

DHL Aviation (UK) Limited

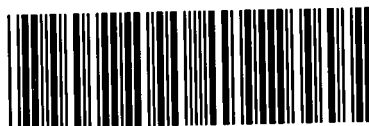
DHL Aviation (UK) Limited

(Registered number: 02096375)

Annual Report and Financial Statements

For the year ended 31 December 2017

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DHL Aviation (UK) Limited

Annual report and financial statements for the year ended 31 December 2017

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DHL Aviation (UK) Limited

Annual report and financial statements for the year ended 31 December 2017

Contents

Directors	N Ferguson D Pedri A Meijer
Company secretary	Mrs Jane Li
Registered number	02096375
Registered office	Southern Hub Unit 1, Horton Road Colnbrook Berkshire SL3 0BB
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Atrium 1 Harefield Road Uxbridge Middlesex UB8 1EX

DHL Aviation (UK) Limited

Strategic report (Registered number: 02096375)

For the year ended 31 December 2017

The directors present their strategic report on the company for the year ended 31 December 2017.

Review of the business

The directors are satisfied with the performance in the year with revenue growing at 14.3% (2016:11.9%) versus 2016 and gross margins have increased slightly at 42.4% (2016: 41.8%) on the previous year. The directors expect to see continued operational growth in the future, and given improving market conditions this is expected to be to a greater extent than observed during 2017.

The company will continue to operate within in its existing markets, providing services for inward, outward and transit movements of documents and freight at UK airports on behalf of the DHL Worldwide Network.

Future developments

The directors expect the commercial environment to remain highly competitive over the coming years from the perspective of both market competition and customer competition. The directors are confident that they will be able to maintain the growth rate for the foreseeable future through increased service and customer satisfaction.

Key performance indicators

The directors have identified the following three key performance indicators ('KPIs') that are regarded as central to the company's profitability.

	2017	2016
Growth in revenue (%)	14.3	11.9
Increase in administration expense £'000	5,110	5,184
Net assets £'000	15,327	12,526

Revenue increased by 14.3% to £107,253,000 in 2017 from £93,855,000 in 2016; the company continues to see a recovery from the recession in increased customer volumes. Correspondingly, there was an increase in the cost of sales, rising by 13.1% to £61,774,000 in 2017, an increase of £7,169,000 over 2016. As a result, our gross profit margins have increased from 41.8% in 2016 to 42.4% in 2017.

Administrative expenses have increased by 14.3% from £36,486,000 in 2016 to £41,596,000 in 2017; the main causes have been increased temporary staffing costs in line with seasonal increases in volume handling and increased customs entries, together with increased costs for the East Midlands Expansion project.

Net assets have increased by 22.4% from £12,526,000 2016 to £15,327,000 2017; the main contributor is increased fixed assets of £27,424,000, decreased current assets of £226,000 and increase in liabilities of £24,397,000

The Directors of the company manage the key performance indicators at a group level and these are discussed in Deutsche Post AG's 2017 annual report which does not form part of this report. The main key performance indicators for the company are considered to be revenue growth and profitability and these trends are analysed in the review of the business above.

Principal risks and uncertainty

The management of the business and the execution of the company's strategy are subject to a number of risks.

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the company.

DHL Aviation (UK) Limited

Strategic report (continued)

For the year ended 31 December 2017

Principal risks and uncertainties (continued)

The key business risks affecting the company are set out below:

Competition

Deutsche Post AG and DHL are in competition with other providers. Such competition can significantly impact our customer base as well as the levels of prices and margins in our markets. In the aviation business, the key factors for success are quality, customer confidence and competitive prices. Thanks to our high quality along with the cost savings we have generated in recent years, we believe that we shall be able to withstand the competition and keep any negative effects at a low level.

Employees

The company's performance depends largely on its regional managers and local staff. The resignation of key individuals and the inability to recruit people with the right experience and skills from the local community could adversely impact the company's results. To mitigate these issues the company have introduced a learning programme for all employees and have implemented a number of schemes linked to the company's results that are designed to retain key individuals.

Internal processes

Logistics services are generally provided in bulk and require a complex operational infrastructure with high quality standards. To consistently guarantee reliability and punctual delivery, processes must be organised so as to proceed smoothly with no technical or personnel-related glitches.

Any weaknesses with regard to posting and collection, sorting, transport, warehousing or delivery could seriously compromise our competitive position. We therefore adapt all processes to current circumstances as needed. We also take preventive measures to guard against disruptions or malfunctions in our operational processes. Should disruptions nonetheless occur, contingency plans will come into effect to minimise the consequences. Some risks from business interruptions are also reduced by our insurance policies.

Supply chain

Given the company's focus on service availability and efficiency, its main aims are customer focus both internationally and locally. At an international level, the company is exposed to potential supply chain disruptions due to aircraft delays and loss of service. The company mitigates these risks through effective contingency plans as well as supplier selection and procurement practices supplemented by appropriate insurance coverage

On behalf of the board



D Pedri
Director

Date 28 September 2018

DHL Aviation (UK) Limited

Directors' report

For the year ended 31 December 2017

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017. The company risk management is disclosed in the strategic report.

Future developments

Future developments are deemed to be of strategic importance to the company and as such have been outlined within the strategic report.

Financial risk

The company is dependent on its parent, hence is funded by Deutsche Post AG via a management fee agreement, and therefore has no major risk of liquidity or interest rate risks.

Strategic information

The future outlook and risk management are explained within the strategic report on pages 1-2.

Dividends

The directors do not recommend the payment of a dividend (2016: £nil).

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

N Ferguson
D Pedri
A Meijer

Third party indemnity provision

The Deutsche Post AG group maintains liability insurance for directors and officers of all subsidiary companies. The company provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purpose of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force.

Employees

The company recognises the benefit of keeping employees informed of the progress of the business and of involving them in the company's performance and, accordingly, maintains regular communications with employees and has well established consultation arrangements.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

DHL Aviation (UK) Limited

Directors' report (continued)

For the year ended 31 December 2017

Statement of directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office for the coming year.

On behalf of the Board



D Pedri
Director

Date 14 September 2018

DHL Aviation (UK) Limited

Independent auditors' report to the members of DHL Aviation (UK) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, DHL Aviation (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

DHL Aviation (UK) Limited

Independent auditors' report to the members of DHL Aviation (UK) Limited (continued)

Reporting on other information (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

DHL Aviation (UK) Limited

Independent auditors' report to the members of DHL Aviation (UK) Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Alex Hookway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

28 September 2018

DHL Aviation (UK) Limited

Statement of comprehensive income For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	4	107,253	93,855
Cost of sales		(61,774)	(54,605)
Gross profit		45,479	39,250
Administrative expenses		(41,596)	(36,486)
Other operating income		567	579
Operating profit	5	4,450	3,343
Finance costs	8	(1,649)	(1,299)
Profit before taxation		2,801	2,044
Income tax expense	9	-	-
Profit for the financial year		2,801	2,044

All amounts related to continuing operations.

The notes on pages 11 to 25 form part of these financial statements.

DHL Aviation (UK) Limited

Statement of financial position For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
ASSETS			
Fixed assets			
Property, plant and equipment	10	173,224	145,800
Total non-current assets		173,224	145,800
Current assets			
Inventories	11	42	71
Trade and other receivables	12	29,340	29,537
Cash and cash equivalents		1	1
Total current assets		29,383	29,609
Total assets		202,607	175,409
LIABILITIES			
Current liabilities			
Trade and other payables	13	172,440	148,491
Non-current liabilities			
Provision for liabilities	14	14,840	14,392
Total liabilities		187,280	162,883
Total assets less current liabilities		30,289	26,918
Net assets		15,327	12,526
EQUITY			
Called up share capital	15	-	-
Retained earnings		15,327	12,526
Total equity		15,327	12,526

The financial statements on pages 8 to 25 were approved by the board on...September 2018 and signed on its behalf by:

D Pedri
Director

18 September 2018

DHL Aviation (UK) Limited

Statement of changes in equity For the year ended 31 December 2016

	Called up share capital	Retained earnings	Total Equity
	£'000	£'000	£'000
Balance as at 1 January 2016	-	10,482	10,482
Profit for the financial year	-	2,044	2,044
Balance as at 31 December 2016	-	12,526	12,526
Profit for the financial year	-	2,801	2,801
Balance as at 31 December 2017	-	15,327	15,327

DHL Aviation (UK) Limited

Notes to the financial statements For the year ended 31 December 2017

1. General Information

DHL Aviation (UK) Limited is a private company limited by shares and it is incorporated in the South West London, United Kingdom. The address of its registered office is Southern Hub, Unit 1, Horton Road, Colnbrook, Berkshire, England SL3 0BB.

The company operates within the logistics markets, providing services for inward, outward and transit movements of documents and freight at UK airports on behalf of the DHL Worldwide Network.

2. Statement of compliance

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

3. Summary of significant accounting policies

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

(a) Basis of preparation

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

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(r).

(b) Going concern

On the basis of their assessment of the company's financial position and resources and financial support of Deutsche Post A.G., the directors believe that the company is well placed to manage its business risks. Therefore the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Exemptions for qualifying entities under FRS 102

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

DHL Aviation (UK) Limited

Notes to the financial statements (continued) **For the year ended 31 December 2017**

3. Summary of significant accounting policies (continued)

(c) Exemptions for qualifying entities under FRS 102 (continued)

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

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

(d) Foreign currencies

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

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

(e) Revenue

Revenue represents the amount billed for the provision of services for inward, outward and transit movements of documents and freight at United Kingdom airports on behalf of the DHL Worldwide Network during the financial year. Revenue is shown net of valued added tax and is recognised as service is provided.

(f) Employee benefits

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

i) Short term benefits

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

DHL Aviation (UK) Limited

Notes to the financial statements (continued) **For the year ended 31 December 2017**

3. Summary of significant accounting policies (continued)

(f) Employee benefits (continued)

ii) Defined contribution pension plans

The company is a member of a group defined contribution pension scheme of which all full time employees, subject to pension fund rules, are eligible to become members. Company contributions are charged against profit as incurred. The pension cost charge disclosed in note 6 represents contributions payable by the company to the fund.

(g) Other operating income

Other operating income represents the amount billed to parties external to group companies in relation to the sub-lease of rented premises, exclusive of value added tax.

(h) Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

The company has entered into an agreement regarding UK corporation tax payments and refunds with Exel Limited, a fellow group undertaking. Under the terms of this agreement, Exel Limited has undertaken to discharge the current and future UK corporation tax liabilities on behalf of, and benefit from any tax recoverable due to, the company. The company recognises its UK corporation tax and deferred tax liabilities but as such liabilities are indemnified by Exel Limited, an indemnification asset for the amount due from Exel Limited is also recognised in the statement of financial position until the amount is settled on the company's behalf. The net tax charge on the profit or loss on ordinary activities that has been indemnified by Exel Limited is netted against the indemnification amount due from Exel Limited in the statement of comprehensive income.

i) Current tax

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

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

DHL Aviation (UK) Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

3. Summary of significant accounting policies (continued)

(i) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and costs attributable to bringing the assets to its working condition.

Depreciation is provided at rates calculated to write-off the cost of fixed assets, less their estimated residual value, over their expected useful economic lives on the following bases:

Long leased assets	-	straight line over lease term or remaining useful life
Leasehold improvements	-	straight line over remaining useful life of asset or lease term, whichever is shorter
Furniture and fittings	-	10% straight line
Computer equipment	-	33.3% straight line
Machinery and other equipment	-	20% straight line

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

Assets in the course of construction are stated at cost. These assets are not depreciated until it is available for use.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

(j) Leased assets

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

- Operating leased assets

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

(k) Impairment of non-financial assets

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

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

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

DHL Aviation (UK) Limited

Notes to the financial statements (continued) **For the year ended 31 December 2017**

3. Summary of significant accounting policies (continued)

(k) Impairment of non-financial assets (continued)

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

(l) Inventories

Inventories are stated at the lower of cost and estimated selling price less cost to complete and sell and consists of consumables. Where necessary, provision is made for obsolete stock. Inventories are valued using the FIFO method of valuation.

(m) Cash and cash equivalents

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

(n) Accrued revenue

Accrued revenue primarily represents unbilled elements of parcel delivery services provided in the period.

(o) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

(p) Financial instruments

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

i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

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

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

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

DHL Aviation (UK) Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

3. Summary of significant accounting policies (continued)

(p) Financial instruments (continued)

i) Financial assets (continued)

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

ii) Financial Liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

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

The company does not hold or issue derivatives financial instruments.

iii) Offsetting

Financial assets and liabilities are offset and the net amount 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.

(q) Related party transaction

The company has taken advantage of the exemptions as provided by section 33.1A of FRS 102 from disclosing related party transactions with wholly owned entities that are part of the Deutsche Post AG group or investees of the Deutsche Post AG group. The company discloses transactions with related parties which are not wholly owned with the same group in note 18.

(r) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. There are no such material adjustments made for the current reporting year.

DHL Aviation (UK) Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

3. Summary of significant accounting policies (continued)

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

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

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

- Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of property, plant and equipment and note 3(i) for the useful economic lives for each class of asset.

4. Revenue

Revenue represents the amount billed for the provision of services for inward, outward and transit movements of documents and freight at United Kingdom airports on behalf of the DHL Worldwide Network during the financial year.

	2017 £'000	2016 £'000
United Kingdom	107,253	93,855
	107,253	93,855

5. Operating profit

Operating profit is stated after charging:	2017 £'000	2016 £'000
Depreciation of property, plant and equipment:		
- owned by the company	3,857	3,791
Auditors' remuneration – audit fee	40	40
Auditors' remuneration – non audit fee	2	-
Operating lease rentals:		
- plant and machinery	1,183	1,054
- land and buildings	3,252	3,364

DHL Aviation (UK) Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

6. Staff costs

Staff costs were as follows:

	2017 £'000	2016 £'000
Wages and salaries	57,933	51,477
Social security costs	4,552	4,152
Pension costs (note 16)	1,430	1,335
	63,915	56,964

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

By activity	2017 Number	2016 Number
Senior management	9	9
Administration	32	34
Operations	1,887	1,663
	1,928	1,706

7. Directors' emoluments

	2017 £'000	2016 £'000
Aggregate emoluments	222	320
Company pension contributions to money purchase pension schemes	-	5
	222	325

Retirement benefits are accruing to 1 director (2016: 1) under a defined contribution pension scheme.

Company pension contributions for this director were Nil (2016:£4,880).

DHL Aviation (UK) Limited

Notes to the financial statements (continued) **For the year ended 31 December 2017**

7. Director's emoluments (continued)

Highest paid director

The highest paid director's emoluments were as follows:

	2017	2016
	£'000	£'000
Aggregate emoluments	207	305
	207	305

8. Finance costs

	2017	2016
	£'000	£'000
Interest payable to Exel Limited (other group undertaking)	1,649	1,299
	1,649	1,299

Interest payable relates to the Exel Limited loan, which attracts interest at variable rates and which is unsecured and repayable on demand.

DHL Aviation (UK) Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

9. Income tax expense

A fellow group undertaking, Exel Limited, has undertaken to discharge the company's liability to UK corporation tax. The company has also agreed that Exel Limited will benefit from any tax recoverable. The indemnification asset arising under this agreement, if any, is disclosed in other trade receivables.

The tax charge is based on the results for the year end and comprises:

	2017 £'000	2016 £'000
UK Corporation tax at 19.25% (2016:20%)		
Current tax on profit for the year	-	-
Total current tax	-	-
Deferred taxation		
Origination and reversal of timing differences	3,557	6,880
Impact of changes in tax rates	(408)	(1,364)
Adjustments in respect of prior years	(3,203)	(36)
Movement on UK deferred tax indemnified by Exel Limited	54	(5,480)
Total deferred tax	-	-
Income tax expenses	-	-

Factors affecting tax charge for year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 19.25% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit before taxation	2,801	1,987
Profit multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	539	397
Effects of:		
Expenses not allowable for UK tax	485	345
Movement on UK deferred tax	563	4,157
Impact of changes in tax rates	(408)	(1,364)
Group relief surrendered to other group companies	1,970	1,981
Adjustment in respect of prior years	(3,203)	(36)
Movement on UK deferred tax indemnified by Exel Limited	54	(5,480)
Total tax for the year	-	-

DHL Aviation (UK) Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

9. Income tax expense (continued)

"The adjustment in respect of prior years of £3,203,000 arises due to changes in the group position in respect of chargeable gains made in previous years which have been rolled over or held over into assets owned by the company."

Tax rate changes

Factors that may affect future tax charges:

Finance (No 2) Act 2015 reduced the main rate of corporation tax from 20% to 19% from 1 April 2017.
Finance Act 2016 reduced the main rate of corporation tax to 17% from 1 April 2020
Therefore any deferred tax assets and liabilities reflect these rates.

Deferred tax

A summary of the company's deferred tax liability is as follows:

	2017 £'000	2016 £'000
Accelerated capital allowances in excess of depreciation	(6,683)	(3,867)
Other timing differences	231	123
Rolled over/held over gains	(4,903)	(7,665)
Net deferred tax liability	(11,355)	(11,409)

Deferred tax has been calculated at rates between 17% and 19% (2016: between 17% and 19%).

FRS 102 permits that when an entities asset is disposed of and the gain arising is 'rolled over' or 'held over' into a replacement asset, a deferred liability is required to be recognised on the future gain. This has resulted in the company recognising a rolled over deferred tax charge of £4,903,000 for the year ended 31 December 2017 and £7,665,000 for the year ended 31 December 2016.

The company had a net deferred tax liability at 31 December 2017 of £11,355,000 (2016: 11,409,000), which has been recognised in the financial statements (note 14). A fellow group undertaking, Exel Limited, has agreed to indemnify the company against its current and future liabilities to UK corporation tax, and accordingly an indemnification asset due from Exel Limited equal to the deferred tax liability has been recognised in the statement of financial position (note 12). No significant reversal of the deferred tax liability is expected in 2018.

DHL Aviation (UK) Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

10. Property, plant and equipment

	Long leased assets £'000	Leasehold improve- ments £'000	Furniture and fittings £'000	Computer equipment £'000	Machinery and other equipment £'000	Assets under construction £'000	Total £'000
Cost							
At 1 January 2017	29,209	5,453	481	3,330	42,390	118,729	199,592
Additions	-	-	-	-	-	31,317	31,317
Disposals	-	(17)	-	-	-	(19)	(36)
Transfer from Assets under construction	-	17	-	-	1,016	(1,033)	-
At 31 December 2017	29,209	5,453	481	3,330	43,406	148,994	230,873
Accumulated depreciation							
At 1 January 2017	18,943	2,985	448	3,030	28,386	-	53,792
Charge for the year	1,100	403	9	104	2,241	-	3,857
At 31 December 2017	20,043	3,388	457	3,134	30,627	-	57,649
Net book amount							
At 31 December 2017	9,166	2,065	24	196	12,779	148,994	173,224
At 31 December 2016	10,266	2,468	33	300	14,004	118,729	145,800

11. Inventories

	2017 £'000	2016 £'000
Consumables	42	71

The amount of inventories recognised as an expense during the year was £31,000 (2016: £9,000). There is no material difference between the carrying amount of inventory and the replacement cost.

DHL Aviation (UK) Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

12. Trade and other receivables

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade receivables	390	304
Amounts owed by group undertakings	9,709	9,719
Other receivables	15,829	16,254
Prepayments and accrued income	3,412	3,260
	29,340	29,537

Amounts owed by group undertakings are trade related, are non interest bearing, unsecured and repayable on demand.

Other receivables due after more than one year include the indemnification asset of £11,355,000 (2016: 11,409,000) due from Exel Limited for the company's UK deferred tax liability.

13. Trade and other payables: amounts falling due within one year

	2017 £'000	2016 £'000
Trade payables	19,706	20,463
Amounts owed to group undertakings	8,182	18,887
Net obligations payable – Exel Limited loan	135,081	100,061
Taxation and social security	1,207	1,107
Accruals and deferred income	8,264	7,973
	172,440	148,491

Amounts owed to group undertakings are trade related, are non interest bearing, unsecured and repayable on demand.

Obligation payable to Exel Limited attracts interest at variable rates, is unsecured and repayable on demand.

14. Provisions for liabilities

	Deferred tax £'000	Redundancy costs £'000	Dilapidation costs £'000	Total £'000
At 1 January 2016	11,409	765	2,218	14,392
Charged to the statement of comprehensive income	-	466	36	502
Charged to the statement of financial position	(54)	-	-	(54)
At 31 December 2016	11,355	1,231	2,254	14,840

DHL Aviation (UK) Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

14. Provisions for liabilities (continued)

Deferred tax

The company had a potential net deferred tax liability at 31 December 2017 of £11,355,000 (2016: 11,409,000), which has been recognised in the financial statements. A fellow group undertaking, Exel Limited, has agreed to indemnify the company against its current and future liabilities to UK corporation tax. Consequently the indemnification asset due from Exel Limited equal to the deferred tax liability has been recognised in the balance sheet under "other receivables".

The net deferred tax liability is not expected to reverse in 2017.

Redundancy costs

There is a provision of £1,231,000 carried forward as at 31 December 2017 (2016: £765,000).

The redundancy provision is in relation to the London Colney closure moving of sort operations to East Midlands, the majority provision is aimed to be utilised within 9 months of the balance sheet date.

Dilapidation costs

The dilapidation provision relates to the estimated costs associated with the company's obligations to reinstate leased buildings to their original state. The property leases have expiry dates that range from 2019 to 2075.

15. Called up share capital

	2017 £	2016 £
Authorised, issued, allotted and fully paid 100 ordinary share of £1 each (2016:100)	100	100

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

16. Pensions

The company participated in a group defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost disclosed in note 6 represents contributions payable by the company to the fund. At 31 December 2017, there was an accrual for contributions of £Nil (2016: £448,000) in relation to this scheme.

DHL Aviation (UK) Limited

Notes to the financial statements (continued) **For the year ended 31 December 2017**

17. Operating lease commitments

At the reporting date the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings		Other	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Expiry date:				
Within one year	3,143	3,143	992	230
Within two to five years	7,702	9,372	2,711	611
After five years	78,076	78,076	8	-
	88,921	90,591	3,711	841

The long term land and buildings commitment over five years in 2017 of £78,076,000 (2016: £78,076,000) is for the 75 year East Midlands Airport Building lease.

18. Related party transactions

The company has taken advantage of the exemption from providing certain related party transaction disclosures as mentioned in the accounting policy.

There are no additional pensions or emoluments that are paid to related parties other than those disclosed for employees and directors presently in note 6

19. Ultimate parent undertaking and controlling party

The immediate parent undertaking is DHL Distribution Holdings (UK) Limited, a company registered in England and Wales.

The ultimate parent undertaking and controlling party is Deutsche Post AG, a company incorporated in Germany, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Deutsche Post AG may be obtained from Deutsche Post AG, Platz der Deutschen Post, Charles-de-Gaulle Strasse 20, 53250 Bonn, Germany.