

DEA Aviation Limited
Strategic Report, Report of the Directors and
Audited
Financial Statements for the Year Ended 31 March 2021



DEA Aviation Limited

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for the Year Ended 31 March 2021**

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DEA Aviation Limited

**Company Information
for the Year Ended 31 March 2021**

Directors: J C Allen (appointed 4 January 2021)
S A Banks-Cooper
G Beattie
G C J Cooper
W J Cortazzi
R A Cucksey
M A King (appointed 1 April 2020)
R P G Patounas
S W Turley

Registered office: Gamston Airfield
Gamston
Retford
Nottinghamshire
DN22 0QL

Registered number: 05728943 (England and Wales)

Auditors: Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Bankers: Santander Corporate Banking
Bootle
Merseyside
L30 4GB

DEA Aviation Limited

Strategic Report for the Year Ended 31 March 2021

The directors present their strategic report for the year ended 31 March 2021.

DEA Aviation Limited is the principal operating subsidiary of the DEA Group (DEA) who are a world leading specialist provider of complex aerial data acquisition services to a diverse breadth of clients across a wide range of markets. The company deploys state-of-the-art aerial sensing and digital processing technology in dynamic and challenging environments and is frequently relied upon to provide critical security services of national importance demanding class leading safety and compliance processes.

DEA's primary activities are Intelligence, Surveillance & Reconnaissance (ISR), Aerial Survey and Engineering Services.

Review of business during the period and future developments

During the year, the company saw continued growth, particularly in its ISR and aerial survey segments as it continued to expand across the UK and Europe and beyond. The number of customers, contracts and their complexity increased further, serviced by the continued investment in more capable systems and technology. DEAs delivery platforms comprise the modified airframe and specialist sensors and bespoke data capture and processing technologies which are configured to meet customer requirements.

DEA also made further strategic steps into the aerial survey and mapping market delivering on an important new flagship contract for which it developed two bespoke platforms.

The impact of Covid-19 in the early part of the year resulted in some delays to deployment of platforms and crew as a result of government travel restrictions. These were overcome and investment has been accelerated in the business systems to support continued remote working for our teams. The business has proven resilient to the continuing challenges introduced by the pandemic which reflects the strength of its customers and the nature of the essential work that it undertakes on their behalf.

Key performance indicators

	2021	2020
Turnover (£m)	18.5	13.9
EBITDA (£m)	5.1	3.2
EBITDA margin	28%	23%
Net profit (£m)	2.6	1.5
Net assets / Shareholder funds (£m)	3.3	4.2

Outlook

With increased demand for ISR, in a number of areas globally and the addition of new ISR and aerial survey contracts, the business is expected to continue on its growth path during the 2022 financial year. The opportunity pipeline remains strong and a significant portion of the forecast revenue is secured on committed contracts including a confirmed position on a substantial long-term ISR framework. Investment in further capacity was paused temporarily as the impact of the Covid-19 pandemic was assessed anticipating the inevitable extensions to some procurement processes. This has impacted the phasing of revenue, although the overall demand for services has been largely unaffected and significant further aircraft fleet growth is now being pursued.

In April 2021 initial funding for the capital investment programme was secured with Santander UK plc with a £2.5 million two year term loan facility and in late June 2021 available facilities were further extended with introduction of a £6 million General Export Finance facility. Securing banking facilities of this nature represents significant strategic progress for the group and, with the continued strong operating cash generation, underpins the capital investment programme to further increase capacity.

The Board continues to be strengthened to reflect the growth in the business. Mark King was appointed as independent chairman of the Group and Company on 1 April 2020. Mark was President of Rolls Royce Aerospace until 2013 and now chairs a number of companies in the UK and Europe. Jo Allen was appointed as Chief Financial Officer and Company Secretary on 4 January 2021. Jo trained as a Chartered Accountant with PwC and joins DEA from an AIM Listed specialist engineering group with whom she was CFO for over five years.

Principal risks and uncertainties

The key financial risks and uncertainties facing the company are set out below.

Risk	Description	Mitigating factors
Aviation Accident	The specialised operations of the Group results in a modest increase in the risk of an aviation accident relative to commercial aviation operators.	The Company has well established management systems and has remained the sector leader for a number of years in independent audit by the Civil Aviation Authority (CAA). Key performance metrics are monitored and notifications made in line with the CAA regulations.
BREXIT	The UK left the EU on 31 December 2020. The Withdrawal Agreement addressed some aspects of DEA operational delivery however there remains complexity as each member state and relevant European and UK authorities have differing applications of the rules and regulations.	The Company has established a European subsidiary and is in the process of establishing long-term operating certificates and registrations. The deployable workforce comprises both UK and EU nationals and the recruitment strategies and workforce planning are aligned to the anticipated geographical delivery patterns.
Customer Concentration	The significant growth reported in recent years reflects the increased demand for the Group's services, particularly from key customers. The necessary lead times in meeting this growing demand inevitably results in uneven revenue generation across the full customer base at various points in time	The Company has an established strategy to develop existing and new customer relationships and markets to mitigate the risk of customer concentration.
COVID19 Pandemic	There is a risk of ongoing disruption to markets and to operational capability through employee illness or travel restrictions.	This risk is mitigated significantly by measures implemented to protect employees and by the nature of the Company's customers and type of work which is, in most cases, designated as essential affording DEA personnel key worker status with associated travel privileges.
Currency fluctuations	The Company is exposed to fluctuations in both the Euro and the US dollar. A significant proportion of both revenue and cost are in Euro. Certain airframes, modifications and parts cost are in US Dollars and the Group typically does not have a natural hedge in this currency.	The Company typically has good visibility of its forecast revenue and costs and monitors its exposure to currency movements in excess of the natural hedge. Where a surplus or deficit of a currency or forecast it uses forward contracts to manage this risk. The value of hedges outstanding at 31 March 2021 was £0.3m (2020: £1.5m)
People & skills	The Company operates in a specialist sector and faces competition for appropriately experienced and skilled personnel. Attracting, training and retaining core skills remains a key priority for the business.	The Company continues to invest in the development and wellbeing of its people, with a strong emphasis on training. We nurture a strong and collaborative culture across the Company and beyond the deployable workforce which has been a focus for a number of years have invested in a new competencies across the business to support the growth plans.
Environmental impact	There continues to be uncertainty in the aviation sector regarding environmental impact.	The Company's strategy is to ensure that it limits its environmental impact through the choice of modern and efficient aircraft.

Financial instruments objectives and risks

The company uses cash and other financial instruments such as trade debtors and trade creditors which arise directly from its operations. The main risks arising from these financial instruments are liquidity risk and credit risk. The directors review and agree policies for managing these risks and they are summarised below.

Liquidity risk

The company manages financial risk by monitoring actual and forecast cash flows to ensure that sufficient liquidity is available to meet foreseeable expenditure commitments.

Credit risk

The company operates robust credit control processes and manages credit risk by monitoring the aggregate amount and duration of exposure to any one client depending on their credit rating.

On behalf of the board:

gerald cooper

gerald cooper (Dec 23, 2021 17:57 GMT).....

G C J Cooper - Director

Date: 23 December 2021

DEA Aviation Limited

Report of the Directors for the Year Ended 31 March 2021

The directors present their report with the financial statements of the company for the year ended 31 March 2021.

Dividends

No interim dividend was paid during the year. The directors recommend a final dividend of £2.53 per share.

The total distribution of dividends for the year ended 31 March 2021 was £3,500,000.

Directors

The directors shown below have held office during the whole of the period from 1 April 2020 to the date of this report.

G Beattie
S A Banks-Cooper
G C J Cooper
W J Cortazzi
R A Cucksey
R P G Patounas
S W Turley

Other changes in directors holding office are as follows:

M A King - appointed 1 April 2020
J C Allen - appointed 4 January 2021

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DEA Aviation Limited

**Report of the Directors
for the Year Ended 31 March 2021**

Auditors

During the period a tender for audit services was completed. On 22 March 2021 Moore Thompson resigned as auditors and were replaced by Mazars LLP. Mazars LLP will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the board:

J Allen

J Allen (Dec 23, 2021 18:01 GMT)

J C Allen - Director

Date: 23 December 2021

Independent auditor's report to the members of DEA Aviation Limited

Opinion

We have audited the financial statements of DEA Aviation Limited (the 'company') for the year ended 31 March 2021 which comprise the income statement, the statement of other comprehensive income, the statement of financial position, the statement in changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the report of the directors, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, UK Air Operators Certificate (AOC), EASA CAMO UK.MG.0386 (Part M), EASA Part 145 UK.145.01336 and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

Report of the Independent Auditors to the Members of DEA Aviation Limited

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Alistair Wesson (Dec 23, 2021 20:31 GMT)

Alistair Wesson (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Date: 23 December 2021

DEA Aviation Limited

**Income Statement
for the Year Ended 31 March 2021**

	Notes	2021 £	2020 £
Turnover	5	18,548,584	13,873,045
Cost of sales		<u>(12,470,740)</u>	<u>(9,300,140)</u>
Gross profit		6,077,844	4,572,905
Administrative expenses		<u>(2,663,442)</u>	<u>(2,455,648)</u>
Operating profit	8	3,414,402	2,117,257
Interest receivable and similar income		1,242	1,144
Interest payable and similar charges	10	<u>(299,718)</u>	<u>(334,405)</u>
Profit before taxation		3,115,926	1,783,996
Tax on profit	11	<u>(592,104)</u>	<u>(349,742)</u>
Profit for the financial year		<u><u>2,528,822</u></u>	<u><u>1,434,254</u></u>

DEA Aviation Limited

**Other Comprehensive Income
for the Year Ended 31 March 2021**

	Notes	2021 £	2020 £
Profit for the year		2,523,822	1,434,254
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>2,523,822</u>	<u>1,434,254</u>

DEA Aviation Limited (Registered number: 05728943)

Statement of Financial Position
31 March 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Tangible assets	12		15,990,267		13,552,736
Current assets					
Stocks	13	711,754		330,659	
Debtors	14	1,551,230		2,018,365	
Cash at bank and in hand		<u>947,831</u>		<u>25,291</u>	
		3,210,815		2,374,315	
Creditors					
Amounts falling due within one year	15	<u>(9,243,631)</u>		<u>(6,325,254)</u>	
Net current liabilities			<u>(6,032,816)</u>		<u>(3,950,939)</u>
Total assets less current liabilities			9,957,451		9,601,797
Creditors					
Amounts falling due after more than one year	16		(5,718,776)		(5,080,801)
Provisions for liabilities	19		<u>(941,846)</u>		<u>(349,742)</u>
Net assets			<u>3,269,829</u>		<u>4,171,254</u>
Capital and reserves					
Called up share capital	20		138,526		138,526
Capital contribution reserve			1,060,636		958,883
Retained earnings			<u>2,097,667</u>		<u>3,073,845</u>
Shareholders' funds			<u>3,296,829</u>		<u>4,171,254</u>

The financial statements were approved by the Board of Directors and authorised for issue on 23 December 2021 and were signed on its behalf by:



.....
R A Cucksey - Director

DEA Aviation Limited**Statement of Changes in Equity
for the Year Ended 31 March 2021**

	Called up share capital £	Retained earnings £	Capital contribution £	Total equity £
Balance at 1 April 2019	138,526	1,539,591	867,106	2,545,223
Changes in equity				
Total comprehensive income	<u>-</u>	<u>1,534,254</u>	<u>91,777</u>	<u>1,626,031</u>
Balance at 31 March 2020	<u>138,526</u>	<u>3,073,845</u>	<u>958,883</u>	<u>4,171,254</u>
Changes in equity				
Dividends	-	(3,500,000)	-	(3,500,000)
Total comprehensive income	<u>-</u>	<u>2,523,822</u>	<u>101,753</u>	<u>2,626,575</u>
Balance at 31 March 2021	<u>138,526</u>	<u>2,097,667</u>	<u>1,060,636</u>	<u>3,296,829</u>

The Capital Contribution reserve is used to record transaction arising from investments by the parent company and share based payment charges.

1. **Statutory information**

DEA Aviation Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. **Statement of compliance**

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

3. **Accounting policies**

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention.

The Company is no longer able to utilise the provisions of Section 1A "Small Entities" of the Companies Act 2006. It is also part of a Group which is now required to prepare consolidated financial statements. In the course of preparing these financial statements a number of presentational changes have been made to the Company's financial statements to aid consistency and understanding. The most notable item is the reclassification of assets under the course of construction, which are now classified as fixed assets rather than prepayments and accrued income.

The information is included in the consolidated financial statements of DEA Holdings Limited as at 31 March 2021 and these financial statements may be obtained from Companies House.

Going concern

The impact of Covid-19 in the early part of the year resulted in some delays to deployment of platforms and crew as a result of government travel restrictions and has resulted in extensions to some procurement processes which has impacted the phasing of revenue, although the overall demand for services has been largely unaffected.

The directors took prompt action to maintain the welfare of its people, change shift patterns and to extend remote working, such that the business continued to be able to meet customer needs.

The directors have prepared cash flow forecasts and associated sensitivity analysis for the period beyond 12 months from the date of approval of the financial statements, which indicate that, in all reasonable scenarios, the company will be able to operate within the group banking facilities and meet its liabilities as they fall due.

Post year-end, new funding has been secured by the Company and covenants have been set reflecting the forecast cash flows and capital investment programme.

As a result, at the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least twelve months. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

3. Accounting policies - continued

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows.

The Company reported a profit after tax of £2,606,243 for the year ended 31 March 2021 (2020 - £1,508,593) and net assets of £3,260,059 (2020 - £4,153,816).

Turnover

Turnover representing flown revenue, net of value added tax, and government grants. All other revenue streams are recognised at the point of fulfilling the service or the date at which the right to receive consideration occurs.

Tangible fixed assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation. Cost includes the original purchase price and costs directly attributable to bringing the asset into its working condition for the intended use. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Depreciation is charged straight line in order to write off each asset over its estimated useful life. The depreciation rates are as follows :

Aircraft frames	- 15 to 24 years straight line
Sensor equipment	- 3 to 7 years straight line
Aircraft engines	- Based on hourly usage over lifespan
Aircraft gearboxes	- 50% straight line
Plant and machinery	- 15 - 20% straight line
Computer equipment	- 33% straight line
Furniture and fixtures	- 20% straight line

For those aircraft that are owned, part of the initial cost of the aircraft is attributed to major components. Depreciation is then charged against these components at a variable rate dependent on the actual usage of the aircraft. The remainder of the initial cost is depreciated to its residual value on a straight line basis over its estimated useful economic life.

Assets under the course of construction are stated at cost and are not depreciated until they are brought into use.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Maintenance costs

The costs of periodic overhauls on owned aircraft are capitalised and depreciated within tangible fixed assets, unless the liability for those overhauls has been passed to a third party. All other costs relating to maintenance of owned aircraft are charged to the profit and loss account as incurred.

Retirement benefits

The company operates a defined contribution pension plan. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

3. **Accounting policies - continued**

Leases

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Cash and cash equivalents

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

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Financial instruments

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

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction.

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

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

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment. If an arrangement constitutes a financing transaction it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Borrowing costs

Arrangement fees are capitalised and amortised over the term of the facility. Interest on borrowing is charged to the profit and loss account as incurred.

3. **Accounting policies - continued**

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Research is written off in the same year in which it is incurred.

Development expenditure is written off in the same year unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period from which the company is expected to benefit.

Foreign currencies

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Share based payments

Equity-settled share based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the life of the option. A corresponding adjustment is made to equity.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

4. Accounting judgements and estimation uncertainty

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

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

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic lives of fixed assets

The annual depreciation and amortisation charges for tangible and intangible assets are 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. They are amended when necessary to reflect the current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Share based payments

The group has issued share options to certain employees and directors. The cost of such awards is measured at fair-value at the date of grant and this expense is recognised on a straight-line basis over the life of the option. The determined fair value is a source of management estimation.

5. Turnover

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2021 £	2020 £
United Kingdom	2,706,044	1,541,905
Europe	<u>15,842,540</u>	<u>12,331,140</u>
	<u>18,548,584</u>	<u>13,873,045</u>

6. Employees and directors

	2021 £	2020 £
Wages and salaries	4,030,785	3,131,212
Social security costs	418,598	324,401
Other pension costs	<u>72,447</u>	<u>48,122</u>
	<u>4,521,830</u>	<u>3,505,735</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

The average number of employees during the year was as follows:

	2021	2020
Operational delivery	48	39
Engineering	22	18
Administration	<u>13</u>	<u>11</u>
	<u>83</u>	<u>68</u>

7. Directors' emoluments

	2021	2020
	£	£
Directors' remuneration	485,833	460,213
Payments to directors' pension schemes	<u>3,883</u>	<u>2,246</u>

Number of directors in pension scheme 4 (2020: 2)

Information regarding the highest paid director is as follows:

	2021	2020
	£	£
Total emoluments	<u>216,847</u>	<u>206,250</u>

The highest paid director had pension contributions of £1,313 made by the company.

Certain Directors, who are also Directors of the ultimate parent company, are remunerated by that company and there is no separate recharge for their services as directors of DEA Aviation Limited.

8. Operating profit

The operating profit is stated after charging:

	2021	2020
	£	£
Depreciation - owned assets	1,540,454	1,040,184
Foreign currency (gains)/losses	(173)	4,805
Pension contributions	72,447	48,122
Operating lease charges	142,000	91,863
Share based payment charge	101,753	91,777
Engine maintenance provisions for engine usage	463,427	123,301
Fleet maintenance costs	<u>1,153,766</u>	<u>702,061</u>

Details of the share based payment scheme are disclosed in the consolidated financial statements of the parent undertaking.

9. Auditors' remuneration

	2021	2020
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	<u>10,000</u>	<u>8,590</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

10. Interest payable and similar expenses		
	2021	2020
	£	£
Directors loan interest	46,384	137,532
Other loan interest	<u>253,334</u>	<u>196,873</u>
	<u>299,718</u>	<u>334,405</u>

11. Taxation**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2021	2020
	£	£
Current tax	-	-
Deferred tax – accelerated capital allowances and other timing differences	<u>592,104</u>	<u>349,742</u>
Total tax charge in the year	<u>592,104</u>	<u>349,742</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2021	2020
	£	£
Profit before tax	<u>3,115,926</u>	<u>1,783,996</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	592,026	338,959
Effects of:		
Expenses not deductible for tax purposes	19,333	17,438
Excess depreciation over capital allowances	(299,569)	(356,397)
Utilisation of losses	(311,790)	-
Deferred tax movement	<u>592,104</u>	<u>349,742</u>
Total tax charge	<u>592,104</u>	<u>349,742</u>

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. After the balance sheet date in the May 2021 Finance Bill, the rate of corporation tax from 1 April 2023 increased to 25%. The effect of this change is considered a non-adjusting post balance sheet event.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

12. Tangible fixed assets

	Aircraft £	Surveillance equipment £	Assets under construction £	
Cost				
At 1 April 2020	11,102,246	3,522,525	1,012,590	
Additions	1,207,052	2,424,850	285,026	
Disposals	(211,939)	-	-	
Reclassification/transfer	<u>1,277,480</u>	<u>(264,890)</u>	<u>(1,012,590)</u>	
At 31 March 2021	<u>13,374,839</u>	<u>5,682,485</u>	<u>285,026</u>	
Depreciation				
At 1 April 2020	1,454,405	910,825	-	
Charge for year	723,672	740,664	-	
Eliminated on disposal	(211,939)	-	-	
Reclassification/transfer	<u>3,614</u>	<u>(3,614)</u>	<u>-</u>	
At 31 March 2021	<u>1,969,752</u>	<u>1,647,875</u>	<u>-</u>	
Net book value				
At 31 March 2021	<u>11,405,087</u>	<u>4,034,610</u>	<u>285,026</u>	
At 31 March 2020	<u>9,647,841</u>	<u>2,611,700</u>	<u>1,012,590</u>	
	Fixtures and fittings £	Motor vehicles, plant and machinery £	Computer equipment £	Totals £
Cost				
At 1 April 2020	236,146	125,392	80,440	16,079,339
Additions	12,223	56,309	12,525	3,997,985
Disposals	(4,489)	-	-	(216,428)
Reclassification/transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2021	<u>243,880</u>	<u>181,701</u>	<u>92,965</u>	<u>19,860,896</u>
Depreciation				
At 1 April 2020	54,925	55,856	50,592	2,526,603
Charge for year	43,431	34,421	18,266	1,560,454
Eliminated on disposal	(4,489)	-	-	(216,428)
Reclassification/transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2021	<u>93,867</u>	<u>90,277</u>	<u>68,858</u>	<u>3,870,629</u>
Net book value				
At 31 March 2021	<u>150,013</u>	<u>91,424</u>	<u>24,107</u>	<u>15,990,267</u>
At 31 March 2020	<u>181,221</u>	<u>69,536</u>	<u>29,848</u>	<u>13,552,736</u>

The Net Book Value of fixed assets held under finance lease is £11,578,884 (2020: £9,438,430).

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

13. Stocks	2021	2020
	£	£
Spare parts and consumables	<u>711,754</u>	<u>330,659</u>
14. Debtors	2021	2020
	£	£
Trade debtors	648,171	947,567
Amounts owed by group undertakings	76,782	20,000
Other debtors	16,194	657,955
VAT	208,861	-
Prepayments and accrued income	<u>601,222</u>	<u>358,478</u>
	<u>1,551,230</u>	<u>1,984,000</u>
Amounts falling due after more than one year:		
Other debtors	<u>-</u>	<u>34,365</u>
Aggregate amounts	<u>1,551,230</u>	<u>2,018,365</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15. Creditors: amounts falling due within one year	2021	2020
	£	£
Bank overdrafts (see note 17)	995,000	-
Finance leases (see note 17)	1,283,798	887,208
Directors' loans (see note 23)	-	1,851,398
Trade creditors	1,143,765	1,548,341
Amounts owed to group undertakings	5,044,209	732,245
Social security and other taxes	126,208	102,735
VAT	-	31,828
Other creditors	46,031	566,972
Accruals and deferred income	<u>604,620</u>	<u>644,527</u>
	<u>9,243,631</u>	<u>6,325,254</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

16. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Finance leases (see note 17)	5,718,776	5,024,958
Other creditors	<u>-</u>	<u>55,843</u>
	<u>5,718,776</u>	<u>5,080,801</u>

17. Loans and other borrowings

An analysis of the maturity of loans is given below:

2021	< 1 year	1 - 5 years	> 5 years	Total
Bank loans and overdrafts	995,000	-	-	995,000
Finance leases	1,283,798	4,239,196	1,479,580	7,002,574
	<u>2,278,798</u>	<u>4,239,196</u>	<u>1,479,580</u>	<u>7,997,574</u>

The amounts borrowed are secured with fixed charges on the assets concerned. Santander UK Plc also has a floating charge which covers all the property or undertaking of the company.

Finance leases related to airframes, modification and sensor equipment. Length of agreements are typically 60 months and interest rates and terms vary by Lender and specific agreement, some bear fixed rates, others are variable. Total interest cost in the year was £253,334 (2020: £196,873).

18. Leasing agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2021 £	2020 £
Within one year	<u>126,000</u>	<u>26,000</u>

19. Provisions for liabilities

	2021 £	2020 £
Deferred tax	<u>941,846</u>	<u>349,742</u>
		Deferred tax £
Balance at 1 April 2020		349,742
Provided during year		<u>592,104</u>
Balance at 31 March 2021		<u>941,846</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

20. Called up share capital

Allotted, issued and fully paid:		Nominal value:	2021	2020
Number:	Class:		£	£
1,385,258	Ordinary	£0.10	<u>138,526</u>	<u>138,526</u>

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

21. Dividends

	2021	2020
	£	£
Ordinary shares of £0.10 each		
Final	<u>3,500,000</u>	<u>-</u>

22. Capital commitments

	2021	2020
	£	£
Contracted but not provided for in the financial statements	<u>4,136,607</u>	<u>3,776,978</u>

Amounts disclosed as capital commitment are due to be paid within 12 months of the year end.

23. Related party disclosures

The following advances and credits to a director during the years ended 31 March 2021 and 31 March 2020:

	2021	2020
	£	£
S. W. Turley		
Amounts owed to the director at the start of the year	1,851,398	701,398
Amounts advanced from the director for capital asset acquisition	-	1,950,000
Amounts repaid to the director in respect of capital asset loans	(1,000,000)	(950,000)
Net Amounts advanced/(repaid) in relation to invoice factoring facility	(150,000)	150,000
Amounts novated to parent undertaking	(701,398)	-
Amounts owed to the director at the end of the year	<u>-</u>	<u>1,851,398</u>

The directors loan account balance at the prior year end related to S. W. Turley. In August 2020 the balance was novated to DEA Holdings Limited, the parent company, of which S. W. Turley is also a director. The outstanding loan was subject to interest at 11%, secured and repayable on demand. Loan arrangement fees of £14,028 were paid in the year.

During the year £20,107 (2020: £13,208) was charged to Wickenby Aerodrome LLP, a company in which G Cooper and S Turley are also directors, for the provision of aircraft parts and maintenance. During the year £7,680 (2020: £9,089) was charged from Wickenby Aerodrome LLP for aircraft hire and fuel recharges. At the year end £18,646 (2020: £Nil) was included in trade debtors and £Nil (2020: £Nil) was included in trade creditors.

During the year £169 (2020: £1,607) was charged to One Sky Aviators Limited, a company in which G Cooper is a director, for the provision of aircraft parts and maintenance. During the year £1,050 (2020: £21,944) was charged from One Sky Aviators Limited for mobile phone recharges, aircraft parts and consultancy fees. At the year end £125 (2020: £1,928) was included in trade debtors and £Nil (2020: £2,258) was included in trade creditors.

During the year the company had charges from Turley Farms Limited, a company in which SW Turley was a director, totalling £nil (2020: £77). At the year end £Nil (2020: £Nil) was included in trade creditors.

The Company has taken advantage of the exemption contained in Section 33 of FRS 102 - "Related Party Disclosures" and therefore has not disclosed disclose transactions or balances with wholly owned subsidiary undertakings of DEA Holdings Limited.

24. Retirement benefits

The company provides a defined contribution scheme for its employees. The amount recognised as an expense in the year was £72,447 (2020: £48,122). The amount outstanding at the year end was £13,344.

25. Parent undertaking and ultimate controlling party

The immediate and ultimate parent undertaking is DEA Holdings Limited and the registered office is Gamston Airfield, Gamston, Retford, Nottinghamshire, DN22 0QL.

DEA Holdings Limited is the largest and smallest group into which the results of the company are consolidated.

The ultimate controlling party is S. W. Turley, who is the majority shareholder of the parent company, DEA Holdings Limited.