At 31 December 2017	-	-	77	609	443	1,129

14 Investments

Company	Investments in subsidiary companies £'000
Cost or valuation	
At 1 January 2019	29,026
At 31 December 2019	**29,026**

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

14 Investments (continued)

The following were subsidiary undertakings of the company:

Name	Registered office	Principal activity	Country of incorporation	Holding
Chapman Freeborn Airchartering Limited	3 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA	1*	UK	100%
Chapman Freeborn Airchartering (China) Limited	3 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA	1*	UK	100%
Wings 24 Limited	3 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA	3*	UK	100%
Zeusbond Limited	3 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA	5*	UK	75%
Intradco Cargo Services Limited	3 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA	7*	UK	75%
Logik Logistics International Limited	3 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA	8*	UK	80%
Chapman Freeborn International Limited	3 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA	5	UK	100%
Magma Aviation Limited	The Beehive, Beehive Ring Road, Crawley, West Sussex, RH6 0PA	1*	UK	75%
Alltrans Management Pty Limited	C/ ABNAustralia.com.au, 225 Fullarton Road, Eastwood, SA 5063	1*	Australia	100%
Chapman Freeborn Airchartering Ltd.	District 10, Sherpore, Near Aina TV, Kabul, Afghanistan	4*	Afghanistan	100%
Chapman Freeborn Airchartering BV	Koningin Astridlaan 97, 8200, Brugge, Belgium	1*	Belgium	80%
Chapman Freeborn Airchartering Limited	3601 Highway 7 East, Suite 400, Office 472, Markham, Ontario, L3R 0M3, Canada	1*	Canada	100%
Chapman Freeborn Airchartering Consulting (Shanghai) Co Limited	Room 2233, No 707, Zhangyang Road, Free Trade Experimental Zone, Shanghai City, China	1*	China	100%
SCI France Patrimoine	192 rue des Chardonnerets Zone Paris Nord 2 Roissy Charles de Gaulle, 93290, Tremblay-en-France, France	4*	France	100%
Chapman Freeborn Airmarketing GmBH	Unterschweinstiege 2-14, 10th floor, 60549 Frankfurt am Main, Germany	1*	Germany	100%
Chapman Freeborn Airchartering GmBH	Unterschweinstiege 2-14, 10th floor, 60549 Frankfurt am Main, Germany	4*	Germany	100%
Chapman Freeborn OBC GmBH	Albin-Kobis-Str. 6, 51147, Cologne, Germany	6*	Germany	100%
Chapman Freeborn Handcarry Limited	Room 1108, 11th Floor, Tung Che Commercial Building, 246 Des Voeux Road West, Sai Ying Pun, Hong Kong	6*	Hong Kong	100%
Chapman Freeborn Airchartering pvt Limited	Rm 19, 4th Floor, Worldmark 2, Aerocity, New Delhi-110037, India	1*	India	100%

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

14 Investments (continued)

Al tajer Al Hur for Air freight and passenger services LLC - Baghdad	Al-Hartheya-Kindi street, section 213 street 42, Baghdad, Iraq	1*	Iraq	100%
Chapman Freeborn Airchartering Poland S.p.zo.o	Ul.Salsy 2, 02-823, Warsaw, Poland	1*	Poland	85%
Chapman Freeborn Airchartering PTE. LTD.	300 Tampines Avenues 5, #09-02 NTUC Income, Tampines Junction, Singapore 529653	1*	Singapore	100%
Chapman Freeborn Airchartering (South Africa) Proprietary Limited	Suite 201, Coltin Place, 37 Lakefield Avenue, Lakefield, Benoni, 1501	1*	South Africa	100%
Chapman Freeborn Airchartering SL	6 Piso Pta, Trueba y Fernandez, 28016, Madrid, Spain	1*	Spain	100%
Chapman Freeborn Havacilik Tasimacilik Ticaret Limited Sirketi	In Liquidation	4*	Turkey	100%
Chapman Freeborn Aviation Services Fze	P.O. Box 8066, Sharjah Airport International Free Zone, Sharjah, United Arab Emirates	1*	UAE	100%
Chapman Freeborn Airchartering (Uganda) Limited	2nd Floor Passenger Terminal Entebbe International Airport, P.O.Box V-1095, Kampala	4*	Uganda	100%
Chapman Freeborn Airchartering Inc	3250 West Commercial Boulevard, Suite 300, Fort Lauderdale, FL 33309, Florida	1*	USA	100%
Chapman Freeborn OBC Inc.	333 S Grand Avenue, Suite 408 Four Floor, Los Angeles, CA 90071	6*	United States	100%
Chapman Freeborn Aviation Services FZCO	Block 7W-A, Office 2056, Dubai Airport Free Zone, PO Box 54619, Dubai, United Arab Emirates	1*	UAE	100%

Activity of the group

The principal activities of the above companies are as follows:

1- Aircraft charter brokers
2- Property company
3- Airline support services
4- Dormant
5- Management company
6- On board courier services
7- Animal transport
8- Hauliers

*Held indirectly through Chapman Freeborn International Limited

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

15 Trade and other receivables

Group

	2019 £'000	2018 £'000
Trade receivables	**21,939**	31,115
Security deposit	**1,552**	-
Other receivables	**3,152**	3,702
Prepayments and accrued income	**6,309**	7,971
VAT debtor	**2,650**	-
	35,602	42,788

All trade and other receivables are expected to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying values shown above.

The carrying value of trade receivables represents the maximum exposure to credit risk. No collateral is held as security.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The amount of the loss allowance at the year-end was £83,000 (2018: £130,000). The loss allowance was calculated as follows:

31 December 2019	**Current**	**More than one month past due**	**More than three months past due**	**More than six months past due**	**Total**
Expected loss rate	**0.06%**	**0.93%**	**0.93%**	**0.93%**	
Gross carrying amount (£'000)	**13,949**	**6,349**	**181**	**1,543**	**22,022**
Loss allowance (£'000)	**8**	**59**	**2**	**14**	**83**

31 December 2018	Current	More than one month past due	More than three months past due	More than six months past due	Total
Expected loss rate	0.06%	1.12%	1.12%	1.12%	
Gross carrying amount (£'000)	20,842	8,931	1,038	434	31,245
Loss allowance (£'000)	13	100	12	5	130

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

15 Trade and other receivables (continued)

Movement in loss allowance	**2019**	2018
	£'000	£'000
At 1 January	**130**	-
Increase in loss allowance	-	130
Amounts released	**(47)**	-
At 31 December	**83**	130

The carrying amount of the group's trade and other receivables are denominated in the following currencies:

	2019	2018
	£'000	£'000
UK Sterling	**4,327**	1,722
Euro	**6,880**	9,708
US Dollar	**23,514**	29,807
Other currencies	**881**	1,551
	35,602	42,788

Company

	2019	2018
	£'000	£'000
Amounts owed by group undertakings	**11,279**	5,047
VAT debtor	**2,468**	-
Other receivables	**6**	215
	13,753	5,262

16 Cash and cash equivalents

Group	**2019**	2018
	£'000	£'000
Cash at bank and in hand	**10,806**	28,792

Company	**2019**	2018
	£'000	£'000
Cash at bank and in hand	**756**	289

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

17 Trade and other payables

Group	2019 £'000	2018 £'000
Current		
Trade payables	**5,069**	13,605
Security deposit received	**330**	-
Other taxation and social security	**3,126**	937
Other creditors	**344**	734
Accruals and deferred income	**14,709**	15,047
	23,578	30,323

All trade and other payables are expected to be settled within 12 months of the balance sheet date. The fair value of trade and other payables is the same as the carrying values shown above.

Company	2019 £'000	2018 £'000
Current		
Trade payables	**42**	-
Amounts owed to group undertakings	**36,385**	6,076
Other taxation and social security	**-**	403
Accruals and deferred income	**893**	23
	37,320	6,502

18 Lease liabilities

The Consolidated Statement of Financial Position shows the following amounts relating to leases:

Group	2019 £'000	2018 £'000
Assets		
Right-of-use assets - PPE	**2,168**	-
Right-of-use assets - Aircraft	**8,633**	-
Liabilities		
Lease liabilities - Current	**5,534**	-
Lease liabilities – Non-current	**6,201**	-

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

18 Lease liabilities (continued)

The Consolidated Statement of Comprehensive Income shows the following amounts relating to leases:

Group	2019 £'000	2018 £'000
Depreciation charge of right-of-use assets:		
Right-of-use assets - Aircraft	**4,232**	-
Right-of-use assets - PPE	**707**	-
Other items:		
Interest expense (included in finance cost)	**549**	-
Expense relating to short-term leases	**236**	-
Expenses relating to leases of low-value assets that are not shown above	**173**	-

The total cash outflow for leases in 2019 was £5,328,000.

The group's leasing activities and how these are accounted for

The group's leasing activities relate to the rental of aircraft , offices and cars. All leased assets have been capitalised as right-of-use assets.

19 Financial instruments

Financial instruments by category

	2019 £'000	2018 £'000
Assets as per balance sheet		
Trade and other receivables	**35,602**	42,788
Cash and cash equivalents	**10,806**	28,792
	46,408	71,580
Liabilities as per balance sheet		
Trade and other payables	**23,578**	30,323
Lease liabilities	**5,534**	-
	29,112	30,323

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

19 Financial instruments (continued)

The objectives of the Group's treasury activities are to manage financial risk, minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities and ensure that the working capital requirements fit the needs of the ongoing business.

The Group has various financial instruments such as cash, trade receivables, trade payables and borrowings that arise directly from its operations.

Liquidity risk

The Group faces liquidity risks in paying operators before a flight occurs or before payment is received from the customer. The Group aims to mitigate liquidity risk by, where possible, making payments to operators only once payment from the customer has been received.

The Group manages cash within its operations and ensures that cash collection is efficiently managed.

The table below sets out the contractual maturities (representing undiscounted contractual cash-flows) of leases and other financial liabilities:

	At 31 December 2019			
Group	**Up to 6 months £'000**	**Between 6 & 12 months £'000**	**Between 1 & 5 years £'000**	**More than 5 years £'000**
Trade and other payables excluding non-financial liabilities	17,079	-	-	-
Lease liabilities	2,785	2,749	6,201	-
	19,864	**2,749**	**6,201**	-

	At 31 December 2018			
Group	**Up to 6 months £'000**	**Between 6 & 12 months £'000**	**Between 1 & 5 years £'000**	**More than 5 years £'000**
Trade and other payables excluding non-financial liabilities	24,137	-	-	-
	24,137	-	-	-

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

19 Financial instruments (continued)

Credit risk

The Group constantly monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls. It is the Group's policy that all counterparties which wish to trade on credit terms are subject to an external credit verification process.

The Directors consider that all of the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has no significant concentration of credit risk to commercial customers, as credit risk is predominantly government based.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Refer to note 15 – Trade and other receivables, for details of impairment losses for financial instruments.

Market risk

Foreign exchange risk

The group's principal foreign currency exposures arise from trading with overseas companies. The group also maintains Euro and US Dollar bank accounts. A sensitivity analysis which analyses changes in the relative strength of Sterling to Euros and US Dollars is shown below.

If Sterling had strengthened against the Euro by 10% (2018: 10%) and against the US Dollar by 10% (2018: 10%) respectively the impact would have been as follows:

Group		2019			2018	
	EUR	**USD**	**Total**	EUR	USD	Total
Financial assets	**(930)**	**(3,086)**	**(4,016)**	(1,384)	(5,053)	(6,437)
Financial liabilities	**783**	**2,053**	**2,836**	829	2,052	2,881
Effect on profit before tax/equity	**(147)**	**(1,033)**	**(1,180)**	(555)	(3,001)	(3,556)

If Sterling had weakened against the Euro by 10% (2018: 10%) and against the US Dollar by 10% (2018: 10%) respectively the impact would have been as follows:

Group		2019			2018	
	EUR	**USD**	**Total**	EUR	USD	Total
Financial assets	**930**	**3,086**	**4,016**	1,384	5,053	6,437
Financial liabilities	**(783)**	**(2,053)**	**(2,836)**	(829)	(2,052)	(2,881)
Effect on profit before tax/equity	**147**	**1,033**	**1,180**	555	3,001	3,556

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

19 Financial instruments (continued)

Interest rate risk
The group has both interest-bearing assets and liabilities. Interest bearing assets include only cash balances that earn interest at fixed and variable rates. Interest bearing liabilities consist of lease liabilities, and they incur interest at fixed and variable rates. The directors do not consider this risk to be significant in that it could not materially impact the group.

Capital risk

The group manages its capital to ensure that entities in the group will be able to continue as going concern's while maximising the return to stakeholders through the optimisation of the debt and equity balances. The group's overall strategy remains same from the prior period.

The capital structure of the group consists of net debt and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in note 21 and the Consolidated Statement of Changes in Equity. The group's Board of Directors reviews the capital structure on an annual basis. The group is not subject to any externally imposed capital requirement.

20 Deferred taxation

Group

The analysis of deferred tax assets and liabilities is as follows:

	2019	2018
	£'000	£'000
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	**487**	242

	2019	2018
	£'000	£'000
Deferred tax liabilities		
Deferred tax liability to be recovered within 12 months	**148**	-

The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred tax liabilities/(assets)	**Other adjustments**	**Decelerated capital allowances**	**Total**
	£'000	**£'000**	**£'000**
At 1 January 2018	-	(262)	(262)
Income statement charge	-	66	66
Reclassification from current tax balances	-	(46)	(46)
At 31 December 2018	-	**(242)**	**(242)**
Income statement credit	(184)	87	(97)
At 31 December 2019	**(184)**	**(155)**	**(339)**

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

21 Share capital

Number

	Ordinary shares of £1 each '000	A Preference shares of £1 each '000	B Preference shares of £1 each '000	Total '000
At 1 January 2018	311	1,236	15	1,562
Issue of shares	-	-	-	-
At 31 December 2018	311	1,236	15	1,562
Share buy-back	-	(1,236)	(15)	(1,251)
At 31 December 2019	**311**	-	-	**311**

£'000

	Ordinary shares of £1 each '000	A Preference shares of £1 each '000	B Preference shares of £1 each '000	Total '000
At 1 January 2018	311	1,236	15	1,562
Issue of shares	-	-	-	-
At 31 December 2018	**311**	**1,236**	**15**	**1,562**
Share buy-back	-	(1,236)	(15)	(1,251)
At 31 December 2019	**311**	-	-	**311**

On 27 March 2019, the company bought back the A and B preference shares for a sum of £4,064,172. These shares were immediately cancelled.

The holders of the 'A' Preference shares have the right to receive a dividend. The dividend due is 1.447% of the available profits of the relevant accounting period and based on the number of 'A' Preference shares in issue at the date of the entitlement. The 'B' Preference shares carry no dividend rights. The Ordinary shareholders have the right to an ordinary dividend payable from allowable profits after the payment of the Preference dividend, equal to 25% of the available profits. The Ordinary shareholders are entitled to further additional dividends.

The Preference shares do not carry any voting rights.

The rights of the shareholders on liquidation of the company are as follows:

Upon any return of assets on liquidation, reduction of capital or otherwise, the surplus assets of the company remaining after the payment of its liabilities (including without limitation after repayment of all outstanding principal and interest in respect of the Loan Notes) shall be applied:

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

21 Share capital (continued)

(a) payment in full of all accrued but unpaid Preference dividends to the Preference shareholders;

(b) payment in full of all accrued but unpaid Ordinary dividends to the Ordinary shareholders;

(c) payment in full to the 'A' Preference shareholders a sum equal to the nominal value of their 'A' Preference share;

(d) payment in full to the 'B' Preference shareholders a sum equal to £188.53 per 'B' Preference share;

(e) payment in full to the holders of the Ordinary shares any accrued but unpaid dividends not within the definition of an Ordinary dividend; and

(f) the balance of such assets (if any) shall belong to and be distributed amongst the Ordinary shareholders pro-rata to the number of Ordinary shares held by such ordinary shareholder.

22 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Capital redemption reserve	The capital redemption reserve represents amounts transferred following purchase of the company's own shares in previous years.
Foreign exchange reserve	The foreign exchange reserve represents currency differences arising on translation in to the presentational currency of the group.
Retained earnings	Retained earnings represents cumulative profits and losses net of dividends and other adjustments.

23 Pension commitments

The group operates defined contributions pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to these funds and amounted to £358,000 (2018: £440,000).

24 Guarantees

A cross guarantee and debenture is in place in favour of the company's bankers between this company and the following group companies: Chapman Freeborn Airchartering (China) Limited, Chapman Freeborn International Limited, Chapman Freeborn Airchartering Limited, Intradco Cargo Services Limited and Wings 24 Limited.

As at 31 December 2019, the Company together with other related parties provided a guarantee regarding the bonds issued by as parent Avia Solutions Group PLC (the 'issuer') for the amount of $300 million due in 2024. As a guarantor, the Company guaranteed the due and punctiual payment of all amounts from time to time payable by the issuer in respect of the bonds.

25 Contingent liability

On the 9th December 2019, a subsidiary entered into an agreement with an intermediary that had a pricing mechanism that could lead to claim for reimbursement of costs paid during the period from 2016 to 2019. It is uncertain if the ultimate customer will ask for a compensation. The Directors are of the opinion that no claim will be made. As at 31st December 2019 the contingent liability was £0.9m.

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

26 Related party transactions

	Fellow subsidiary undertakings with common control	Group subsidiary undertakings with minority interests	Total
	£'000	£'000	£'000
2019			
Transactions with related parties			
Management fees charged	-	783	783
Sale of services	476	3,157	3,633
Purchase of services	(417)	(12,095)	(12,512)
Total	**59**	**(8,155)**	**(8,096)**
Year-end balances			
Operating receivables	136	3,400	3,536
Operating payables	(319)	(2,413)	(2,732)
Total	**(183)**	**987**	**804**

	Fellow subsidiary undertakings with common control	Group subsidiary undertakings with minority interests	Total
	£'000	£'000	£'000
2018			
Transactions with related parties			
Management fees charged	-	611	611
Sale of services	-	15,192	15,192
Purchase of services	-	(23,157)	(23,157)
Total	-	**(7,354)**	**(7,354)**
Year-end balances			
Operating receivables	-	502	502
Operating payables	-	(4,127)	(4,127)
Total	-	**(3,625)**	**(3,625)**

The amounts above relate to trading subsidiaries of the Avia Solutions Group and trading subsidiaries of the Chapman Freeborn Group where Minority Interests exist.

Key management compensation

The key management personnel of the group are considered to be the directors. The compensation of the directors is disclosed in note 8.

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

27 Cash generated from operations

	2019	2018
	£'000	£'000
Profit after taxation	**8,557**	12,639
Income tax expense	**4,796**	4,737
Finance expense	**558**	15
Finance income	**(157)**	(69)
Operating profit	**13,754**	17,322
Depreciation and amortisation	**5,617**	358
Impairment of intangible assets	-	80
Net foreign exchange rate (gain)/loss	**(796)**	699
Decrease/(increase) in trade and other receivables	**7,186**	(6,153)
(Decrease)/increase in trade and other payables	**(6,745)**	3,333
Cash generated from operations	**19,016**	15,639

28 Transition to new GAAP

Group - IFRS

The following reconciliations describe the adjustments made in the group consolidated financial statements on transition to IFRS

Equity at 1 January 2018	**Note**	**£'000**
As previously reported under UK GAAP		**39,229**
Transition adjustment 1	1	668
As reported under IFRS		**39,897**

Equity at 31 December 2018	**Note**	**£'000**
As previously reported under UK GAAP		**42,029**
Transition adjustment 1	1	668
Transition adjustment 2	2	588
Transition adjustment 3	3	(130)
Transition adjustment 4	4	37
As reported under IFRS		**43,192**

Total comprehensive income for the year ended 31 December 2018	**Note**	**£'000**
As previously reported under UK GAAP		**12,852**
Transition adjustment 2	2	588
Transition adjustment 3	3	(130)
Transition adjustment 4	4	37
As reported under IFRS		**13,347**

Notes to the Financial Statements
For the year ended 31 December 2019 (continued)

28 Transition to new GAAP (continued)

The adjustments made related to the following:
Transition adjustment 1 – IFRS 3 Goodwill recognition
Transition adjustment 2 – Goodwill recognised on account of adoption of IFRS 3
Transition adjustment 3 – Trade debtors on account of adoption of IFRS 9
Transition adjustment 4 – Corporation tax payable on account of adoption of IFRS 9

Company – FRS 101
No material adjustments arose on the transition of the company to Financial Reporting Standard 101.

29 Capital management

The Group manages its capital to ensure that entities in the group will be able to continue as going concern's while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains from the prior period.

The capital structure of the Group consists of net debt disclosed in note 18 and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in note 22 and the Consolidated Statement of Changes in Equity. The Group's Board of Directors reviews the capital structure on an annual basis.

30 Events after the reporting period

On the 12th May 2020, Chapman Freeborn sold its shares in Logik Logistics, a road freight forwarding subsidiary to its minority shareholder.

On the 18th June 2020, Chapman Freeborn signed an agreement to acquire Arcus Air Logistics and Arcus Air OBC from the Arcus Air Group. This acquisition will further strengthen the group's business in continuing a strategy of growth through diversification in the niche aircraft charter industry.

The economic impact of the COVID-19 pandemic is having a substantial impact upon most businesses. The Directors have considered whether COVID-19 had a material impact as a post balance sheet event given potential concerns over expected reduced trading and the cash flow implications, as well as the expectations that customers might be slower to pay and the increased chance of bad debts.

Despite the subsequent global economic impact, Chapman Freeborn has had a very strong first half as a result of a substantial increase in bookings and the Directors continue to carefully monitor the expected performance over the coming year.

The first half has provided the Group with a stronger than forecasted cash position following year end. The Directors are aware that this will need to be managed over the coming year and have taken steps to improve the cash flow including reducing or removing credit terms where appropriate.

The Directors have reviewed the balances held at year end most likely to be materially impacted as a result of COVID-19 and are satisfied that any impact is immaterial and consider COVID-19 a non-adjusting post balance sheet event. Efforts made post year end to reduce aged debtors mean that the recoverability of debtors held at year end is not materially affected. The Directors acknowledge that the likelihood of impairments to assets is greater over the coming financial year; however, these will require assessment once the long-term economic impact of COVID-19 is clearer.

31 Controlling party

The ultimate parent company is Procyone FZE, a company incorporated in United Arab Emirates.
The ultimate controlling party is G Ziemelis by virtue of his shareholding in the ultimate parent company