

dnata Limited

Private limited company by shares, registered in England and Wales
Registered No 3091040

Annual Report and Financial Statements

For the year ended 31 March 2018



Company information

Directors

R S Angus
R S Marino
G I Morgan

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Portland Building
25 High Street
Crawley
West Sussex
RH10 1BG

Solicitors

Wragge Lawrence Graham & Co. LLP
4 More London Riverside
London
SE1 2AU

Registered office

Dakota House
Poyle Road
Colnbrook
Berkshire
SL3 0QX

Strategic report for the year ended 31 March 2018

The directors present their strategic report on the company for the year ended 31 March 2018.

Review of the business

The profit for the financial year amounted to £5,705,000 (2017: £2,253,000).

Business description

The company is one of the largest independent aircraft ground handling companies in the United Kingdom specialising in ground and cargo handling and is headquartered at London Heathrow Airport. dnata Limited performs services at London Heathrow and Gatwick, Manchester and other regional airports throughout the United Kingdom with its main customers being major international airlines.

Financial performance

Profit for the financial year rose to £5,679,000 compared to a profit in the previous year of £2,253,000.

Overall revenue increased by 12.0% in the year from the prior year (2017: 7.2%), with cargo handling revenue increasing by 17.3% against prior year (2017: 18.7%) and ground handling revenue increasing by 0.2% against prior year (2017: 12.0% decrease).

The cargo increase in revenue was driven by an increase in cargo tonnes of 13.7% (2017: 16.3%) from new contracts commencing in 2018 and organic growth. Ground handling turnarounds in the year increased by 10.8% (2017: 28.0% decrease). There was a change in the mix of the aircraft handled from a reduced number of higher priced wide bodied aircraft to an increased number of lower priced narrow bodied aircraft handled, which overall led to the small 0.2% increase in the ground handling revenue in the year.

Administrative expenses increased by 9.0% (2017: 8.9%), with the main increases being in staff costs 8.2% increase (2017: 1.9% increase), other operating costs 12.3% increase (2017: 17.0% increase) and management fees 27.2%. Staff costs were higher due to a rise in the number of employees (4.1% increase (2017: 2.8% increase) and an increase in the annual pay award and pension costs. Other operating costs and management fees increased due to the additional business activity in the year.

Cash and cash equivalents at 31 March 2018 was £9,403,000 (2017: £5,090,000). Capital expenditure continued to be high during the year with a further £4,871,000 (2017: £6,649,000) of fixed asset additions in the year as the company continues to invest in facilities and equipment to service new contracts. This investment programme was financed by cash generated from operations.

Key business risks

Impacts on the worldwide aviation business from fluctuating fuel prices, continuing global economic conditions, and the position of Heathrow in that market could have an effect on both dnata Limited's ground handling and cargo business. The economic impact of the United Kingdom's exit from the European Economic Community is uncertain and adds an additional element of risk to the company.

Strategic report for the year ended 31 March 2018 (continued)**Key business risks (continued)**

Whilst the fluctuating fuel prices and economic global situation are seen as challenging in the short to medium term for the industry as a whole, the continuing desire for all global carriers to fly to Heathrow as their key UK destination means that competition for flight slots at the airport continues. It is felt that this high level of competition for flight slots will mitigate the impact of any of the global challenges on the ground handling business.

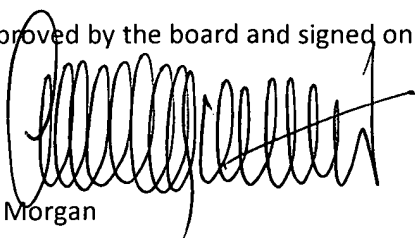
Key performance indicators

	2018	2017	% movement
Revenue - £000	139,571	124,629	12.0%
Cargo tonnes ^{*1}	768,191	675,786	13.7%
Turnarounds ^{*2}	16,137	14,567	10.8%

*1 Cargo tonnes is the weight of cargo that is handled including building and breaking of pallets.

*2 Aircraft turnarounds is the total number of aircraft serviced with ground handling by dnata Limited covering both arrival and departure.

Approved by the board and signed on its behalf.



G I Morgan
Director

20 December 2018

Company number: 3091040

Directors' report for the year ended 31 March 2018

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

Directors

The directors who served the company during the year and up to the date of signing these financial statements were as follows:

R S Angus
R S Marino
G I Morgan

Financial risk management objectives and policies

The main risks associated with the company's financial assets and liabilities are set out below.

Interest rate risk

The company financial liabilities are subject to interest rate movements and are a mix of fixed and floating interest rates which has minimised the company's exposure in the current year.

Credit risk

The company manages its debtors on an ongoing basis and significant internal resource is put into mitigating credit risk through close monitoring of its key customers.

Liquidity risk

The company aims to minimise liquidity risk by managing cash generated by its operations in line with group policies and has in place appropriate treasury management controls. The company also benefits from the support of its penultimate parent company, dnata, including covering any temporary negative net current liability position. However, as at 31 March 2018 the company was in a net current asset position of £9,456,000 (2017: net current liabilities of £4,187,000).

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company operates in the United Kingdom and receives all its income and most costs in pounds sterling, however there are some costs in foreign currencies. The company does not currently hedge its foreign currency cash flows and is exposed to currency fluctuations. The company made a profit in the year of £471,000 (2017: £266,000 loss) on foreign currency transactions which have been charged to the income statement.

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of its directors.

Directors' report for the year ended 31 March 2018 (continued)**Management and staff**

The company employed on average in the year 2,258 people (2017: 2,169) who are the 'backbone' of our business, as we rely heavily on labour and invest significantly in our work force. Our staff deliver a very positive 'can do' attitude, which cascades throughout the company. Our relationship with our employees' elected Trade Unions is very positive.

Employees are encouraged to discuss, with management, matters of interest to the employees and subjects affecting day-to-day operations of the company. The company is keen to include all employees where practicable in the running of the business and share where possible information in a number of ways; these being employee information and key performance boards, memorandums, staff notices and management briefings, one dnata website, staff intranet and the one dnata magazine.

In a more formal context regular consultation with employees or their representatives is achieved so that the employees' views may be taken into account in making decisions that are likely to affect their interests through quarterly and monthly Union meetings, employee lead meetings "dnata one voice" meetings, and regular staff surveys to all staff collecting their views, the results of which are shared with the staff.

The Board remains committed to developing further a culture that encourages the inclusion and diversity of all employees through respecting and appreciating their differences, and to promoting the continuous development of employees through skills enhancement and training programmes.

It is the company's policy to give full consideration to suitable applications for employment from disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees who become disabled to continue in their employment or to be trained for other positions in the company.

Going concern

The financial statements have been prepared on a going concern basis, which is dependent on the continuing financial support of the penultimate parent company, dnata. dnata has confirmed that it will provide financing to the company, if required, to allow the company to pay its debts as they fall due, for a period of at least twelve months following the signing of these financial statements.

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 101 "Reduced Disclosure Framework", and applicable law).

Directors' report for the year ended 31 March 2018 (continued)**Statement of directors' responsibilities in respect of the financial statements (continued)**

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 101, 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 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 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.

Directors' confirmations

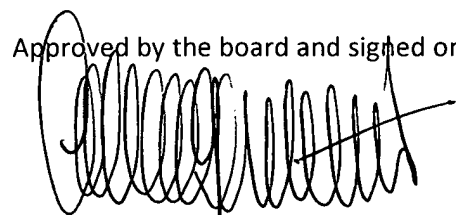
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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 and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the board and signed on its behalf



G I Morgan

Director

20 December 2018

Company number: 3091040

Independent auditors' report to the members of dnata Limited

Report on the audit of the financial statements

Opinion

In our opinion, dnata Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 March 2018; the income statement, 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. 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

Independent auditors' report to the members of dnata Limited (continued)

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 March 2018 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 set out on page 5, 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.

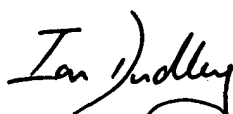
Other required reporting

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.



Ian Dudley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
21 December 2018

Income statement*for the year ended 31 March 2018*

	Note	Year ended 31 March 2018 £ '000	Year ended 31 March 2017 £ '000
Revenue	4	139,571	124,629
Administrative expenses	5	(131,041)	(120,244)
Operating profit	6	8,530	4,385
Finance income		5	20
Finance costs	9	(1,212)	(1,379)
Finance costs - net		(1,207)	(1,359)
Profit before income tax		7,323	3,026
Income tax expense	10	(1,644)	(773)
Profit for the financial year		5,679	2,253

Statement of comprehensive income*for the year ended 31 March 2018*

	Year ended 31 March 2018 £ '000	Year ended 31 March 2017 £ '000
Profit for the financial year	5,679	2,253
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	5,679	2,253

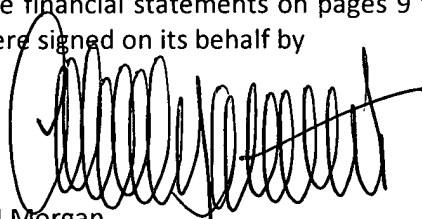
Statement of financial position

as at 31 March 2018

	Note	Year ended 31 March 2018 £ '000	Year ended 31 March 2017 £ '000
Non-current assets			
Intangible assets	11	-	-
Tangible assets	12	29,623	30,571
Debtors falling due after more than one year	13	2,070	2,042
		<u>31,693</u>	<u>32,613</u>
Current assets			
Stocks		-	10
Debtors	14	24,188	19,990
Cash and cash equivalents		9,403	5,090
		<u>33,591</u>	<u>25,090</u>
Creditors: amounts falling due within one year	15	(24,135)	(29,277)
Net current assets/(liabilities)		<u>9,456</u>	<u>(4,187)</u>
Total assets less current liabilities		<u>41,149</u>	<u>28,426</u>
Creditors: amounts falling due after more than one year	16	(31,908)	(22,253)
Provision for liabilities	18	(762)	(873)
Net assets		<u>8,479</u>	<u>5,300</u>
Capital and reserves			
Called up share capital	21	2,000	2,000
Profit and loss account		6,479	3,300
Total shareholders' funds		<u>8,479</u>	<u>5,300</u>

The notes on pages 12 to 28 form part of the financial statements.

The financial statements on pages 9 to 28 were approved by the board on 20 December 2018 and were signed on its behalf by



G I Morgan
Director
Registered No 3091040

Statement of changes in equity*for the year ended 31 March 2018*

	<i>Called up share capital £ '000</i>	<i>Profit and loss account £ '000</i>	<i>Total shareholders' funds £ '000</i>
1 April 2016	2,000	3,547	5,547
Profit for the financial year	-	2,253	2,253
Total comprehensive income for the year	-	2,253	2,253
Dividends paid	-	(2,500)	(2,500)
Total transactions with owners, recognised directly in equity	-	(2,500)	(2,500)
31 March 2017 and 1 April 2017	2,000	3,300	5,300
Profit for the financial year	-	5,679	5,679
Total comprehensive income for the year	-	5,679	5,679
Dividends paid	-	(2,500)	(2,500)
Total transactions with owners, recognised directly in equity	-	(2,500)	(2,500)
31 March 2018	2,000	6,479	8,479

Notes to the financial statements

for the year ended 31 March 2018

1. General information

dnata Limited provides ground and cargo handling services at United Kingdom airports to major international airlines.

The company is a wholly owned subsidiary of dnata Aviation Services Limited and is included in the consolidated financial statements of the dnata Group (note 22).

The company was incorporated and is domiciled in the UK and the registered office is Dakota House, Poyle Road, Colnbrook, Berkshire, SL3 0QX.

New standards and amendments

No new accounting standards or amendments to accounting standards that are effective for the year ended 31 March 2018, have had a material impact on the company.

2. 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.

Basis of preparation

The financial statements of dnata Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 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.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirement and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 22 gives details of the company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

Notes to the financial statements (continued)

for the year ended 31 March 2018

2. Summary of significant accounting policies (continued)

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment; and
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 40A-D (requirements for a third statement of financial position);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Going concern

The financial statements are prepared on the going concern basis as the penultimate parent company, dnata, has agreed to provide financial support to the company in order that it can continue to trade and meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of these financial statements.

Revenue

Revenue represents the value of services supplied, net of value added tax and trade discounts. Revenue is recognised when the services are provided to the airline carriers and cargo agents.

Notes to the financial statements (continued)*for the year ended 31 March 2018***2. Summary of significant accounting policies (continued)*****Tangible fixed assets and depreciation***

Tangible fixed assets are recorded at cost or fair values less depreciation and where applicable impairment, cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Short term leasehold property improvements - Shorter of length of lease and useful economic life
Plant & machinery - 3 - 15 years

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Assets under construction are depreciated once the asset is brought into operational use and depreciated over the periods noted above.

Trade debtors

Trade debtors are amounts due from customers for services in the normal course of business. Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Cost is calculated on the weighted average cost basis.

Fair value less costs to sell is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the financial statements (continued)*for the year ended 31 March 2018***2. Summary of significant accounting policies (continued)*****Current and deferred income tax (continued)***

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Leasing

Assets held under hire purchase contracts are capitalised in the statement of financial position and are depreciated over their useful economic lives. The capital elements of future obligations under hire purchase contracts are included as liabilities in the statement of financial position.

The interest elements of the rental obligations are charged in the income statement over the periods of the contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases (net of any incentives received by the lessor) are charged in the income statement on a straight line basis over the lease term.

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 can be reliably estimated. Provisions are measured at the present value of the expenditures expected to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

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. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

Notes to the financial statements (continued)

for the year ended 31 March 2018

2. Summary of significant accounting policies (continued)

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between assets carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an 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.

Basic financial liabilities, including trade and other payables, bank loans and loans from related parties are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment 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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Interest

Interest income and expense are recognised on a time proportion basis using the effective interest method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the financial statements (continued)*for the year ended 31 March 2018***2. Summary of significant accounting policies (continued)*****Goodwill***

Goodwill arising on acquisition of the trade and assets of a business is the difference between the fair value of consideration paid on the acquisition of a business and the aggregate fair value of net assets acquired. Goodwill arising is capitalised on the statement of financial position and is assessed for impairment on an annual basis in accordance with IAS 36 'impairment of assets'. Any impairment against carrying value is charged to the income statement (within administrative expenses) in the period in which it arises.

Pensions

The company operates defined contribution pension plans provided by Scottish Widows, AXA and the People's Pension. The expenditure is charged to the income statement in the period to which it relates.

Holiday Pay

As at the date of the statement of financial position, a liability is recognised for any unused holiday entitlement that may, in accordance with company policy, be carried forward to be used in future periods. The liability is calculated as a pro-rata of base salary.

Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

Foreign currency translation

The company's financial statements are presented in pounds sterling (GBP), which is also the company's functional currency. Foreign currency transactions are translated into the functional currency, at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at exchange rates prevailing at the end of the reporting period. The resultant foreign exchange gains and losses are recognised in the income statement.

Notes to the financial statements (continued)

for the year ended 31 March 2018

3. Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property plant and equipment, and note 2 for the useful economic lives for each class of assets.

Provisions

The company has recognised provisions for impairment of trade receivables, customer rebates and income tax in its financial statements all of which requires management to make judgements. The judgements, estimates and associated assumptions to calculate these provisions are based on historical experience and other reasonable factors.

4. Revenue

All revenue generated is within the United Kingdom geographical market. A split of revenue by category is provided below:

	<i>Year ended 31 March 2018 £ '000</i>	<i>Year ended 31 March 2017 £ '000</i>
Cargo	100,997	86,119
Ramp	38,574	38,510
Total revenue	139,571	124,629

Notes to the financial statements (continued)

for the year ended 31 March 2018

5. Administrative expenses

	<i>Year ended 31 March 2018 £ '000</i>	<i>Year ended 31 March 2017 £ '000</i>
Staff costs (note 7)	76,851	71,000
Depreciation of tangible fixed assets	5,423	5,287
Loss/(profit) on disposal of plant and equipment	190	(246)
Operating leases	14,360	13,683
Management fees	3,614	2,842
Foreign exchange (gains)/losses	(471)	266
Impairment of debtors	321	44
Other operating charges	30,753	27,368
Total administrative expenses	131,041	120,244

6. Operating profit

This is stated after charging:

	<i>Year ended 31 March 2018 £ '000</i>	<i>Year ended 31 March 2017 £ '000</i>
Services provided by the company's auditors		
- Fees payable for the audit	86	84
Depreciation of owned fixed assets	5,408	5,252
Depreciation of assets under hire purchase contracts	15	35
	5,423	5,287

7. Staff costs

	<i>Year ended 31 March 2018 £ '000</i>	<i>Year ended 31 March 2017 £ '000</i>
Wages and salaries	70,105	65,076
Social security costs	5,312	4,864
Other pension costs	1,434	1,060
Total staff costs	76,851	71,000

Notes to the financial statements (continued)*for the year ended 31 March 2018***7. Staff costs (continued)**

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

	<i>Year ended 31 March 2018 No.</i>	<i>Year ended 31 March 2017 No.</i>
Administration	129	129
Operations	2,129	2,040
Total average number of employees	2,258	2,169

8. Directors' emoluments

	<i>Year ended 31 March 2018 £ '000</i>	<i>Year ended 31 March 2017 £ '000</i>
Aggregate emoluments in respect of qualifying service	286	279

One director, who is the highest paid director, was remunerated by the company. The remuneration of the other directors is borne by a fellow Group subsidiary which makes no recharge to the company. The company's directors are also directors of fellow Group subsidiaries. It is not possible to make an accurate apportionment of their remuneration in respect of each of the fellow Group subsidiaries of which they are a director. No company contributions for personal pension are paid to the director.

9. Finance costs

	<i>Year ended 31 March 2018 £ '000</i>	<i>Year ended 31 March 2017 £ '000</i>
Interest on amounts owed to group undertakings	619	721
Interest on bank loans and other borrowings	285	304
Management fees for parental guarantees	308	354
Total interest expense on borrowings	1,212	1,379

Notes to the financial statements (continued)

for the year ended 31 March 2018

10. Income tax expense

Tax expense included in the income statement

	<i>Year ended 31 March 2018 £ '000</i>	<i>Year ended 31 March 2017 £ '000</i>
<i>Current tax:</i>		
UK corporation tax payable on profits for the year	1,131	707
Group relief receivable	539	-
Adjustment in respect of prior years	(84)	(62)
Total current tax charge	<u>1,586</u>	<u>645</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(15)	106
Adjustments in respect of prior year	73	57
Impact of change in tax rate	-	(35)
Total deferred tax (note 18)	<u>58</u>	<u>128</u>
Total tax on profit	<u>1,644</u>	<u>773</u>

The tax expense for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK for the year ended 31 March 2018 of 19% (2017: 20%).

	<i>Year ended 31 March 2018 £ '000</i>	<i>Year ended 31 March 2017 £ '000</i>
Profit before income tax	<u>7,323</u>	<u>3,026</u>
Profit before income tax multiplied by rate of tax of 19% (2017: 20%)	1,391	605
Effects of:		
Fixed asset differences	201	197
Expenses not deductible for tax purposes	66	11
Adjustments in respect of prior years	(11)	(5)
Impact of change in tax rate	-	(35)
Other differences	(3)	-
Total tax charge for the year	<u>1,644</u>	<u>773</u>

Factors affecting current and future tax charges:

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

Notes to the financial statements (continued)*for the year ended 31 March 2018***11. Intangible assets**

	Goodwill £ '000
Cost:	
At 1 April 2017 and 31 March 2018	<u>1,921</u>
Accumulated amortisation and impairment charges:	
At 1 April 2017 and 31 March 2018	<u>1,921</u>
Net book amount:	
At 1 April 2017 and 31 March 2018	<u><u>-</u></u>

Impairment charges are made in the statement of comprehensive income within administrative expenses.

12. Tangible assets

	Short term leasehold property improvements £ '000	Plant & machinery £ '000	Assets under construction £ '000	Total £ '000
Cost:				
At 1 April 2017	8,947	53,417	911	63,275
Additions	114	4,016	741	4,871
Transfers	-	899	(899)	-
Disposals	(323)	(2,963)	-	(3,286)
At 31 March 2018	<u>8,738</u>	<u>55,369</u>	<u>753</u>	<u>64,860</u>
Accumulated depreciation:				
At 1 April 2017	3,479	29,225	-	32,704
Depreciation	597	4,826	-	5,423
Disposals	(313)	(2,577)	-	(2,890)
At 31 March 2018	<u>3,763</u>	<u>31,474</u>	<u>-</u>	<u>35,237</u>
Net book value:				
At 31 March 2018	<u>4,975</u>	<u>23,895</u>	<u>753</u>	<u>29,623</u>
At 31 March 2017	<u>5,468</u>	<u>24,192</u>	<u>911</u>	<u>30,571</u>

The net book value of the plant and machinery above does not include any amounts for assets held under finance leases (2017: £15,000).

Notes to the financial statements (continued)

for the year ended 31 March 2018

13. Debtors: amounts falling due after more than one year

	31 March 2018 £ '000	31 March 2017 £ '000
Other debtors	<u>2,070</u>	<u>2,042</u>

Other debtors are deposits on operating leases for leasehold property and rental equipment.

14. Debtors

	31 March 2018 £ '000	31 March 2017 £ '000
Trade debtors	10,817	8,996
Amounts owed by group undertakings	1,767	1,682
Corporation tax	-	103
Prepayments and accrued income	<u>11,604</u>	<u>9,209</u>
	<u>24,188</u>	<u>19,990</u>

The amount owed by group undertakings of £1,767,000 (2017:1,682,000) is interest free and settled on normal commercial terms.

15. Creditors: amounts falling due within one year

	31 March 2018 £ '000	31 March 2017 £ '000
Bank loans	2,222	2,222
Trade creditors	1,500	1,615
Amounts owed to group undertakings	5,670	15,146
Finance leases (note 17)	8	4
Corporation tax	1,234	-
Other taxation and social security	1,939	1,733
Other creditors	989	866
Accruals and deferred income	<u>10,573</u>	<u>7,691</u>
	<u>24,135</u>	<u>29,277</u>

In the prior year, amounts owed to group undertakings included an amount of £10,771,000 which bore interest at the rate of 5.75%. As the loan was extended and is now repayable in January 2020, this has been presented within the creditors falling due after more one year in note 16 for the current year. The other amounts owed to group undertakings are interest free, not secured and settled on normal commercial terms.

Included in creditors is £287,000 (2017: £205,000) of outstanding defined contribution pension payments.

Notes to the financial statements (continued)

for the year ended 31 March 2018

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

	31 March 2018 £ '000	31 March 2017 £ '000
Bank loans	14,445	16,667
Amounts owed to group undertakings	10,771	-
Finance leases (note 17)	-	8
Accruals and deferred income	6,692	5,578
	31,908	22,253

The amounts owed to group undertakings of £10,771,000 (2017: nil) bears interest at the rate of 5.75% and is repayable in January 2020.

17. Loans and other borrowings

	31 March 2018 £ '000	31 March 2017 £ '000
Bank loans	16,667	18,889
Finance leases	8	12
Carrying value of liability	16,675	18,901

The bank loan bears a variable interest rate of 3 month libor plus 1.1%, and is payable in 6 semi-annual instalments of £1,111,111 each, and one final repayment of £10,000,000 in May 2021.

Bank loan maturity

	31 March 2018 £ '000	31 March 2017 £ '000
Not later than one year	2,222	2,222
Later than one year and not later than five years	14,445	16,667
Later than five years	-	-
Carrying value of liability	16,667	18,889

Notes to the financial statements (continued)

for the year ended 31 March 2018

17. Loans and other borrowings (continued)

Finance leases

The future minimum finance lease payments are as follows:

	<i>31 March</i> <i>2018</i> <i>£ '000</i>	<i>31 March</i> <i>2017</i> <i>£ '000</i>
Not later than one year	8	5
Later than one year and not later than five years	-	8
Total gross payments	<u>8</u>	<u>13</u>
Impact of finance charges	-	(1)
Carrying value of liability	<u>8</u>	<u>12</u>

18. Provision for liabilities

	<i>Deferred</i> <i>tax</i> <i>£ '000</i>	<i>Other</i> <i>provision</i> <i>£ '000</i>	<i>Total</i> <i>£ '000</i>
At 1 April 2017	704	169	873
Charge/(reversal) for the year	58	(169)	(111)
At 31 March 2018	<u>762</u>	<u>-</u>	<u>762</u>

Other provisions of £169,000 for a court case relating to a breach of an improvement notice issued in June 2015 under the Health and Safety at Work act 1974 were paid during the year.

Notes to the financial statements (continued)

for the year ended 31 March 2018

18. Provision for liabilities (continued)

The deferred tax liability/(asset) included in the statement of financial position is as follows:

	31 March 2018 £ '000	31 March 2017 £ '000
Deferred tax asset due within 12 months	(48)	(53)
Deferred tax liabilities within 12 months	155	134
Total provision due within 12 months	107	81
Deferred tax liabilities after more than 12 months	655	623
Total provision due after more than 12 months	655	623
Total deferred tax provision	762	704
Deferred tax liabilities		
		Accelerated capital allowances £ '000
At 1 April 2016		638
Charged to the income statement		119
At 31 March 2017 and 1 April 2017		757
Charged to the income statement		53
At 31 March 2018		810
Deferred tax assets		
		Short term timing differences £ '000
At 1 April 2016		62
Charged to the income statement		(9)
At 31 March 2017 and 1 April 2017		53
Charged to the income statement		(5)
At 31 March 2018		48

Notes to the financial statements (continued)

for the year ended 31 March 2018

19. Operating leases and capital commitments

a) Future minimum lease payments under non-cancellable operating leases are as follows:

	31 March 2018 £ '000	31 March 2017 £ '000
Not later than one year	12,768	11,491
Later than one year and not later than five years	42,424	43,065
Later than five years	39,060	47,402
	<u>94,252</u>	<u>101,958</u>

b) Capital commitments

The company has capital commitments at the year end, contracted but not provided for £1,520,000 (2017: £810,000).

20. Related party transactions

The company has taken advantage of the exemption contained in Financial Reporting Standard Number 101 paragraph 8 "Related Party Disclosure" as it is a wholly-owned subsidiary of dnata. The company has therefore not disclosed transactions or balances with wholly-owned entities that form part of the Group headed by dnata.

21. Called up share capital

	Allotted and fully paid 31 March 2018 £ '000	Allotted and fully paid 31 March 2017 £ '000
2,000,000 (2017: 2,000,000) ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

Notes to the financial statements (continued)
*for the year ended 31 March 2018***22. Parent and ultimate parent undertaking**

The company's immediate parent company is dnata Aviation Services Limited, registered in England.

The company's penultimate parent company is dnata, incorporated in the United Arab Emirates under an Emiri Decree. The ultimate parent undertaking and controlling company at the year-end was the Investment Corporation of Dubai, a company incorporated in the United Arab Emirates under an Emiri decree.

dnata is the ultimate parent company and is the smallest group to consolidate these financial statements. Copies of dnata consolidated financial statements can be obtained from the Company secretary at dnata, PO Box 1515, Dubai, UAE.

23. Post balance sheet events

There have been no material events since the reporting date that would require disclosure or adjustment to these financial statements.