

Registered number: 02212225

**TITAN AIRWAYS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

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## **TITAN AIRWAYS LIMITED**

### **COMPANY INFORMATION**

<b>Directors</b>	G H Willson G N Baguley J H Francis A J Kiernan A M Willson P N Woodman S P Payne J C Dennett (appointed 1 November 2017)
<b>Company secretary</b>	E Fethi
<b>Registered number</b>	02212225
<b>Registered office</b>	Enterprise House Stansted Airport Essex CM24 1RN
<b>Independent auditors</b>	Price Bailey LLP Chartered Accountants & Statutory Auditors Causeway House 1 Dane Street Bishop's Stortford Hertfordshire CM23 3BT

# **TITAN AIRWAYS LIMITED**

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## **TITAN AIRWAYS LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018**

#### **Introduction**

Throughout the year the activities of the company continued to relate to the provision of passenger and freight air transport.

#### **Business review**

During the year the planned fleet modernisation and growth continued with the replacement of an older Boeing 737-300 with a Boeing 737-400 and the disposal of an Airbus A320 at the end of a busy summer season, being replaced after the winter season (shortly after the reporting date) by 2 younger and larger Airbus A321. Additionally, the company further expanded the niche markets it operates in with the introduction of the all business class Airbus A318.

Net fleet size increased by 10% year on year, which helped facilitate revenue growth of 10.7% to £98.9m (2017 - £89.3m).

Gross profit remained consistent at £12m (2017 - £12.2m), with gross profit margin decreasing by 1.6ppt to 12.1% reflecting a change in business mix and increased revenues in the low season which attract lower margins.

Operating profit reduced following last year's exceptional performance to £5m (2017 - £5.5m), but the performance remains above the long-term trend. Operating margin decreased to 5.1% (2017 - 6.1%).

The Directors are very pleased with another good performance, and the continuing progress made towards modernising the fleet and developing new business opportunities in existing and new markets. The economic and industry conditions remain strong, with high demand from both UK and overseas customers, with the expectation of a continuation to the strong operating profitability.

The company remains in a robust position, with a strong balance sheet, significant cash reserves and very strong operational cash flows. The company continues to seek opportunities to modernise the fleet and develop niche opportunities, whilst remaining dynamic to the market conditions.

#### **Future developments and events since the reporting date**

The directors remain optimistic for continued profitability in the year, as economic and market conditions along with demand remain very strong.

Since the year end the company entered into new operating leases and took delivery from its parent company of two Airbus A321s. Both aircraft immediately entered service following delivery on summer long contracts.

In addition to these newer Airbus', the directors remain focussed on its fleet objectives, to modernise the fleet whilst exploring niche opportunities and continually evaluating new aircraft opportunities.

## **TITAN AIRWAYS LIMITED**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018**

#### **Principal risks and uncertainties**

##### **Economic conditions**

Both industry specific economic factors as well as the wider economy, both in the UK and Europe present a risk to the demand levels for the group's services.

The group seeks to maintain its offering of a diverse and premium product and service. The group operates with a diversified market presence, offering services to both the passenger and freight markets, as well as to a varied customer base within those markets, covering both airlines and charter requirements, with a wide range of service offerings available. This diversified offering along with the ability to react quickly, generally much quicker than the competition and wider industry in adapting to changes in any individual market conditions, not only helps mitigate against the risk from a negative change in economic conditions but also to capitalise on positive changes in those conditions.

Economic condition risk is also mitigated with the strong asset base, modest gearing, strong EBITDA and the resulting operational cashflows.

##### **Currency risk**

The company has exposure to currency risk due to costs being incurred in foreign currencies, predominantly US Dollars and Euro.

The company monitors its currency exposure and manages the risk through a combination of natural hedging, derivatives and the ability to pass on some increase in currency costs to its customers.

Natural hedging is achieved by obtaining an income stream that is denominated in US Dollar and Euro as well as Sterling. In addition to the proportion of exposure managed through a natural hedge, the company purchases currency derivatives as hedging instruments. The company also has the ability to pass on some of the exposure to the customer, thereby further reducing exposures to foreign exchange fluctuations.

##### **Commodity prices - Fuel**

The company has some exposure to commodity price of fuel. This risk is significantly lesser for the company than the industry standard, due to having no exposure on sales made to other airlines. These contracts exclude all direct costs, including fuel, as these are settled directly by the customer airlines, therefore eliminating the company's exposure on these contracts. For all other contracts, the fuel price risk arising from increases in the underlying commodity price are managed through either the ability to pass the exposure on to the customer, or via the purchase of derivative financial instruments to fix fuel prices.

##### **Interest Rate risk**

The company has no interest bearing debt and therefore currently has no exposures to interest rate fluctuations.

#### **Financial key performance indicators**

The directors consider the business' key performance indicators to be turnover, gross margins and operating profit. All of these key performance indicators are referenced in the business review above.

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

**S P Payne**  
Director



Date: 23 July 2018

## **TITAN AIRWAYS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018**

The directors present their report and the financial statements for the year ended 31 March 2018.

#### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £3,403,490 (2017 - £4,445,903).

The directors have paid an interim dividend amounting to £Nil (2017 - £5,000,000) and no final dividend was declared (2017 - £Nil).

#### **Directors**

The directors who served during the year were:

G H Willson  
G N Baguley  
J H Francis  
A J Kiernan  
A M Willson  
P N Woodman  
S P Payne  
J C Dennett (appointed 1 November 2017)

#### **Matters covered in the strategic report**

The company has chosen in accordance with section 414C(11) to set out all information regarding future developments within the company's strategic report.

**TITAN AIRWAYS LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2018**

**Disclosure of information to auditors**

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

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

**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**Auditors**

The auditors, Price Bailey LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



**S P Payne**  
Director

Date: 23 July 2018

## **TITAN AIRWAYS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TITAN AIRWAYS LIMITED**

#### **Opinion**

We have audited the financial statements of Titan Airways Limited (the 'Company') for the year ended 31 March 2018, which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

#### **Use of our 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 Auditors' 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.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## **TITAN AIRWAYS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TITAN AIRWAYS LIMITED (CONTINUED)**

#### **Other information**

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

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

We have nothing to report in this regard.

#### **Opinion 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 the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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.

#### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 3, 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.

**TITAN AIRWAYS LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TITAN AIRWAYS LIMITED  
(CONTINUED)**

**Auditors' responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.



Richard Vass (Senior Statutory Auditor)

for and on behalf of  
**Price Bailey LLP**

Chartered Accountants  
Statutory Auditors

Causeway House  
1 Dane Street  
Bishop's Stortford  
Hertfordshire  
CM23 3BT

23 July 2018

**TITAN AIRWAYS LIMITED**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 £	2017 £
Turnover	5	98,855,508	89,298,800
Cost of sales		(86,872,418)	(77,100,486)
<b>Gross profit</b>		<u>11,983,090</u>	<u>12,198,314</u>
Administrative expenses		(8,191,685)	(6,716,618)
Exceptional item	6	1,204,976	-
<b>Operating profit</b>	7	<u>4,996,381</u>	<u>5,481,696</u>
Interest receivable and similar income	11	146,350	122,765
Interest payable and similar expenses	12	(930,490)	(6,687)
<b>Profit before tax</b>		<u>4,212,241</u>	<u>5,597,774</u>
Tax on profit	13	(808,751)	(1,151,871)
<b>Profit for the financial year</b>		<u><u>3,403,490</u></u>	<u><u>4,445,903</u></u>

The notes on pages 12 to 27 form part of these financial statements.

**TITAN AIRWAYS LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2018**

	2018 £	2017 £
Profit for the financial year	3,403,490	4,445,903
<b>Other comprehensive income</b>		
Fair value cash flow hedges gains in the year	265,788	345,573
Deferred tax charge relating to fair value movements above	(34,636)	(179,564)
Transfer (from)/to the income statement in the year	(83,495)	550,983
<b>Other comprehensive income for the year</b>	147,657	716,992
<b>Total comprehensive income for the year</b>	3,551,147	5,162,895

The notes on pages 12 to 27 form part of these financial statements.

**TITAN AIRWAYS LIMITED**  
**REGISTERED NUMBER: 02212225**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	15	2,520,721	2,036,203
Investments	16	50	50
		<u>2,520,771</u>	<u>2,036,253</u>
<b>Current assets</b>			
Stocks	17	907,281	844,355
Debtors: amounts falling due after more than one year	18	1,443,465	1,191,567
Debtors: amounts falling due within one year	18	23,930,179	23,090,499
Short term deposits		2,502,342	-
Bank & cash equivalents		<u>24,779,466</u>	<u>10,773,005</u>
		53,562,733	35,899,426
Creditors: amounts falling due within one year	20	<u>(35,548,760)</u>	<u>(19,563,855)</u>
<b>Net current assets</b>		18,013,973	16,335,571
<b>Total assets less current liabilities</b>		<u>20,534,744</u>	<u>18,371,824</u>
Creditors: amounts falling due after more than one year	21	-	(11,271)
<b>Provisions for liabilities</b>			
Other provisions	24	<u>(4,649,461)</u>	<u>(6,026,417)</u>
		(4,649,461)	(6,026,417)
<b>Net assets</b>		<u>15,885,283</u>	<u>12,334,136</u>
<b>Capital and reserves</b>			
Called up share capital	25	5,000	5,000
Other reserves	26	127,203	(20,454)
Profit and loss account	26	<u>15,753,080</u>	<u>12,349,590</u>
		<u>15,885,283</u>	<u>12,334,136</u>

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



**S P Payne**  
Director

Date: 23 July 2018

The notes on pages 12 to 27 form part of these financial statements.

**TITAN AIRWAYS LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital £	Cash flow hedge reserve £	Retained earnings £	Total equity £
At 1 April 2017	5,000	(20,454)	12,349,590	12,334,136
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	3,403,490	3,403,490
Taxation in respect of fair value movements below	-	(34,636)	-	(34,636)
Fair value movement	-	265,788	-	265,788
Transfer from the income statement in the period	-	(83,495)	-	(83,495)
<b>Other comprehensive income for the year</b>	-	147,657	-	147,657
<b>Total comprehensive income for the year</b>	-	147,657	3,403,490	3,551,147
<b>At 31 March 2018</b>	<b>5,000</b>	<b>127,203</b>	<b>15,753,080</b>	<b>15,885,283</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital £	Cash flow hedge reserve £	Retained earnings £	Total equity £
At 1 April 2016	5,000	(737,446)	12,903,687	12,171,241
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	4,445,903	4,445,903
Taxation in respect of fair value movements below	-	(179,564)	-	(179,564)
Fair value movement	-	345,573	-	345,573
Transfer to the income statement in the period	-	550,983	-	550,983
<b>Other comprehensive income for the year</b>	-	716,992	-	716,992
<b>Total comprehensive income for the year</b>	-	716,992	4,445,903	5,162,895
Dividends: Equity capital	-	-	(5,000,000)	(5,000,000)
<b>At 31 March 2017</b>	<b>5,000</b>	<b>(20,454)</b>	<b>12,349,590</b>	<b>12,334,136</b>

The notes on pages 12 to 27 form part of these financial statements.

## **TITAN AIRWAYS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

#### **1. General information**

Titan Airways Limited (the 'Company') is a private company limited by shares incorporated in England, United Kingdom.

The address of the registered office is Enterprise House, Stansted Airport, Essex, CM24 1RN. The nature of the company's operations and principal activities are the provision of passenger and freight air transport, with its operational base being London Stansted Airport.

#### **2. Statement of compliance**

The individual financial statements of the Company have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ('FRS102') and the Companies Act 2006.

#### **3. Accounting policies**

##### **3.1 Summary of significant accounting policies**

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

##### **3.2 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 4).

##### **3.3 Financial reporting standard 102 - reduced disclosure exemptions**

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Hagondale Limited as at 31 March 2018 and these financial statements may be obtained from the company's registered address.

## **TITAN AIRWAYS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

#### **3. Accounting policies (continued)**

##### **3.4 Revenue**

Revenue which excludes Value Added Tax and Air Passenger Duty is attributable to the provision of freight and passenger air transport.

Revenue is recognised when the service is provided, which is generally on the date of departure of the flights. Where consideration is received for multiple flights under one contract, revenue is recognised in accordance with the stage completion of the overall contract, i.e. a proportionate amount of revenue is recognised on completion of each flight sector.

Cash amounts received from customers for whom revenue has not yet been recognised are recorded in the Statement of Financial Position as deferred income within current liabilities, or within non-current liabilities if the services are to be performed more than twelve months from the reporting date.

##### **3.5 Foreign currency translation**

The Company's functional and presentational currency is the pound sterling ('GBP').

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

##### **3.6 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.



## TITAN AIRWAYS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### 3. Accounting policies (continued)

##### 3.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Aircraft	- 5% - 33% straight line
Motor vehicles	- 25% straight line
Fixtures and equipment	- 20% - 33% straight line
Computer equipment	- 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

##### 3.8 Operating leases

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

##### 3.9 Investments

Joint Ventures are held at cost less impairment.

##### 3.10 Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

## **TITAN AIRWAYS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

#### **3. Accounting policies (continued)**

##### **3.10 Financial instruments (continued)**

Derivatives, including jet fuel swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Income Statement in finance income or finance charges as appropriate, unless they are designated as a hedge and hedge accounting is applied.

##### **3.11 Hedge accounting**

The Company uses foreign exchange forward contracts to hedge foreign currency risks on transactions denominated in US dollars and Euros. The Company also enters into fixed price jet fuel swaps to hedge fuel price risks and their associated cash flows.

The Company applies hedge accounting to those derivative financial instruments that are designated as cash flow hedges.

These derivatives are measured at fair value at each reporting date, with the changes in fair values of those derivatives designated as cash flow hedges, to the extent that they are effective, being recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffectiveness in the hedging relationship is recognised in the Income Statement.

The gain or loss recognised in other comprehensive income is reclassified to the Income Statement when the hedge relationship ends. The hedge relationship ends when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, or the hedging instrument is terminated.

##### **3.12 Stocks**

Stocks relate to non-major aircraft spare parts, and are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the loss is recognised immediately in the income statement.

Consignment stocks held on the premises are not valued at the year end as no obligation arises until the stock is used, at which point the cost is brought into the accounts.

##### **3.13 Cash and short term deposits**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less.

Short term deposits comprise of cash held on deposits, with maturities of between three months and one year from the reporting date.

##### **3.14 Debtors**

Short term debtors are measured at transaction price, less any impairment.

##### **3.15 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

## **TITAN AIRWAYS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

#### **3. Accounting policies (continued)**

##### **3.16 Provisions for liabilities**

Provisions are made where the Company has a legal or constructive obligation as a result of past events, that gives rise to a probable settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

The Company has provisions for liabilities arising from obligations for aircraft maintenance and return conditions as a result of various aircraft operating leases and in respect of estimated building dilapidation obligations arising from premise operating leases.

##### **3.17 Aircraft Maintenance**

Major aircraft and engine overhauls, and aircraft improvements are capitalised into fixed assets in accordance with the accounting policy for tangible fixed asset.

Provisions are made for major airframe checks, engine shop visits, other major overhauls and end of lease liabilities for aircraft held on operating leases in accordance with the accounting policy for provisions for liabilities.

Routine maintenance is charged to the Income Statement in the year in which it is incurred.

##### **3.18 Pensions**

###### **Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

##### **3.19 Interest income**

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

##### **3.20 Dividends**

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

##### **3.21 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

# TITAN AIRWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 4. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of accounts in conformity with generally accepted accounting principles requires use of estimates and assumptions that effect the reported amounts of assets and liabilities at the reporting date and the reported amount of income and expenses during the reporting period. These amounts are based on managements' best estimates taking into account historical experience and evidence, and expectations of future events that are believed reasonable under the circumstances taking account of facts known at the time. The estimates and assumptions used are continually evaluated by management.

The following accounting policies are considered critical accounting policies as they require a significant amount of management judgement and the results are material to the Company's account.

#### Provisions for aircraft maintenance liabilities (Note 24)

The Company enters into a number of operating leases for aircraft, which incur liabilities for maintenance costs. These arise from legal and constructive obligations relating to the condition of the aircraft on expiry of the lease and return of the aircraft to the lessor. To meet the obligations under the lease the Company will normally have to complete any number of the following checks; heavy airframe check, engine overhauls or other major component overhaul.

A charge is made in the Income Statement based upon consumption of the economic benefit, on either a flight hour, flight cycle or monthly basis. Estimates that are required include the estimated utilisation of the aircraft over the lease term, the timing of the expected events, and the expected cost of the maintenance event at the time of the check.

The assumptions used in all the estimates are reviewed at least annually on the reporting date, or more periodically throughout the year as and when information becomes available, such as changes in estimation of the cost of the maintenance check, changes in actual or expected aircraft utilisation, or renegotiation or extension of the aircraft operating lease.

### 5. Analysis of revenue

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	69,223,691	66,017,797
Rest of Europe	25,403,865	22,844,705
Rest of the world	4,227,952	436,298
	<u>98,855,508</u>	<u>89,298,800</u>

### 6. Exceptional items

	2018 £	2017 £
Release of maintenance provisions on termination of operating leases	<u>(1,204,976)</u>	<u>-</u>

**TITAN AIRWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**7. Operating profit**

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	671,527	744,410
Hire of aircraft	15,805,210	17,675,642
Hire of other assets-operating leases	1,011,570	1,079,530
Exchange differences	(123,023)	(332,764)
	<u>671,527</u>	<u>744,410</u>

**8. Auditors' remuneration**

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	12,250	13,325
	<u>12,250</u>	<u>13,325</u>

**Fees payable to the Company's auditor and its associates in respect of:**

The auditing of accounts of associates of the Company pursuant to legislation	-	2,975
Other services relating to taxation	4,075	3,090
Other accounting services	35,055	-
All other services	3,225	2,575
	<u>42,355</u>	<u>8,640</u>

# TITAN AIRWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 9. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	8,757,363	7,371,481
Social security costs	1,126,074	958,647
Cost of defined contribution scheme	470,858	398,728
	<u>10,354,295</u>	<u>8,728,856</u>

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

	2018 No.	2017 No.
Flight officers	100	71
Office management	4	4
	<u>104</u>	<u>75</u>

### 10. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	961,280	746,131
Directors pension costs	19,606	10,020
	<u>980,886</u>	<u>756,151</u>

During the year retirement benefits were accruing to 3 directors (2017 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £200,371 (2017 - £159,484).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,812 (2017 - £2,798).

### 11. Interest receivable and similar income

	2018 £	2017 £
Bank interest receivable	130,784	121,937
Other interest receivable	15,566	828
	<u>146,350</u>	<u>122,765</u>

**TITAN AIRWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**12. Interest payable and similar expenses**

	2018 £	2017 £
Bank interest payable	4,563	6,687
Foreign exchange movement on revaluation of cash	925,927	-
	<u>930,490</u>	<u>6,687</u>

**13. Taxation**

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	840,720	1,135,941
Adjustments in respect of previous periods	12,214	41,537
<b>Total current tax</b>	<u>852,934</u>	<u>1,177,478</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(44,183)	(25,607)
<b>Total deferred tax</b>	<u>(44,183)</u>	<u>(25,607)</u>
<b>Taxation on profit on ordinary activities</b>	<u>808,751</u>	<u>1,151,871</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>4,212,241</u>	<u>5,597,774</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	800,326	1,119,555
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	9,964	12,180
Change in tax rate	-	971
Adjustments to tax charge in respect of prior periods	(1,539)	19,165
<b>Total tax charge for the year</b>	<u>808,751</u>	<u>1,151,871</u>

**TITAN AIRWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**13. Taxation (continued)**

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

**14. Dividends**

	2018 £	2017 £
Dividends paid on equity capital	-	5,000,000

**15. Tangible fixed assets**

	Aircraft & engines £	Motor vehicles £	Fixtures & fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 April 2017	4,366,265	771,493	1,476,548	500,478	7,114,784
Additions	858,131	142,132	221,831	114,511	1,336,605
Disposals	(411,173)	(120,061)	-	(7,999)	(539,233)
At 31 March 2018	<u>4,813,223</u>	<u>793,564</u>	<u>1,698,379</u>	<u>606,990</u>	<u>7,912,156</u>
<b>Depreciation</b>					
At 1 April 2017	2,684,595	593,866	1,440,585	359,535	5,078,581
Charge for the year on owned assets	481,890	78,731	32,189	78,717	671,527
Disposals	(232,834)	(120,061)	-	(5,778)	(358,673)
At 31 March 2018	<u>2,933,651</u>	<u>552,536</u>	<u>1,472,774</u>	<u>432,474</u>	<u>5,391,435</u>
<b>Net book value</b>					
At 31 March 2018	<u>1,879,572</u>	<u>241,028</u>	<u>225,605</u>	<u>174,516</u>	<u>2,520,721</u>
At 31 March 2017	<u>1,681,670</u>	<u>177,627</u>	<u>35,963</u>	<u>140,943</u>	<u>2,036,203</u>

Included within aircraft and engines are assets with a net book value of £607,905 (2017 - £821,804) pledged as security against group bank financing relating to their purchase.



**TITAN AIRWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**16. Fixed asset investments**

	Investments in participating interests £
<b>Cost or valuation</b>	
At 1 April 2017	50
At 31 March 2018	<u>50</u>
<b>Net book value</b>	
At 31 March 2018	<u>50</u>
At 31 March 2017	<u>50</u>

**17. Stocks**

	2018 £	2017 £
Aircraft spares	<u>907,281</u>	<u>844,355</u>

There is no significant difference between the replacement cost of the stock and its carrying amount.

Stock recognised in cost of sales during the year as an expense was £3,260,409 (2017 - £2,438,379).

**TITAN AIRWAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**18. Debtors**

	2018 £	2017 £
<b>Due after more than one year</b>		
Aircraft security deposit under operating leases	1,440,715	1,132,000
Other deposits	2,750	59,567
	<u>1,443,465</u>	<u>1,191,567</u>
	2018 £	2017 £
<b>Due within one year</b>		
Trade debtors	17,118,159	9,266,339
Amounts owed by group undertakings	2,265,921	6,687,671
Other debtors	853,829	3,337,784
Prepayments and accrued income	3,480,079	3,719,476
Deferred taxation	55,150	45,602
Derivative financial instruments	157,041	33,627
	<u>23,930,179</u>	<u>23,090,499</u>

**19. Cash and short term deposits**

	2018 £	2017 £
Short term deposits	2,502,342	-
Cash and cash equivalents	24,779,466	10,773,005
	<u>27,281,808</u>	<u>10,773,005</u>

**20. Creditors: Amounts falling due within one year**

	2018 £	2017 £
Trade creditors	6,561,414	4,675,517
Amounts owed to group undertakings	1,952,971	183,843
Corporation tax	338,386	133,997
Other taxation and social security	571,152	469,980
Accruals and deferred income	26,124,837	14,052,910
Derivative financial instruments	-	47,608
	<u>35,548,760</u>	<u>19,563,855</u>

# TITAN AIRWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 21. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Derivative financial instruments	-	11,271

### 22. Financial instruments

As stated in note 3.3, the company has claimed disclosure exemptions from the requirement to prepare the financial instrument note.

#### Derivative financial instruments – Foreign currency forward exchange contracts

The company enters into foreign currency exchange forward contracts to mitigate exchange rate risk for certain payables in US dollars and Euros. As at 31 March 2018, the company has no outstanding contracts to buy either US\$ or EUR€ for fixed sterling amounts.

The instruments are designated as cash flow hedges and a hedging loss of £105,250 was recognised in other comprehensive income for changes in fair value of the forward contracts and £142,563 was reclassified from the hedge reserve to the income statement in the year. At the reporting date the forward exchange contracts have a fair value of £Nil.

The fair value of the forward exchange contracts have been determined using valuation techniques that utilise observable market data. The key inputs used are the forward exchange rates for GBP:USD and GBP:EUR.

#### Derivative financial instruments – Jet fuel swap contracts

The company enters into jet fuel swap contracts to mitigate fuel price risk, whereby the company pays a fixed fuel price for a notional quantity and receives a variable fuel price for the same notional quantity. As at 31 March 2018, the company has entered contracts to swap a total fuel notional amounting to 1,596 metric tonnes, with contracts settling on various dates up until October 2018.

The instruments are designated as cash flow hedges and a hedging gain of £371,037 was recognised in other comprehensive income for changes in fair value of the swap contracts and £226,058 was reclassified from the hedge reserve to the income statement in the year. At the reporting date the swap contracts have a fair value of £157,041.

The fair value of the fuel swap contracts have been determined using valuation techniques that utilise observable market data. The key inputs used are the forward swap prices for jet fuel for the relevant periods.

# TITAN AIRWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 23. Deferred taxation

	2018 £	2017 £
At beginning of the year	45,602	199,559
Charged to profit or loss	44,183	25,606
Charged to other comprehensive income	(34,635)	(179,563)
<b>At end of year</b>	<b>55,150</b>	<b>45,602</b>

The deferred tax asset is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	84,052	40,603
Other timing differences	936	202
Deferred tax on items within other comprehensive income	(29,838)	4,797
	<b>55,150</b>	<b>45,602</b>

### 24. Provisions

	Engineering provisions £	Dilapidations £	Total £
At 1 April 2017	5,508,917	517,500	6,026,417
Charged to profit or loss	1,996,785	30,000	2,026,785
Released in the year	(1,313,931)	-	(1,313,931)
Utilised in year	(2,089,810)	-	(2,089,810)
<b>At 31 March 2018</b>	<b>4,101,961</b>	<b>547,500</b>	<b>4,649,461</b>

#### Engineering provisions

The provisions relate to obligations for future unavoidable aircraft maintenance to be incurred under the terms of lease agreements. These provisions are expected to be utilised within four years.

#### Dilapidation provisions

Provisions include the best estimate in respect of expected dilapidation costs for the respective property leases. These provisions are expected to be utilised within two years.

# TITAN AIRWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 25. Share capital

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
5,000 Ordinary shares of £1 each	5,000	5,000

### 26. Reserves

#### Profit & loss account

The profit and loss account represents cumulative profits and losses net of dividends and other adjustments.

#### Cash flow hedge reserve

The cash flow hedge reserve represents the movements in fair value in line with hedge accounting rules.

### 27. Group Guarantee

Companies within the group have provided guarantees for certain bank loans of other group undertakings; the amount outstanding at the year end was £9,801,305 (2017 - £17,133,056).

### 28. Pension commitments

The company operates a defined contributions scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £470,858 (2017 - £398,727). Contributions totalling £4,925 (2017 - £1,062) were payable to the fund at the reporting date.

# TITAN AIRWAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### 29. Commitments under operating leases

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
<b>Land &amp; Buildings</b>		
Not later than 1 year	838,540	115,155
Later than 1 year and not later than 5 years	419,270	-
	<u>1,257,810</u>	<u>115,155</u>
	2018 £	2017 £
<b>Other</b>		
Not later than 1 year	14,531,824	17,116,812
Later than 1 year and not later than 5 years	12,786,870	16,402,735
Later than 5 years	105,346	-
	<u>27,424,040</u>	<u>33,519,547</u>

### 30. Related party transactions

The following transactions occurred with Postal Air Network Limited, a company in which Titan has joint control:

	2018 £	2017 £
Revenue	-	8,041,419
Outstanding balance included within trade debtors	-	-
Outstanding balance included within trade creditors	-	-
	<u>-</u>	<u>-</u>

The company has taken advantage of the exemption from the requirement to disclose transactions within wholly owned group companies.

As stated in note 3.3, the company has also taken advantage of the exemptions available from the requirement to disclose Key Management Personnel Remuneration.

### 31. Controlling party

The company's immediate and ultimate parent company is Hagondale Limited, a company registered in England and Wales. The financial statements of the company are consolidated into the group accounts of Hagondale Limited. Copies of the consolidated accounts of Hagondale Limited may be obtained from the company's registered address.

The ultimate controlling party is G H Willson.