London Southend Airport Company Limited

Report and Financial Statements

28 February 2018

Registered number 02881745

Directors and Officers

Directors

W A Tinkler (resigned 14/06/2018)
W Brady
J A Horne
G Jones
R M Jackson

Auditors

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Bankers

Lloyds Bank PLC
PO Box 1000
BX1 1LT

Registered Office

Third Floor, 15 Stratford Place
London
W1C 1BE

Strategic report

The directors present their Strategic report for the year ended 28 February 2018.

Results and dividends

The loss for the year after taxation amounted to £6,494,112 (2017: £3,643,171). The directors do not recommend a final dividend (2017: £nil).

Principal activity and review of the business

The principal activity of the Company continued to be that of operating and managing a commercial airport.

Turnover for the year ended 28 February 2018 was £21,151,701 (2017: £16,593,996). The Company reported an operating loss of £6,168,548 (2017: £4,100,463) and a loss on ordinary activities before taxation of £6,267,997 (2017: loss of £4,229,680).

Annual passenger numbers increased to 1,125,820 (2017: 871,816) due to continued expansion of passenger services to and from European destinations. Passenger spend reduced to £7.46 per passenger (2017: £8.10 per passenger) which is largely explained by the outsourcing of duty in November 2016. Opportunities continue to be sought to optimise retail opportunities and growth of income streams.

Principal risks and uncertainties

The Board regularly reviews the risks facing the business.

The most important external risks are the ability to attract airline customers and volatility in the oil industry which affects the cost of fuel and the propensity for passengers to travel by air.

The most important internal risks, over which the Board and management have some control, include the loss of key staff, and changes affecting our relationship with the operators using the airport and other safety and security risks facing an operational airport.

In these and other risks the Board have established controls which are reviewed regularly.

Future developments

The Company's short to medium term strategy is to expand existing passenger services to and from European destinations and as a Gateway to South Essex, the Thames Gateway and London.

From March 2018 the business aviation activities along with its future strategy and development transferred to Stobart Jet Centre Limited, a fellow group undertaking.

The business strategy and development of the airport has the full support of Stobart Group Limited, who will provide the necessary financing to allow the Company to continue to trade and develop its assets.

On behalf of the Board

R M Jackson
Director

25th September 2018

Directors' Report

The directors present their report and financial statements for the year ended 28 February 2018.

Directors

The directors who served the Company during the year were as follows:

B M Whawell	(resigned 13/11/2017)
W Brady	(appointed 13/11/2017)
J A Horne	
G Jones	
R M Jackson	

The director of the Company who resigned subsequent to year end was.

W A Tinkler	(resigned 14/06/2018)

Going concern

The financial statements have been prepared on a going concern basis as the directors have received an undertaking from the ultimate parent Company that it will continue to provide the required financial support for a period of at least 12 months from the date of approval of these financial statements.

This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Policy and practice on payment of creditors

In respect of all suppliers, it is the Company's policy to agree payment terms on each and every purchase order. The Company abides by these terms of payment as standard.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Board

R M Jackson
Director

25th September 2018

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP

1 St Peter's Square
Manchester
M2 3AE
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON SOUTHEND AIRPORT COMPANY LIMITED

Opinion

We have audited the financial statements of London Southend Airport Company Limited ("the company") for the year ended 28 February 2018 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Mick Davies

Mick Davies

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square, Manchester M2 3AE

5 November 2018

Profit and loss account

for the year ended 28 February 2018

	Notes	*2018* £	*2017* £
Turnover	2	21,151,701	16,593,996
Cost of sales		(3,604,518)	(2,558,114)
Gross profit		17,547,183	14,035,882
Administrative expenses - underlying	3	(22,136,486)	(18,136,345)
- non-underlying	3	(1,579,245)	-
Operating loss		(6,168,548)	(4,100,463)
Other interest receivable and similar income	6	-	105
Interest payable and similar charges	7	(99,449)	(129,322)
Loss on ordinary activities before taxation		(6,267,997)	(4,229,680)
Tax on loss on ordinary activities	8	(226,115)	586,509
Loss for the financial year		(6,494,112)	(3,643,171)

All amounts relate to continuing activities.

Statement of Comprehensive Income

for the year ended 28 February 2018

	2018 £	*2017* £
Loss for the financial year	(6,494,112)	(3,643,171)
Other comprehensive income:		
Tax on share-based payment credit	102,852	85,606
Total comprehensive loss for the year	(6,391,260)	(3,557,565)

The notes on pages 10 to 23 form part of these financial statements.

Balance sheet

at 28 February 2018

	Notes	*2018* £	*2017* £
Fixed assets			
Tangible assets	9	126,143,807	121,909,015
Investments	10	2,001	2,002
		126,145,808	121,911,017
Current assets			
Stocks	11	168,140	204,586
Debtors	12	3,307,878	2,997,916
Cash at bank and in hand		1,592,027	737,561
		5,068,045	3,940,063
Creditors: amounts falling due within one year	13	(151,743,960)	(140,024,443)
Net current liabilities		(146,675,915)	(136,084,380)
Total assets less current liabilities		(20,530,107)	(14,173,363)
Creditors: amounts falling due after more than one year	14	(4,683,011)	(4,965,927)
Provisions for liabilities	15	(4,932,575)	(4,809,312)
Net liabilities		(30,145,693)	(23,948,602)
Capital and reserves			
Called up share capital	16	24,000	24,000
Capital redemption reserve		6,000	6,000
Profit and loss account		(30,175,693)	(23,978,602)
Shareholders' deficit		(30,145,693)	(23,948,602)

Approved by the Board on 25th September 2018 and signed on its behalf by

R M Jackson

Director

Registered number 02881745

The notes on pages 10 to 23 form part of these financial statements.

Statement of changes in equity

at 28 February 2018

	Share capital	*Profit and loss account*	*Capital redemption reserve*	*Total equity*
	£	£	£	£
Balance as at 1 March 2017	24,000	(23,978,602)	6,000	(23,948,602)
Loss for the year	-	(6,494,112)	-	(6,494,112)
Tax on share-based payment credit	-	102,852	-	102,852
Total comprehensive loss for the year	-	(6,391,260)	-	(6,391,260)
Share based payment credit	-	194,169	-	194,169
Balance as at 28 February 2018	**24,000**	**(30,175,693)**	**6,000**	**(30,145,693)**

	Share capital	*Profit and loss account*	*Capital redemption reserve*	*Restated Total equity*
	£	£	£	£
Balance as at 1 March 2016	24,000	(20,548,374)	6,000	(20,518,374)
Loss for the year	-	(3,643,171)	-	(3,643,171)
Tax on share-based payment credit	-	85,606	-	85,606
Total comprehensive loss for the year	-	(3,557,565)	-	(3,557,565)
Share based payment credit	-	127,337	-	127,337
Balance as at 28 February 2017	**24,000**	**(23,978,602)**	**6,000**	**(23,948,602)**

The notes on pages 10 to 23 form part of these financial statements.

Notes to the financial statements

for the year ended 28 February 2018

1. Accounting policies

Basis of preparation

London Southend Airport Company Limited ("the Company") is a Company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Stobart Group Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Stobart Group Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Old Bank Chambers, La Grand Rue, St Martin's, Guernsey GY4 6RT.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Stobart Group Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Notes to the financial statements

for the year ended 28 February 2018

1. Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis as the directors have received an undertaking from the ultimate parent Company that it will continue to provide the required financial support for a period of at least 12 months from the date of approval of these financial statements. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Group financial statements

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Turnover

Turnover represents invoiced sales from airport activities and of property rentals due, excluding value added tax.

Airport activities are invoiced as and when the goods or services have been supplied and property rentals are invoiced quarterly in advance and accounted for on an accruals basis.

Tangible fixed assets

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided an all tangible fixed assets, other than assets in the course of construction, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life from the date it is ready to use, as follows:

Freehold land	–	not depreciated
Freehold buildings	–	2% straight line
Long leasehold property	–	5% to 10% straight line
Plant and machinery	–	5% to 20% straight line
Fixtures and fittings	–	5% to 10% straight line
Motor vehicles	–	20% straight line

Borrowing costs attributable to qualifying assets are capitalised.

Accounting estimates and judgements

Where there is an indication that an asset may be impaired, London Southend Airport is required to test whether assets have suffered any impairment. The recoverable amount is determined based on value in use or fair value less costs of disposal calculations. The use of these methods requires the estimation of future cash flows and discount rates in order to calculate the present value of the cash flows.

Notes to the financial statements

for the year ended 28 February 2018

1. Accounting policies (continued)

Investments

Fixed asset investments are stated at cost less provision for any impairment.

Stocks

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the lease and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease period.

Pensions

The Company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

Government grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to the profit and loss account in the period to which they relate.

Notes to the financial statements

for the year ended 28 February 2018

1. Accounting policies (continued)

Share based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous statement of financial position date is recognised in the income statement, with a corresponding entry in equity.

The group headed by Stobart Group Limited (the ultimate parent undertaking) has a share-based long-term incentive plan relating to options over its shares. Where these options are granted to directors and employees in the Company they are accounted for as set out above.

2. Turnover

The total turnover of the Company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3. Operating loss

Operating loss is stated after charging/(crediting):

	2018	*2017*
	£	*£*
Depreciation of tangible assets – owned assets	4,542,996	3,781,756
Depreciation of tangible assets – leased assets	261,528	196,601
Operating lease rentals – land & buildings	470,808	414,194
Operating lease rentals – other assets	292,829	265,951
Auditor's remuneration	26,000	11,500
Non-underlying costs – new contract set-up costs	1,579,245	-
Operating lease rentals – land & buildings	(775,127)	(613,377)
Government grants	(416,388)	(269,117)

Non-underlying new contract set-up costs comprises marketing and support costs in relation to introducing 11 additional routes.

Notes to the financial statements

for the year ended 28 February 2018

4. Directors' emoluments

Remuneration in respect of the directors was as follows:

	2018	2017
	£	£
Emoluments and benefits in kind		
- Bourne by a fellow group Company	1,117,829	1,339,775
- Bourne by London Southend Airport Company Limited	769,549	445,561
Pension contributions		
- Bourne by a fellow group Company	131,303	55,800
- Bourne by London Southend Airport Company Limited	51,427	38,475
	2,070,108	1,879,611

Of the costs that are borne by a fellow group Company; these directors of the Company are also directors of fellow subsidiaries. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of the fellow subsidiary companies. During the year 5 (2017: 4) director participated in a money purchase pension scheme.

5. Staff costs

	2018	2017
	£	£
Wages and salaries	8,568,135	7,275,112
Social security costs	847,781	674,710
Other pension cost	222,559	221,604
	9,638,475	8,171,426

The average monthly number of employees during the year (including directors) was made up as follows:

	2018	2017
	No.	No.
Operational and administrative staff	307	275

6. Other interest receivable and similar income

	2018	2017
	£	£
Bank interest	-	105

7. Interest payable and similar charges

	2018	2017
	£	£
Hire purchase interest	99,449	129,322

Notes to the financial statements

for the year ended 28 February 2018

8. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2018 £	2017 £
Current tax:		
Adjustments in respect of previous periods	-	-
Total current tax	-	-
Deferred tax:		
Current year	(412,363)	(296,821)
Adjustment in respect of prior periods	638,478	15,709
Impact of rate change	-	(305,397)
Total deferred tax	226,115	(586,509)
Total tax on ordinary losses	226,115	(586,509)

(b) Factors affecting tax on loss for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.08% (2017: 20.00%). The differences are explained below:

	2018 £	2017 £
Loss for the financial year	(6,494,112)	(3,643,171)
Tax on loss on ordinary activities	(226,115)	586,509
Loss on ordinary activities before tax	(6,267,997)	(4,229,680)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.08% (2017: 20.00%)	(1,196,242)	(845,936)
Effects of:		
Permanent differences	863,030	395,412
Adjustments in respect of previous periods	638,478	15,709
Group relief not paid for	50,890	102,798
Income not taxable	(79,468)	-
Impact of change in tax rates	-	(305,397)
Difference between current and deferred tax rates	(50,573)	50,905
Tax charge / (credit) for the year	226,115	(586,509)

Notes to the financial statements

for the year ended 28 February 2018

8. Tax (continued)

Factors that may affect the future tax charge:

The deferred tax balances reflected above have been calculated at 17.00% (2017: 17.00%) as this was the rate that was substantially enacted at the balance sheet date.

The main rate of Corporation Tax reduced to 19% with effect from 1 April 2017. The March 2016 Budget announced that the rate effective from 1 April 2020 will further reduce to 17%. This will reduce the Company's future current tax charge accordingly.

9. Tangible fixed assets

	Land and buildings	*Assets under construction*	*Plant and machinery*	*Fixtures and fittings*	*Motor vehicles*	*Total*
	£	*£*	*£*	*£*	*£*	*£*
Cost or valuation:						
At 1 March 2017	115,005,465	702,666	19,277,498	5,930,057	177,430	141,093,116
Additions	12,290,577	2,054,191	1,163,860	324,734	3,679,479	19,512,841
Disposals	(11,649,254)	-	(701,169)	(529,095)	-	(12,879,518)
Transfers	131,226	(263,374)	28,317	128,531	(24,700)	-
At 28 February 2018	115,778,014	2,493,483	19,768,506	5,854,227	3,832,209	147,726,439
Depreciation:						
At 1 March 2017	11,706,012	-	4,684,116	2,718,887	75,086	19,184,101
Charge for the year	2,682,375	-	1,151,544	633,357	337,248	4,804,524
Disposals	(1,211,590)	-	(665,308)	(529,095)	-	(2,405,993)
At 28 February 2018	13,176,797	-	5,170,352	2,823,149	412,334	21,582,632
Net book value:						
At 28 February 2018	**102,601,217**	**2,493,483**	**14,598,154**	**3,031,078**	**3,419,875**	**126,143,807**
At 1 March 2017	103,299,453	702,666	14,593,382	3,211,170	102,344	121,909,015

Notes to the financial statements

for the year ended 28 February 2018

9. Tangible fixed assets (continued)

Freehold land and buildings includes land at cost of £32,576 (2017: £32,576) that is not depreciated.

Included within land and buildings at a cost of £6,073,483 (2017: £6,073,483) are assets that are funded by grants from Southend Borough Council. Included within plant and machinery at a cost of £346,258 (2017: £346,258) are assets which are funded by the Department for Transport. The improvements and the grants are being written off over their estimated useful lives.

Included within land and buildings at a cost of £7,767,938 (2017: £8,543,915) are finance costs which were capitalised at the prevailing group rate of LIBOR plus 4% and include directly related financing fees. During the year £nil (2017: £nil) of interest was capitalised.

The above assets include assets held under finance leases and similar hire purchase contracts as follows:

	Land & buildings	*Plant & machinery*	*Fixtures & fittings*	*Motor Vehicles*	*Total*
	£	*£*	*£*	*£*	*£*
NBV at 28 February 2018	-	2,846,042	-	6,573	2,852,615
NBV at 28 February 2017	737,441	3,818,125	69,694	101,848	4,727,108

10. Fixed asset investments

	Shares in subsidiary undertakings	*Other investment*	*Total*
	£	*£*	*£*
Cost or valuation:			
At 1 March 2017	2	2,000	2,002
Disposals	(1)	-	(1)
At 28 February 2018	1	2,000	2,001
Net book value:			
At 28 February 2018	1	2,000	2,001
At 1 March 2017	2	2,000	2,002

The investment in subsidiary undertakings above represents the cost of investment in 100% of the ordinary share capital of Thames Gateway Airport Limited, a wholly-owned subsidiary incorporated in England and Wales.

During the year the Company transferred its subsidiary undertaking cost of investment in 100% of the ordinary share capital of London Express Airport Limited to Stobart Holdings Limited, a fellow group undertaking.

Other investment represents the cost of investment in an unlisted entity incorporated in England and wales, Stobart Group Brands LLP. The principal activity of the LLP is the ownership, management and exploitation of certain intellectual property assets.

Notes to the financial statements

for the year ended 28 February 2018

11. Stocks

	2018	2017
	£	£
Finished goods and goods for resale	168,140	204,586

12. Debtors

	2018	2017
	£	£
Trade debtors	1,184,641	944,086
Other debtors	1,415,954	1,682,862
Prepayments and accrued income	475,286	354,846
Other taxes and social security	-	14,744
Amounts owed by related companies	231,997	1,378
	3,307,878	2,997,916

13. Creditors: amounts falling due within one year

	2018	2017
	£	£
Net obligations under hire purchase contracts	534,457	511,757
Trade creditors	1,665,963	1,842,851
Amounts owed to parent and fellow subsidiary undertakings	144,735,154	136,103,332
Amounts owed to related companies	40,608	19,093
Other taxes and social security costs	1,220,349	-
Other creditors	209,534	288,716
Government grants	268,579	268,579
Accruals and deferred income	3,069,316	990,115
	151,743,960	140,024,443

Obligations under finance lease and hire purchase contracts are secured on the assets to which they relate.

Notes to the financial statements

for the year ended 28 February 2018

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

	2018	*2017*
	£	*£*
Net obligations under hire purchase contracts	1,532,193	1,398,721
Government grants	3,150,818	3,567,206
	4,683,011	4,965,927

	Government grants
	£
Balance at 1 March 2017 – non-current liabilities	3,567,206
Balance at 1 March 2017 – current liabilities	268,579
Additions	13,427
Amortisation in the year	(416,388)
Included within current liabilities	(282,006)
Balance at 28 February 2018	3,150,818

Grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the assets acquired by equal annual instalments. The amount of the grant to be released after more than five years is £2,467,796 (2017: £2,524,852).

Notes to the financial statements

for the year ended 28 February 2018

15. Deferred taxation

	2018	*2017*
	£	*£*
Deferred tax liability at 1 March	4,809,312	5,481,427
Adjustments in respect of prior years	638,478	15,709
Charge for the year	(412,363)	(296,821)
Impact of rate change	-	(305,397)
Movement through other comprehensive income (current year)	(102,852)	(85,606)
Deferred tax liability at 28 February	4,932,575	4,809,312

The deferred tax liability is analysed as follows:

Accelerated capital allowances	1,217,772	946,086
Capitalised interest	1,447,533	1,447,533
Other timing differences	2,267,270	2,415,693
	4,932,575	4,809,312

The deferred tax liability at 28 February 2018 has been calculated at the rate of 17.00% (2017- 17.00%) substantively enacted at the balance sheet date.

16. Issued share capital

	2018	*2017*
	£	*£*
Allotted, called up and fully paid		
24,000 Ordinary shares of £1 each	24,000	24,000

17. Pensions

Defined contribution

The Company operates a defined contribution pension scheme for the benefit of the directors and employees. The assets of the scheme are administered by trustees in a fund independent from those of the Company. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £222,559 (2017: £221,604). The outstanding contributions as at 28 February 2018 are £25,269 (2017: £26,088).

Notes to the financial statements

for the year ended 28 February 2018

18. Operating leases

At 28 February 2018 the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases as set out below:

	2018	*2018*	*2017*	*2017*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£	*£*	*£*	*£*
Minimum lease payments:				
Within one year	392,770	43,694	228,504	45,737
Within two to five years	1,537,885	682	911,365	2,722
In over five years	41,134,960	-	21,994,389	-
	43,065,615	44,376	23,134,258	48,459

The Company leases the airport from Southend-On-Sea Borough Council under an operating lease ending 31 March 2144.

During the year £763,637 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £680,146).

Leases as lessor

Aircraft hangars and other buildings are let under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2018	*2017*
	Land and buildings	*Land and buildings*
	£	*£*
Minimum lease payments:		
Within one year	551,146	533,189
Within two to five year	1,437,607	2,004,449
Greater than 5 years	3,918,461	7,946,800
	5,907,214	10,484,438

During the year £775,127 (2017 £613,377) was recognised as rental income by the Company.

Notes to the financial statements

for the year ended 28 February 2018

19. Other interest-bearing loans and borrowings

Finance lease liabilities

The minimum lease payments under hire purchase and finance leases fall due as follows:

	2018	*2017*
	£	*£*
Less than one year	613,646	597,412
Between one and five years	1,634,993	1,538,320
More than five years	-	-
	2,248,639	2,135,732
Future finance charges on hire purchase and finance leases	(181,989)	(225,254)
Present value of hire purchase and finance lease liabilities	2,066,650	1,910,478

20. Contingent liabilities

The Company is party to a number of ongoing legal cases in relation to property related matters. The Company will continue to defend any litigation in respect of such claims and, whilst the outcome of any claim, and therefore any future liability, cannot be certain, it is the Directors' opinion, based on external legal and property advice that no liability exists in respect of legal claims at year end.

The Company has a cross-guarantee arrangement with Lloyds Bank plc in respect of the bank borrowings of Stobart Group Limited, the ultimate parent undertaking. At 28 February 2018, the maximum potential liability amounted to £65,000,000 (2017: £65,000,000).

The Company has a guarantee with Bank of London and the Middle East plc, at 28 February 2018, the maximum potential liability amounted to £2,000,000 (2017: £1,726,502).

21. Related party transactions

The Company has taken advantage of the exemptions within FRS 101 and has not disclosed transactions with wholly owned group undertakings or compensation of Key Management Personnel.

The following transactions took place during the year and prior year:

- W A Developments International Limited – Sales of aviation and fuel services amounting to £37,693 (2017: £6,201); the balance owed to the Company at 28 February 2018 was £37,693 (2017 - £nil).
- Apollo Air Services Limited – Sales of aviation services amounting to £350,863 (2017: £3,993); the balance owed to the Company at 28 February 2018 was £194,305 (2017 - £1,378).
- Apollo Air Services Limited – Purchases of aviation services amounting to £94,730 (2017: £nil); the balance owed by the Company at 28 February 2018 was £40,608 (2017 - £nil).

The above parties are related by way of common directorship.

The following company ceased to be related during the year:

- Eddie Stobart Limited – Purchases of fuel and equipment hire in 2017 amounting to £64,931; the balance owed by the Company at 28 February 2017 was £19,093.

Notes to the financial statements

for the year ended 28 February 2018

22. Ultimate parent undertaking and controlling party

The Company is a subsidiary of Stobart Aviation Limited which is the immediate parent Company. The ultimate parent Company and controlling party is Stobart Group Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Stobart Group Limited, incorporated in Guernsey. No other group financial statements include the results of the Company.

The consolidated accounts in which the Company is included are available from Old Bank Chambers, La Grand Rue, St Martin's, Guernsey GY4 6RT.