

Company registration number: 05391365

2 Excel Aviation Limited
Unaudited financial statements
31 March 2021



2 Excel Aviation Limited

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2 Excel Aviation Limited

Directors and other information

Directors	Mr C J R Norton Mr A C Offer Mr H P Singh Mr A J W Rae
Secretary	Mr C J R Norton
Company number	05391365
Registered office	Tiger House Sywell Aerodrome Northamptonshire NN6 0BN
Business address	Tiger House Sywell Aerodrome Northamptonshire NN6 0BN
Accountants	Spiers & Company 72 Fielding Road London W4 1DB

2 Excel Aviation Limited

Strategic report Year ended 31 March 2021

REVIEW OF BUSINESS

The principal activity of the Company during the year under review was that of providing aerospace services.

Strategic Context

The strategic context for the Company's operations included: the decimation of worldwide airline operations in the passenger travel sector, huge operational and supply chain friction across borders due to continued Covid-19 international travel restrictions and the negative impact of Brexit; and; a preponderance of home working with an associated lack of face-to-face meetings and consequent decision making (especially in Government departments and large businesses) that meant strategic, operational and tactical decisions were delayed by at least 6 months.

Company Strategy

Having reacted at the end of the previous financial year, the Company's strategy for the year was to 'Survive, Reconfigure and Recover.' Its strategic plan was to consolidate its positions, adjusting its operational focus where necessary towards market segments that still needed its services, beat its competitors to increase its market share, generate cash, reduce liquidity risk and, re-finance its debt. Operationally, the Company's lines of business offerings were adjusted to be relevant to the new realities while being leaner, stronger, and more resilient. This allowed the Company to be positioned to re-start its pre-pandemic growth trajectory by converting new and transformational business opportunities.

Survival Phase

The Company delivered on all its existing contracts, while working with customers to prioritise maintaining long-term relationships over any short-term revenue generation. The Company cut its outgoings and conserved cash, re distributing profits to protect and retain Company lines of business whose activities had been curtailed or stopped by restrictions implemented to reduce the spread of Covid 19. To minimise costs, it delivered its activities using its own human resources and operational approvals wherever possible. It benefited from the Government's Furlough Scheme, a bounce-back loan and the VAT holiday. It obtained temporary capital repayment holidays from all of its debt providers then fully repaying all debts from these lenders during the financial year.

Reconfigure Phase (Strategic)

During its Reconfiguration Phase, at the strategic level, the Company simplified its structure acquiring all the minority interest in GCP Aviation Limited and is in the process of dissolving Companies surplus to requirements. During the year the Company purchased all the issued share capital of ACH London Limited, ACH (Witham) Limited and ACH Excalibur Limited and 50% of 3XL Aviation Limited. This Reconfiguration assisted in the Refinancing of the Company's debt under a single senior Lender to provide funding to support future growth.

Reconfigure Phase (Operational and Tactical)

At the operational and tactical levels, the Company reconfigured to deliver relevant services more resiliently. Its sales, marketing and delivery focussed on customers and partners' requirements. The Company's highly-skilled talent was re-trained and re-tasked to support the business units that could still sell their services during lockdowns and that needed to scale-up their capacity.

Recovery Phase

To recover, the Company grew its market share wherever its aerospace activities continued and redistributed staff, operational effort and capital investment wherever necessary to meet those demands. It invested to capitalise on growth opportunities. Some of these opportunities were planned and extant before the pandemic and some were created by it.

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Strategic report (continued) Year ended 31 March 2021

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Company are described below.

Revenue Risk

The Company is reliant on Government and large companies for contracts which are subject to periodic competitive tender. In the face of contextual change, renewal of these contracts is uncertain but, the Company over-performs both financially and operationally, retaining incumbency and growing market share. Individual lines of business make great efforts to maintain their existing business relationships and to change their offerings in contract to remain relevant.

The Company, and in particular Special Missions and Capability Development, continued to win significant contracts during the period but, reactions to the pandemic instigated 'working from home' policies in many Government departments and large companies which stifled decision making and delayed contract award. This negatively impacted revenues which were consequently delayed. The average contractual delay was 6 months. The Directors expect that this friction and its concomitant negative impact on revenues will reduce in the coming financial year. The risk is also mitigated by the Directors' philosophy of 'proactively taking risk' which means that lines of business remain particularly agile and have been able to react very swiftly to fleeting opportunities.

Certain divisions within the Company are more 'retail' in nature and were negatively impacted by Coronavirus and Brexit.

Coronavirus Risk

The Company's Coronavirus strategy was to React, Survive, Reconfigure, Recover and Prosper. During the period, the React, Survive, Reconfigure and Recover phases were all implemented. The effects of Coronavirus particularly impacted 2Excel's Charter division. The Company comprised Key and Essential Workers or capabilities supporting essential aviation activities; consequently, it was relatively well insulated. Elite sport was permitted from June 2020 and, thereafter, Charter was able to operate with freedom (until the end of the Brexit Transition Period). The Company's diversity, and strong performances by the Company's other lines of business, meant the Company was strong enough to survive without having to resolve to drastic measures.

An important secondary effect of Coronavirus on the Company was supply chain friction which either halted or slowed down the Company's essential supporting service industries abroad. Pandemic restrictions meant many businesses were closed, some supply chain staff could not work and, in particular, scarce replacement aircraft parts could not be transported swiftly around the world or between the various supply chain nodes. The pre-pandemic low-volume high-velocity 'just in time' parts supply provision meant aircraft maintenance and repairs took much longer than normal and planned service resilience could not be delivered. This negatively impacted aircraft availability and, thereby, revenues.

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Strategic report (continued) Year ended 31 March 2021

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Brexit Risk

During the period, the Brexit Transition Period came to an end. Having mitigated its operational and regulatory risks well (primarily through close control of its Approvals) and, having re-focussed its marketing and sales efforts on domestic customers, Brexit was turned from a risk into an opportunity. The contract-air service delivery opportunities which the Company was able to respond to and secure, enabled the Company to increase the number of its aerial surveillance contracts.

However, the end of the Transition Period came during the third British lockdown and widespread national (Coronavirus) protectionism throughout Europe which was exacerbated by incomplete arrangements for trade across borders once the UK had left the European Union. There were queues at borders that were mirrored in the air with 'permissions' to operate into and around Europe requiring extraordinary efforts to arrange. This particularly affected Charter's operations. More widely, the secondary effects of friction at the borders negatively impacted supply chains; for the Company, the most important effect was much longer delays in the provision of aircraft parts. This was exacerbated by the effect of Coronavirus on supply chains.

Competitive Risk

Historically, the Company's strategy has been to operate in niches where there are few, if any, competitors. However, as it grows, the opportunities are more valuable and it is coming up against larger companies. Nevertheless, the Company's reputation, innovation, risk management and its demonstrable 'value-for-money' pricing strategy mean that has continued to win contracts against larger, less agile competitors. Additionally, some competitors were unable to withstand or successfully adapt to the impact of Brexit and the Covid-19 pandemic and ceased operations. This created opportunities which the Company was swift to exploit.

Delivery Risk

The corollary of the Company's value-for-money pricing strategy is that any failure by the Company to identify operational delivery risks or to price and contract them accurately and effectively could store latent financial risk downstream. To mitigate this the Company operates a bespoke and deep 'management of change' process to inform contractual negotiations.

Financial Instrument Risks

The Company continued to improve its financial risk management frameworks. It grew its in-house finance department to implement a wide range of internal financial controls, adding increasingly deep analysis tools and reporting financial results earlier. During the year the Company consolidated its debt with a single, unified senior debt facility Provider with Signal Capital Partners (Signal). Signal also indicated their willingness to fund future growth.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial obligations. Before the pandemic, the Company had taken liquidity risk in order to secure increased market share and grow. This risk was taken based on the forecast sales and the Company's historical successful performance in meeting delivery timescales. While the Company had sufficient resources to meet the planned operating needs of its business, the Covid-19 pandemic negatively transformed some of the Company's market sectors and revenue generation in those sectors became hard to impossible. Reacting even before the Government did, the Board's liquidity risk management strategy was to refocus its growth initiatives, cut costs and, concentrate on cash generation to reduce its liquidity risk exposure. This policy and its effective implementation by all the Company's lines of business, and the Board's successful debt re-financing initiative, meant that the Company's cash position improved by £3.9m during the year.

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Strategic report (continued) Year ended 31 March 2021

POSITION OF THE COMPANY

Performance During the Period

In spite of the twin impacts of Coronavirus and Brexit, the Company's operational diversity and service relevance meant that Company revenues only decreased by 14.33% compared to the previous financial year. This compares very favourably to the 40-90% reduction in revenues across the airline industry. While operating cash remained tight until the 4th quarter of the period, strong overhead cost control meant that (taking into account reduced revenues) Gross Profit Margin was improved by a 4% on the previous financial year. Overall, the Company made a loss of £0.884m during the period after refinancing costs (£1.66m) notwithstanding all the impacts of Coronavirus and Brexit on the UK aerospace sector.

GOING CONCERN

The Financial Statements have been prepared on a going concern basis. The Company reported a loss after taxation of £0.884m and incurred net cash outflows from operating activities of £2m in the year ended 31 March 2021. At the balance sheet date, the Company had net current assets of £22m and net assets of £10.2m. In January 2021 the Company successfully refinanced its debt facilities with a new £25m secured facility with the primary lender Signal which is repayable in January 2026. Cash at bank increased by £3.9m, with cash at bank and in hand on 31 March 2021 standing at £3.5m.

The Company continues to meet its day to day working capital requirements from a combination of cash generated from the business and its interest-bearing secured loan facility.

The Directors have prepared cash flow forecasts for the period ended 31 March 2023 which incorporate the Directors current view of the trading and economic risks and uncertainties that are reflected in the strategic report.

The key assumptions within the cash flow forecasts relate to:

- "The long-term nature and level of contracted revenues with government bodies which at 70% of total revenues are consistent with FY 21 revenues;
- "Expected increase in employee costs to deliver existing and new contracts;
- "Continued support and investment from the Company's primary lender Signal, with further investment expected in FY 22; and
- "The level of future expected contract wins.

In preparing the forecasts the Directors have also considered the Company's strong performance during the Coronavirus crisis and up to and after the end of the Brexit Transition Period and have determined that the Company has weathered these significant strategic shocks very well. The Company has been reconfigured to be relevant to the new realities of its various market sectors and of its supply chain. It has re-financed its debt provision, significantly improved its cash position, reduced its liquidity risk, enhanced its reputation, grown its employee base by an average of 18% and become more resilient. Where it has competed, it has won new contracts and it has increased its market share. All its lines of business have survived, they are all in the Recovery Phase and, the Company is once again growing.

The Directors have considered various sensitised downside scenarios in addition to the base case forecasts above. Due to the contracted and long-term nature of the majority of the Company's revenues, and the ability of management to reduce costs, if necessary, the Directors do not consider that there to be any plausible downside scenarios that would cause the Company to be unable to meet its obligations as they fall due.

2 Excel Aviation Limited

Strategic report (continued) Year ended 31 March 2021

GOING CONCERN (continued)

The Directors have concluded based on the above that no material uncertainty exists that may cast significant doubt over the Company's ability to continue as a going concern. The Directors therefore have a reasonable expectation that the Company will have adequate resources available to continue to meet their obligations as they fall due and to continue in operational existence for a period of at least 12 months from the date of these Financial Statements.

For these reasons the Directors continue to adopt the going concern basis of accounting in preparing these annual Financial Statements.

KEY PERFORMANCE INDICATORS

The key financial and other performance indicators for the Company during the year were as follows:

Description	2021 £	2020 £	Change %
Turnover	28,265,914	32,992,959	-14.33%
Gross profit	19,731,728	21,901,712	-9.91%
Gross Profit %	70%	66%	+4%
Operating profit/(loss)	410,162	3,813,302	-89.24%
Profit/(Loss) after tax	(883,692)	2,802,014	-131.54%
Shareholders' funds	10,223,180	11,106,872	-7.96%
Average number of employees	216	183	+18.03%

This report was approved by the board of directors on 17 November 2021 and signed on behalf of the board by:



Mr H P Singh
Director

2 Excel Aviation Limited

Directors report Year ended 31 March 2021

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

Directors

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

C J R Norton
A C Offer
H P Singh
A J W Rae

Dividends

No dividends will be distributed for the year ended 31 March 2021 (2020 : Nil)

Charitable Donations and Expenditure

During the year, the Company made no charitable donations (2020: £36,186).

Disclosure in the Strategic Report

The following information has been disclosed in the strategic report:

- The principal activity of the Company during the year
- The principal risks and uncertainties of the Company
- The going concern of the Company

2 Excel Aviation Limited

Directors report (continued) Year ended 31 March 2021

Director's Responsibilities Statement

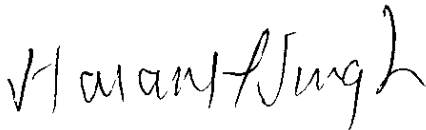
The Directors are responsible for preparing the Company Strategic Report, the Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

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). 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 the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

This report was approved by the board of directors on 17 November 2021 and signed on behalf of the board by:



Mr H P Singh
Director

2 Excel Aviation Limited

**Statement of comprehensive income
Year ended 31 March 2021**

	Note	2021 £	2020 £
Turnover	3	28,265,914	32,992,959
Cost of sales		(8,534,186)	(11,091,247)
Gross profit		<u>19,731,728</u>	<u>21,901,712</u>
Administrative expenses		(19,967,577)	(18,167,522)
Other operating income	4	646,011	79,112
Operating profit	5	<u>410,162</u>	<u>3,813,302</u>
Other interest receivable and similar income	8	207	-
Interest payable and similar expenses	9	(1,813,789)	(1,491,384)
(Loss)/profit before taxation		(1,403,420)	2,321,918
Tax on (loss)/profit	10	519,728	480,096
(Loss)/profit for the financial year and total comprehensive income		<u>(883,692)</u>	<u>2,802,014</u>

All the activities of the company are from continuing operations.

The notes on pages 14 to 30 form part of these financial statements.

2 Excel Aviation Limited

Statement of financial position 31 March 2021

	Note	2021 £	£	2020 £	£
Fixed assets					
Intangible assets	12	704,563		1,099,789	
Property, Plant and Equipment	13	11,394,046		13,034,625	
Investments	14	428,516		426,796	
		12,527,125		14,561,210	
Current assets					
Stocks	15	2,500		2,500	
Debtors	16	25,521,667		18,498,972	
Cash at bank and in hand		3,457,161		20,408	
		28,981,328		18,521,880	
Creditors: amounts falling due within one year	18	(7,091,129)		(8,214,095)	
Net current assets		21,890,199		10,307,785	
Total assets less current liabilities		34,417,324		24,868,995	
Creditors: amounts falling due after more than one year	19	(24,194,144)		(13,762,123)	
Net assets		10,223,180		11,106,872	
Capital and reserves					
Called up share capital	20	420		420	
Share premium account	21	471,700		471,700	
Profit and loss account	21	9,751,060		10,634,752	
Shareholders funds		10,223,180		11,106,872	

For the year ending 31 March 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors responsibilities:

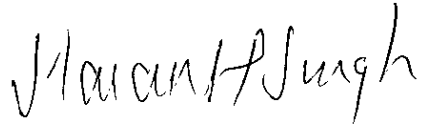
- The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

The notes on pages 14 to 30 form part of these financial statements.

2 Excel Aviation Limited

Statement of financial position (continued)
31 March 2021

These financial statements were approved by the board of directors and authorised for issue on 17 November 2021, and are signed on behalf of the board by:



Mr H P Singh
Director

Company registration number: 05391365

The notes on pages 14 to 30 form part of these financial statements.

2 Excel Aviation Limited

Statement of changes in equity Year ended 31 March 2021

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 April 2019	420	471,700	7,832,738	8,304,858
(Loss)/profit for the year			2,802,014	2,802,014
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>2,802,014</u>	<u>2,802,014</u>
At 31 March 2020 and 1 April 2020	<u>420</u>	<u>471,700</u>	<u>10,634,752</u>	<u>11,106,872</u>
(Loss)/profit for the year			(883,692)	(883,692)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(883,692)</u>	<u>(883,692)</u>
At 31 March 2021	<u>420</u>	<u>471,700</u>	<u>9,751,060</u>	<u>10,223,180</u>

2 Excel Aviation Limited

Statement of cash flows Year ended 31 March 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
(Loss)/profit for the financial year		(883,692)	2,802,014
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		2,092,162	1,969,880
Amortisation of intangible assets		395,226	388,183
Other interest receivable and similar income		(207)	-
Interest payable and similar expenses		1,813,789	1,491,384
Gain/(loss) on disposal of property, plant and equipment		(16,333)	101,475
Tax on loss/profit		(519,728)	(480,096)
Research and Development Expenditure Credit		(120,837)	
Accrued expenses/(income)		229,441	534,344
<i>Changes in:</i>			
Trade and other debtors		(6,402,027)	(6,050,164)
Trade and other creditors		(2,506,636)	2,875,740
Cash generated from operations		<u>(5,981,842)</u>	<u>3,632,760</u>
Interest paid		(1,813,789)	(1,491,384)
Interest received		207	-
Tax received		480,096	-
Net cash (used in)/from operating activities		<u>(7,252,328)</u>	<u>2,141,376</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(461,250)	(1,991,700)
Proceeds from sale of property, plant and equipment		26,000	150,000
Purchase of intangible assets		-	(422,557)
Acquisition of subsidiaries		(1,300)	-
Acquisition of interests in associates and joint ventures		(420)	-
Net cash used in investing activities		<u>(436,970)</u>	<u>(2,264,257)</u>
Cash flows from financing activities			
New borrowings		24,194,144	-
Repayments of borrowings		(13,762,123)	(798,038)
Proceeds from loans from company undertakings		1,323,616	163,369
Proceeds from loans from participating interests		-	372,577
Net cash from/(used in) financing activities		<u>11,755,637</u>	<u>(262,092)</u>
Net increase/(decrease) in cash and cash equivalents		4,066,339	(384,973)
Cash and cash equivalents at beginning of year	17	(609,178)	(224,205)
Cash and cash equivalents at end of year	17	<u>3,457,161</u>	<u>(609,178)</u>

2 Excel Aviation Limited

Notes to the financial statements Year ended 31 March 2021

1. General information

2 Excel 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 General Information page.

2. Accounting policies

Basis of preparing the financial statements

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. The Financial Statements have been prepared under the historical cost convention.

The Financial Statements are presented in Sterling (£).

The principal activity of the Company is that of providing aerospace services.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the Company.

Investment in subsidiaries and associates

Investment in subsidiaries and associates are recognised initially in the individual Financial Statements at fair value which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through profit and loss). Subsequently, they are measured at fair value through profit or loss except those investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available. If a reliable measure of fair value is no longer available, the investment's fair value on the last date the investment was reliably measurable is treated as the cost of the investment.

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

2. Accounting policies - continued

Significant judgements and estimates

The preparation of the Company Financial Statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year.

The estimates and associated assumptions are evaluated on an ongoing basis and are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The judgements applied and key sources of estimation uncertainty are as follows:

Amounts owed by related companies. The Directors have applied judgement in determining that the amounts owed from related companies 2 Excel Engineering Limited and 21T Limited of £3.1m and £5.8m respectively are considered fully recoverable at the balance sheet date and that therefore no provision against these balances is required. This assessment has been made by reference to expected post balance sheet repayment of these balances, continued trading with the Company and further anticipated investment into these entities.

Recoverability of research and development (R) tax credits. The Directors have applied judgement in assessing the recoverability of research and development tax credits at 31 March 2021, and also therefore in determining the extent of tax credit to recognise in the profit and loss account. This is based on the Directors' assessment of the nature and validity of the claims. No R & D claim has been recognised in relation to FY 2021 as the Directors consider there to be insufficient certainty over quantum and therefore ultimate recovery.

Deferred tax. The Directors have considered the overall deferred tax position of the Company at both 31 March 2020 and 31 March 2021 and have concluded that there are sufficient deferred tax assets available in the form of tax losses and unrecognised R & D claim to offset deferred tax liabilities arising on fixed asset timing differences.

Carrying value of intangible assets. The Directors have considered the future net operating cash flows that will be generated from the development costs intangible assets. They have determined that amounts reflected in carrying value at 31 March 2021 represent assets that will be fully recovered from future cash flows. The Directors do not therefore consider that any impairment provisions are required.

Going concern. The Directors have applied judgement in forming their assessment that the Company are a going concern. Details of the key matters considered, and the judgements and estimates applied are given earlier in the Strategic Report.

Revenue

Revenue represents the total invoice value, excluding value added tax, of sales made during the year. Revenue is recognised at the point the company has transferred to the buyer the significant risks and rewards, the amount of the turnover can be measured reliably, and it is probable the economic benefits associated with the transactions will flow to the company.

Revenue related to contracts with the customers are recognised in accordance with the stage of completion of the contract. Revenue on contracts with customers comprises of the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is agreed with the customer.

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

2. Accounting policies - continued

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Current tax is tax payable or refundable in respect of the taxable profit or tax loss for the current period or past reporting periods.

Deferred taxation

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- The Company is able to control the reversal of the timing difference; and
- It is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of the changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provision for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- The Company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- The deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

2. Accounting policies - continued

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.

Development costs are amortised over 5 years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold property	- over the life of the lease
Aircraft and helicopter	- at variable rates on reducing balance
Fittings fixtures and equipment	- 33%/10% on reducing balance
Motor vehicles	- 5 years
Aircraft Equipment	- 20% on reducing balance

Fixed asset investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses. Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Impairment of financial assets

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

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

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

Stocks

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

2. Accounting policies - continued

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Research & Development Tax credit is recognised as a grant that becomes receivable as compensation for expenses or losses already incurred shall be recognised in income in the period in which it becomes receivable.

Financial instruments

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

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

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

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

2. Accounting policies - continued

Pension costs and other post-retirement benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Basic financial assets

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

Other financial assets

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

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

2. Accounting policies - continued

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

Equity instruments

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

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

3. Turnover

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

4. Other operating income

	2021	2020
	£	£
Rental income	65,295	62,711
Other operating income	580,716	16,401
	<u>646,011</u>	<u>79,112</u>

5. Operating loss/profit

Operating loss/profit is stated after charging/(crediting):

	2021	2020
	£	£
Amortisation of intangible assets	395,226	388,183
Depreciation of tangible assets	2,092,162	1,969,880
(Gain)/loss on disposal of tangible assets	(16,333)	101,475
Operating lease rentals	652,129	655,895
Foreign exchange differences	54,708	82,310
Fees payable for the audit of the financial statements	40,000	30,000
Contribution to the Employee Ownership Trust	299,665	546,406
	<u> </u>	<u> </u>

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

6. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2021	2020
Management	4	4
Operations and administration	212	179
	216	183

The aggregate payroll costs incurred during the year were:

	2021	2020
	£	£
Wages and salaries	8,063,820	6,668,596
Redundancy	1,023	-
Social security costs	996,410	842,895
Other pension costs	741,217	628,513
	9,802,470	8,140,004

The company operates a stakeholder defined contribution pension scheme for the benefit of the employees and Directors. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the year amounted to £741,217 (2020 : £628,513)

7. Directors remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2021	2020
	£	£
Remuneration	605,293	605,517
	605,293	605,517

Remuneration of the highest paid directors in respect of qualifying services:

	2021	2020
	£	£
Emoluments	250,000	252,799
	250,000	252,799

8. Other interest receivable and similar income

	2021	2020
	£	£
Bank deposits	207	-
	207	-

9. Interest payable and similar expenses

	2021	2020
	£	£
Other interest payable and similar expenses	1,813,789	1,491,384
	1,813,789	1,491,384

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

10. Tax on loss/profit

Major components of tax income

	2021 £	2020 £
Current tax:		
UK current tax income	(519,728)	(480,096)
Tax on loss/profit	<u>(519,728)</u>	<u>(480,096)</u>

Reconciliation of tax income

The tax assessed on the loss/profit for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%).

	2021 £	2020 £
(Loss)/profit before taxation	(1,403,420)	2,321,918
(Loss)/profit multiplied by rate of tax	(266,650)	441,164
Effect of expenses not deductible for tax purposes	448	6,647
Effect of capital allowances and depreciation	282,535	64,038
Utilisation of tax losses	-	(531,129)
R & D Relief	(519,728)	(480,096)
Sale of assets	(16,333)	19,280
Tax on loss/profit	<u>(519,728)</u>	<u>(480,096)</u>

The company has unrelieved tax losses. No deferred tax asset has been recognised in respect of these losses. There is uncertainty over timing of available future profits for offset against deferred tax liabilities from fixed asset timing differences.

Factors that may affect future tax charge

On 10 June 2021, the Finance Bill 2021 received Royal Assent. The Bill confirms an increase in the corporation tax rate from 1 April 2023. From this date, the rate will taper from 19% for businesses with profits of less than £50,000 to 35% for businesses with profits over £250,000.

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

11. Earnings per share

Basic earnings/(loss) per share

The earnings/(loss) and weighted average number of shares used in the calculation of basic earnings/(loss) per share are as follows:

	2021	2020
	£	£
(Loss)/profit for the year attributable to the owners of the company	(883,692)	2,802,014
	<u> </u>	<u> </u>

Diluted earnings/(loss) per share

The earnings/(loss) and weighted average number of shares used in the calculation of diluted earnings/(loss) per share are as follows:

	2021	2020
	£	£
Earnings/(loss) used in calculation of basic earnings/(loss) per share	(883,692)	2,802,014
	<u> </u>	<u> </u>

12. Intangible assets

	Development costs	Total
	£	£
Cost		
At 1 April 2020 and 31 March 2021	2,363,474	2,363,474
	<u> </u>	<u> </u>
Amortisation		
At 1 April 2020	1,263,685	1,263,685
Charge for the year	395,226	395,226
	<u> </u>	<u> </u>
At 31 March 2021	1,658,911	1,658,911
	<u> </u>	<u> </u>
Carrying amount		
At 31 March 2021	704,563	704,563
	<u> </u>	<u> </u>
At 31 March 2020	1,099,789	1,099,789
	<u> </u>	<u> </u>

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

13. Tangible assets

	Short leasehold	Aircraft and helicopter	Fittings, fixtures and equipment	Motor vehicles	Aircraft Equipment	Total
	£	£	£	£	£	£
Cost						
At 1 April 2020	166,312	7,445,624	995,093	27,780	14,092,187	22,726,996
Additions	-	-	71,892	-	389,358	461,250
Disposals	-	(15,500)	-	-	-	(15,500)
At 31 March 2021	<u>166,312</u>	<u>7,430,124</u>	<u>1,066,985</u>	<u>27,780</u>	<u>14,481,545</u>	<u>23,172,746</u>
Depreciation						
At 1 April 2020	71,880	2,271,300	627,049	10,770	6,711,372	9,692,371
Charge for the year	18,829	251,431	87,592	6,945	1,727,365	2,092,162
Disposals	-	(5,833)	-	-	-	(5,833)
At 31 March 2021	<u>90,709</u>	<u>2,516,898</u>	<u>714,641</u>	<u>17,715</u>	<u>8,438,737</u>	<u>11,778,700</u>
Carrying amount						
At 31 March 2021	<u>75,603</u>	<u>4,913,226</u>	<u>352,344</u>	<u>10,065</u>	<u>6,042,808</u>	<u>11,394,046</u>
At 31 March 2020	<u>94,432</u>	<u>5,174,324</u>	<u>368,044</u>	<u>17,010</u>	<u>7,380,815</u>	<u>13,034,625</u>

14. Investments

	Shares in undertakings	Company Participating interests
	£	£
Cost		
At 1 April 2020	426,713	83
Additions	1,300	420
At 31 March 2021	<u>428,013</u>	<u>503</u>
Impairment		
At 1 April 2020 and 31 March 2021	-	-
Carrying amount		
At 31 March 2021	<u>428,013</u>	<u>503</u>
At 31 March 2020	<u>426,713</u>	<u>83</u>

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

14. Investments – continued

On 21 January 2021, a number of additional entities were acquired, or part acquired by the Company as part of a wide restructuring exercise.

Investments in Company undertakings

	Registered office	Class of of shares held	Percentage held
Subsidiary undertakings			
2 Excel Management Limited	UK	Ordinary shares	100
2 Excel Aviation Training APS	Denmark	Ordinary shares	100
2 Excel Design Limited	UK	Ordinary shares	100
GCP Aviation Limited	UK	Ordinary shares	100
T2 Aviation Limited	UK	Ordinary shares	63
2 Excel Geo Limited	UK	Ordinary shares	100
2 Excel Leading Edge Limited	UK	Ordinary shares	100
ACH London Limited	UK	Ordinary shares	100
ACH Excalibur Limited	UK	Ordinary shares	100
ACH (Witham) Limited	UK	Ordinary shares	100
Participating interest			
21T Limited	UK	Ordinary shares	33
Blades Racing Team Limited	UK	Ordinary shares	50
3XL Aviation Limited	UK	Ordinary shares	50

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

14. Investments - continued

The results and capital and reserves for the period of the trading companies are as follows:

	Capital and reserves		Profit/(loss) for the period	
	2021 £	2020 £	2021 £	2020 £
Subsidiary undertakings				
2 Excel Management Limited	(310,645)	(275,108)	(35,537)	(147,725)
2 Excel Aviation Training APS	10,071	(14,446)	1,056	(2,430)
2 Excel Design Limited	(410,462)	(397,149)	(13,313)	(13,168)
GCP Aviation Limited	(407,360)	(308,322)	(99,038)	(107,384)
T2 Aviation Limited	(899,392)	(1,703,247)	803,855	805,582
2 Excel Geo Limited	(1,629)	(1,127)	(502)	(612)
2 Excel Leading Edge Limited	100	100	-	-
ACH London Limited	499,518	280,870	218,648	280,450
ACH (Witham) Limited	219,490	118,533	100,957	103,669
ACH Excalibur Limited	(58,291)	-	(58,711)	-

15. Inventories

	2021 £	2020 £
Finished goods	2,500	2,500

16. Debtors

	2021 £	2020 £
Trade debtors	1,838,889	3,588,717
Amounts owed by group undertakings	12,638,820	1,377,780
Amounts owed by participating interests	4,596,863	2,529,182
Prepayments and accrued income	2,653,764	4,832,136
Other debtors	3,793,331	6,171,157
	<u>25,521,667</u>	<u>18,498,972</u>

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

17. Cash and cash equivalents

	2021	2020
	£	£
Cash at bank and in hand	3,457,161	20,408
Bank overdrafts	-	(629,586)
	3,457,161	(609,178)

18. Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loans and overdrafts	-	629,586
Trade creditors	1,900,723	4,603,941
Amounts owed to group undertakings	1,737,110	201,700
Accruals and deferred income	1,799,567	1,341,199
Social security and other taxes	1,586,946	1,081,117
Other creditors	66,783	356,552
	7,091,129	8,214,095

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

	2021	2020
	£	£
Other creditors	24,194,144	13,762,123
	24,194,144	13,762,123

During the year, the Company refinanced its existing debt with a new facility of £24,194,144 with Signal Partners (2002 : £13,762,123 with Beechbrook). The loan facility provider has a fixed and floating charge over all the assets of the Company. The loan is repayable on 21 January 2026. The cash interest is 7% per annum.

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

20. Called up share capital Issued, called up and fully paid

	2021		2020	
	No	£	No	£
Ordinary shares of £ 1.00 each	420	420	420	420

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company.

21. Reserves

Retained Earnings

Retained earnings include all current and prior period retained profits.

22. Analysis of changes in net debt

	At 1 April 2020	Cash flows	At 31 March 2021
	£	£	£
Cash and cash equivalents	20,408	3,436,753	3,457,161
Bank overdrafts	(629,586)	629,586	-
Debt due within one year	(201,700)	(1,535,410)	(1,737,110)
Debt due after one year	(13,762,123)	(10,432,021)	(24,194,144)
	<u>(14,573,001)</u>	<u>(7,901,092)</u>	<u>(22,474,093)</u>

23. Operating leases

The company as lessee

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2021 £	2020 £
Not later than 1 year	476,779	476,779
Later than 1 year and not later than 5 years	914,297	1,244,634
Later than 5 years	-	146,442
	<u>1,391,076</u>	<u>1,867,855</u>

2 Excel Aviation Limited

Notes to the financial statements (continued) Year ended 31 March 2021

24. Related party transactions

3XL Aviation Limited

3XL Aviation is a company in which C Norton is a Director. 2Excel Aviation Limited invoiced 3XL Aviation for services amounting to £309,828 (2020: £309,367). 3XL Aviation Limited owed £67,711 as at 31 March 2021 (2020 - £6,722).

Heathmatic Limited

The Company was invoiced by Heathmatic Limited for Director fees amounting to £125,000 (2020 - £125,000), a company in which H Singh, a Director of the Company, is the sole shareholder. There was no outstanding balance as of 31 March 2021 (or 2020).

Blades Racing Team Limited

Blades Racing Team Limited (BRT) is a company in which the Company owns 50% of its shareholding and A Offer is also a Director. As at 31 March 2021, the Company has a balance payable of £57,322 (2020:- £82,302) due to BRT. In the year, 2Excel Aviation Limited invoiced BRT the amount of £0 (2020: £389,865).

21T Limited

21T Limited is a company in which the Company owns 33.33% of its shareholding and A Offer is also a Director. As at 31 March 2021, the Company has a balance receivable of £5,758,806 (2020: £5,197,144) due from 21T Limited. 2Excel Aviation Limited invoiced 21T Limited the amount of £3,193,644 (2020: £4,354,615). During the year, the loan to 21T Limited increased to £4,532,819 (2020 : £2,446,881).

2Excel Engineering Limited

2 Excel Engineering Limited (2EE) is a company in which C Norton is a Director. The company was invoiced £1,512,259 (2020: £822,637) for services delivered by 2EE and the company invoiced £195,750 (2020: £61,664) for services it delivered to 2EE. On 31 March 2021, the Company is owed by 2EE £2,937,383 (2020:- £3,089,946). During the year, 2EE paid £10,786 (2020 : -£284,419) to 2 Excel Aviation Limited towards its loan. The balance outstanding as at 31 March 2021 is £3,077,825 (2020 : £3,088,612).

Loans to associates are unsecured and interest free.

The Company repaid £278,137 to the Directors during the year.

Management

All Directors have the authority and responsibility for planning, directing and controlling the activities of the company together with the board of management (15 individuals - £1,494,586) (2020: 17 - £1,521,139).

25. Contingent Liabilities

As at 31 March 2021, the Company had no contingent liabilities.

26. Controlling party

The ultimate controlling party is 2 Excel (Holdings) Limited, a company registered in England & Wales