Docklands Aviation Group Limited

AMENDING

Directors' report and financial statements

Registered number 5879149

31 December 2016

Contents

Strategic Report

Principal activity

In the opinion of the directors the financial statements give a fair view of the development of the business during the period and of its position at the end of the year.

Docklands Aviation Group Ltd formerly owned the airport but on 10th March 2016, the ownership changed. Global Infrastructure Partners agreed to sell its 75% interest in Clover BidCo Ltd to a consortium comprised of AIMCo, OMERS, Ontario Teachers' Pension Plan and Wren House Infrastructure Management Limited, the infrastructure investing arm of the Kuwait Investment Authority.

Oaktree Capital also agreed to sell its 25% interest in London City Airport to the same purchasers as part of the transaction. The transaction was not subject to any regulatory approvals. As part of this arrangement, Docklands Aviation Group Limited sold the investments that it held in Marketspur Limited, London City Airport Limited and London City Airport Jet Centre Limited to Maverick BidCo Limited, a company set up by the consortium members listed above. Clover BidCo Limited remains the immediate parent of Docklands Aviation Group, but is now wholly owned by Maverick BidCo Limited.

The principal activity of the Company is to be that of a management company. Docklands Aviation Group Ltd owns key assets of the airport, namely the runway and terminal building upon which they receive rental income from other companies within the group structure.

The directors expect that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Planning

The City Airport Development Programme (CADP) planning application (13/01228/FUL) was granted planning permission by the Secretaries of State for Communities and Local Government and Transport in July 2016 following an appeal and public inquiry which was held in March/April 2016. CADP includes a £350 million investment to deliver extended passenger facilities and new airfield infrastructure at London City Airport which will enable the airport to operate up to 111,000 annual flight movements per annum and process up to 6.5 million passengers.

CADP will deliver:

- a world-class international gateway to London;
- additional capacity for the next generation of aircraft which are quieter and more fuel efficient and will open up new routes to business destinations not currently served from the airport;
- 1,600 new jobs (and a further 500 during construction); and
- economic benefit of up to £1.5bn per annum.

The CADP planning permission is subject to comprehensive planning controls including 97 planning conditions and a Section 106 Planning Agreement covering topics such as environment; surface access; employment; education; design and construction.
A number of the planning conditions and obligations in the S106 Agreement must be satisfied before construction of CADP can commence. The Airport is currently in the process of satisfying these and is targeting a start onsite in summer 2017.

Significant contractual and other relationships

A primary area of concentration of key relationships was Debt finance. During 2016, the old loan was repaid and a new loan was taken out by Maverick Bid Co Limited. For details of the finance accessed by the company see Note 18 of the financial statements.

Strategic report *(continued)*

Principal risks and uncertainties

Safety risks

Health and safety is a core value of the business and The Company operates a safety management system built around risk assessment, inspection, asset stewardship, governance and assurance.

Risk assessment is undertaken for all activities entailing significant risk, and proportionate control measures employed to safeguard everyone impacted by our business. The Company also operates robust asset selection and inspection and maintenance programmes to ensure property and equipment remain safe. Governance, led by the Board, and assurance processes are used to ensure the aforementioned remain effective and to encourage continuous improvement.

Security risks

Security risks are regarded as critical risks to manage within the business. The Company mitigates these risks by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in leading-edge security technology. The Company has adopted the recommendations of the Airports Security Planning Guidance, as issued by the Department for Transport in January 2010. The Company works closely with government agencies, including the police and UK Border Agency, building a framework to establish joint accountabilities for airport security and shared ownership of risk, thus ensuring security measures remain both flexible and proportionate to the prevailing threat environment.

Legislative and planning risks

Specific legislative risks exist in areas covering the operations of the business from a health and safety, passenger screening and security and aerodrome operations perspective. Robust compliance and legal monitoring controls promote best practice throughout the organisation and minimise The Company's exposure to non-compliance. The key bodies that regulate the operation of the airport are the Civil Aviation Authority and the Department for Transport.

Additionally, planning risks exist in relation to the ability of the airport to secure planning permissions to facilitate future growth. Changes to the planning legislation, national aviation policy and the impact of anti-aviation pressure groups could impact the airport's ability to deliver the growth vision set out in its 2006 Master Plan. With its planning experience and resources, LCY is well placed to respond to these risks as is evidenced by the securing of the 2016 planning permission for the City Airport Development Programme (CADP). CADP will provide the physical terminal and airfield infrastructure necessary to enable the airport to handle 6.5 million passengers.

Patrick Burrows
Director

Docklands Aviation Group Ltd
London City Airport
City Aviation House
Royal Docks
London
E16 2PB

8 June 2017

Directors' report

The directors present their report with the audited financial statements for the year ended 31 December 2016.

Results and dividends

The loss for the year of (£14.5m) *(2015:(£26.9m)* is arrived at after taking into account a taxation credit of £5m *(2015: £10m)*.

The directors paid a dividend of £nil for the year ended 31 December 2016 *(2015: £1.2m)*.

Financial risks

The Company has established financial management control processes whose objective is to monitor The Company's financial performance and risks and to ensure sufficient working capital exists.

Risk relating to leverage - As at 31 December 2016 the company no longer has external debt *(2015: £454.5 million)* as this is now held with Maverick Bidco Ltd. The external bank loan has been repaid, this has been replaced by a new intercompany loan, which enables DAG to still apply hedge accounting.

The Company continues to hold has derivatives on behalf of the group. The interest exposure of the Company is offset by the interest receivable by an intermediate holding company, Maverick BidCo Ltd.

Liquidity risk is the risk that an entity may encounter difficulties in meeting obligations associated with financial liabilities.

The Company aims to mitigate liquidity risk by having a strong positive cash flow.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments. The company manages this risk through regular cash flow forecasts , monitoring and strict management of its working capital and planning for known significant cash flow movements.

Other risk - The Company places all its insurance with leading insurance companies. Obligatory insurances are placed as necessary at competitive rates. All other risks are assessed and identified and where appropriate, insurance cover is purchased, where available, to mitigate these risks.Insurances are reviewed, assessed and renewed on an annual basis.

Employees

The Company encourages the involvement of employees in its performance through regular communication from its managers to all employees providing up to date information on business matters and results.Also, employees' remuneration contains an element linked to business performance to give an opportunity for employees to participate in the success of the business.

Directors' report *(continued)*

The Company regularly reviews employment practices to ensure good working relations and equal opportunity based on fairness, equality and inclusiveness. The Company is committed to ensuring that people with disabilities are supported and encouraged to apply for employment with The Company and to achieve progress through The Company.

The Company continues to invest in training to ensure that employees have the necessary management, technical and commercial skills to provide the best possible service to our customers. Both internal and external training opportunities will be provided where they are appropriate to an employee's current role and/or development. Suitable arrangements can be made either with regard to the structure or format of the event to enable employees with disabilities to participate.

The Company continues to maintain a positive relationship with all of its employees and actively encourages communication through a variety of channels. In addition, a committee comprising of staff representatives from all departments meets on a regular basis to discuss issues of importance to the staff they represent. This structure and regular management and team briefings form a major part of the communication channel with employees.

Additionally the Airport Life staff magazine and a dedicated intranet site play important roles in our communications with employees. We also regularly receive feedback via our "Direct to Declan" comment card scheme which was launched in 2013. We carry out a full Engagement Survey of all employees via an external provider each year and hold regular "Listening Groups" with employees too. All staff meetings are held twice a year in order to ensure key messages are delivered directly by the executive team to staff. The Company continues to recruit locally, with over 60% of staff living within 5 miles of the site, and nearly 30% in the London Borough of Newham providing socio-economic benefits in an increasingly vibrant part of London.

Disclosure of information to the auditors

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/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report *(continued)*

Ownership

Clover Bid Co Limited is the immediate parent company for Docklands Aviation Group Limited.

Directors

The directors who held office during and since the year were as follows:

R Griffins	Non-executive chairman (resigned 03 June 2016)
D Collier	Chief Executive Officer
P Burrows	Chief Finance Officer
M Noorani	Non-executive director – GIP representative (resigned 10th March 2016)
T Hatton	Non-executive director – GIP representative (resigned 10th March 2016)
G Pritchard	Non-executive director – GIP representative (resigned 10th March 2016)
J Kowalishin	Non-executive director – Highstar representative (resigned 10th March 2016)
E McCann	Non-executive director – Highstar representative (resigned 10th March 2016)
K Roseke	Non-executive director – AimCo (appointed 10th March 2016 and resigned on 3rd June 2016)
R Girard	Non-executive director – AimCo (appointed 10th March 2016 and resigned on 6th April 2016)
J Adam	Non-executive director – Ontario Teachers Pension Plan (appointed 10th March 2016 and resigned on 3rd June 2016)
P Stylianides	Non-executive director – Wren House (appointed 10th March 2016 and resigned on 3rd June 2016)
L Bugeja	Non-executive director – Ontario Teachers Pension Plan (appointed 10th March 2016 and resigned on 3rd June 2016)
T Meyer-Mallorie	Non-executive director – Borealis (appointed 10th March 2016 and resigned on 3rd June 2016)
P Busslinger	Non-executive director – Borealis (appointed 10th March 2016 and resigned on 3rd June 2016)
H Drissi Kaitouni	Non-executive director – Wren House (appointed 10th March 2016 and resigned on 3rd June 2016)
B Hawkins	Non-executive director – AimCo (appointed 11th April 2016 and resigned on resigned on 3rd June 2016)

Directors' report *(continued)*

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.

By order of the board

Patrick Burrows
Director

Docklands Aviation Group Limited.
London City Airport
Royal Docks
City Aviation House
London
E16 2PB

8 June 2017

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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

- select suitable accounting policies 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOCKLANDS AVIATION GROUP LIMITED

We have audited the financial statements of Docklands Aviation Group Limited for the year ended 31 December 2016 set out on pages 12 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; 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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

- we have not received all the information and explanations we require for our audit.

Ian Griffiths (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
9 June 2017

Profit and loss account
for the year ended 31 December 2016

	Note	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Turnover	3	**19,947**	19,885
Administrative expenses excluding profit on disposal		**(26,312)**	(25,145)
Operating profit/(loss)	4	**(6,365)**	(5,260)
Interest received and similar income	5	**15,429**	-
Interest payable and similar expenses	6	**(28,856)**	(32,073)
Loss before taxation		**(19,792)**	(37,333)
Tax on loss		**5,091**	10,424
Loss for the financial year		**(14,701)**	(26,909)

The notes on pages 16 to 31 form part of the financial statements.

Statement of other comprehensive income
for the period ended 31 December 2016

	Note	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Loss for the year		**(14,701)**	(26,909)
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		**(93,902)**	8,220
Deferred tax on other comprehensive income		**11,204**	(1,644)
Contribution from parent (net of tax)		**14,188**	-
Total comprehensive income for the year		**(83,211)**	(20,333)

The notes on pages 16 to 31 form part of the financial statements.

Balance Sheet
as at 31 December 2016

Registered number 5879149

	Note	2016 £000	2015 £000
Fixed assets			
Intangible assets	*11*	-	20,392
Tangible assets	*12*	443,447	377,878
Investments	*13*	-	330,936
		443,447	729,206
Current assets			
Debtors: amounts falling due within one year	*14*	897	292
Debtors: amounts falling due after one year	*15*	349,761	58
Total debtors		350,658	350
Cash at bank and in hand		1,189	442
		351,847	792
Creditors: amounts falling due within one year	*16*	(17,627)	(16,872)
Net current assets/(liabilities)		334,220	(16,080)
Total assets less current liabilities		777,667	713,126
Creditors: amounts falling due after more than one year	*17*	(899,480)	(737,133)
Provisions for liabilities			
Deferred tax liability	*19*	(6,204)	(20,799)
Net assets		(128,017)	(44,806)
Capital and reserves			
Called up share capital		-	-
Capital reserve		245,782	245,782
Cashflow hedge		(209,597)	(126,899)
Profit and loss account		(164,202)	(163,689)
Shareholders' funds		(128,017)	(44,806)

The notes on pages 16 to 31 form part of the financial statements.

These financial statements were approved by the board of directors on 8 June 2017 and were signed on its behalf by:

Patrick Burrows
Director

Statement of changes in equity

	Share capital	Profit & loss account	Cashflow hedge	Capital Reserve	2016 Total
	£000	£000	£000	£000	£000
As 1 January 2016	-	(163,689)	(126,899)	245,782	(44,806)
Loss for the period	-	(14,701)	-	-	(14,701)
Cashflow hedge in the period	-	-	(93,902)	-	(93,902)
Deferred tax on cashflow hedge	-	-	11,204	-	11,204
Contribution from parent		14,188			14,188
At 31 December 2016	**-**	**(164,202)**	**(209,597)**	**245,782**	**(128,017)**

	Share capital	Profit & loss account	Cashflow hedge	Capital Reserve	2015 Total
	£000	£000	£000	£000	£000
As 1 January 2015	-	(135,603)	(133,475)	245,782	(23,296)
Profit for the year	-	(26,909)	-	-	(26,909)
Cashflow hedge in the year	-	-	8,220	-	8,220
Deferred tax on cashflow hedge	-	-	(1,644)	-	(1,644)
Dividends	-	(1,177)	-	-	(1,177)
At 31 December 2015	**-**	**(163,689)**	**(126,899)**	**245,782**	**(44,806)**

The notes on pages 16 to 31 form part of the financial statements.

Notes *(forming part of the financial statements)*

1 Basis of preparation of accounts

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

Going Concern

The financial statements have been prepared on the going concern basis, notwithstanding the Company's loss after tax, which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Maverick Bid Co Limited. Maverick BidCo Limited has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available.

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 its parent undertaking 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.

The immediate parent company was Clover Bid Co Ltd which was sold to Maverick Bidco Ltd as explained in note 23. The loan was repaid and the new owners have adequate financing arrangements to support the Company. The new facility consists of a £504m loan facility, in addition to a £300m capital expenditure facility and £30m revolving facility. The new facility is held by Maverick Bid Co Ltd.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

2 Accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Tunover

Turnover is calculated on the basis of the invoiced value of goods and services supplied during the trading period and excludes value added tax. Turnover includes deferred and accrued income due to the terms and conditions of the Company's contracts with it's customers.

Notes *(continued)*

Tangible fixed assets

Tangible fixed assets are recognised at cost less accumlated depreciation.

Tangible and intangible fixed assets, depreciation and amortisation

Depreciation is provided on a straight line basis in order to write off the value of the assets over their estimated useful lives as follows:

Leasehold land	-	75 years
Buildings	-	10 to 25 years
Runway and apron	-	20 to 60 years
Plant, machinery and vehicles	-	3 to 15 years
Intangibles	-	3 to 15 years

Investments

Investments in subsidiary undertakings are stated at cost less impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Borrowings

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Finance and operating leases

Assets which are the subject of finance leases together with the corresponding lease obligations are capitalised. The assets are depreciated as described above and the finance charge element of each lease payment representing a constant interest rate on the reducing obligation is charged against profits. All other leases are accounted for as operating leases and the rental charges are charged against the profit and loss account on a straight line basis over the life of the lease.

Pensions

The Company operates a defined contribution Group Private Pension Scheme, whereby a percentage of base salary is paid to private pension arrangements for certain employees.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Taxation

Provision is made for consideration payable to or recoverable from other group undertakings for the surrender of losses under group relief provisions.

Deferred taxation

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Government grants

Government grants and other contributions to the cost of tangible fixed assets are deferred and recognised in the profit and loss over the life of the asset. Revenue grants are credited to the profit and loss account so as to match them to the expenditure to which they relate.

Capital reserves

During a group restructure in 2013, a DAG capital reduction took place to the value of £245m.

The capital reserve forms part of the company's distributable reserves.

Notes *(continued)*

3 Related parties

Company	Relationship	Description	2016 Balance £000	2015 Balance £000
Amounts recorded in the balance sheet at year-end				
North Woolwich Properties Ltd	Common control	Trading balance	86	59
West Silvertown Properties Ltd	Common control	Trading balance	86	59
Maverick Bid Co Ltd	Parent company	Trading balance	349,761	-
AMI Property Holdings Ltd	Common control	Trading balance	(76,754)	(60,164)
Maverick Bid Co Ltd	Parent company	Trading balance	(461,864)	-
Clover Bidco Ltd	Parent company	Trading balance	(18,475)	(18,475)
London City Airport Ltd	Common control	Trading balance	(89,854)	(53,806)
London City Airport Jet Centre Ltd	Common control	Trading balance	724	175
Amounts recorded in profit and loss at year-end				
West Silvertown Properties Ltd	Common control	Property rental expense	(415)	(393)
AMI Property Holdings Ltd	Common control	Property rental expense	(18,466)	(17,535)

Notes *(continued)*

4 Turnover

The directors consider that the business has only one segment. The Company's turnover is derived from the provision of airport management services and operating lease rentals, solely in the United Kingdom.

	Year ended 2016 £000	Year ended 2015 £000
Retail and other income	19,947	19,885
	19,947	19,885

5 Operating profit

	Year ended 2016 £000	Year ended 2015 £000
Operating profit is stated after charging/(crediting):		
Fees payable to the Company's auditor		
-for the audit of the Company's annual accounts	7	7
Depreciation – owned assets	9,216	9,039
Amortisation of government grants	(4)	(4)

Notes *(continued)*

6 Interest received and similar income

	Year ended 2016 £000	Year ended 2015 £000
Interest on related party loans	15,369	-
Bank interest	60	-
	15,429	-

7 Interest paid and similar charges

	Year ended 2016 £000	Year ended 2015 £000
Bank interest payable	19,714	27,052
Amortisation of finance costs	1,809	5,021
Interest on related party loans	7,333	-
	28,856	32,073

8 Directors' remuneration

	Year ended 2016 £000	Year ended 2015 £000
Directors' emoluments	1,767	1,706

The aggregate pension contributions paid on behalf of the directors were £145k (*2015: £113k*). The emoluments of the highest paid director in 2016 were £632k *(2015: £530k)* including pension contributions of £76k (*2015: £31k*). Directors' costs are paid by DAG initially before being recharged to companies within the immediate parent company's group structure.

Directors' remuneration includes the Chief Commercial Officer & Chief Operating Officer both of which are not legally classified Directors'. Excluding these the Directors' emoluments are £1,192k (2015: £1,022k).

Notes *(continued)*

9 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 2016	Year ended 2015
Operational	**4**	5
Administration	**1**	1
	5	6

The aggregate payroll costs of these persons were as follows:

	Year ended 2016 £000	Year ended 2015 £000
Wages and salaries	**888**	898
Social security costs	**215**	217
	1,103	1,115

Notes *(continued)*

10 Taxation

Total tax expense recognised in the profit and loss account

	Year ended 2016 £000	Year ended 2015 £000
Current tax		
Current tax on income for the period	(1,702)	(6,626)
	(1,702)	(6,626)
Deferred tax (see note 16)	(4,093)	(3,798)
Adjustment in respect of prior periods- deferred tax	704	-
Non-taxable income		-
Total Tax credit on profit on ordinary activities	(5,091)	(10,424)

	Year ended 2016 £000	Year ended 2015 £000
Reconciliation of effective tax rate		
Loss before taxation	(19,792)	(37,332)
Tax using the UK corporation tax rate of 20% *(2015: 20.25%)*	(3,958)	(7,560)
Effects of:		
Capital allowances in excess of depreciation	-	170
Non qualifying depreciation	1,911	-
Expenses not deductible for tax	-	(53)
Transfer pricing adjustments	724	(434)
Deferred Tax on property revaluation – rate change	(2,704)	-
Impact of change in UK tax rate	(1,768)	-
Prior year adjustment	-	-
Other	704	(2,547)
Total tax credit included in profit or loss	(5,091)	(10,424)

A reduction in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013. A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Notes *(continued)*

11 Intangible fixed assets

	Assets £000	Total £000
Cost or valuation		
At 1 January 2016	28,362	28,362
Additions at cost	17,099	17,099
Transfer to Tangible Fixed Assets	(45,461)	(45,461)
At 31 December 2016	-	-
Accumulated depreciation/ amortisation at 31 December 2016		
At 1 January 2016	7,969	7,969
Charge for year	1,782	1,782
Transfer to Tangible Fixed Assets	(9,751)	(9,751)
Net book value		
At 31 December 2016	-	-
At 31 December 2015	**28,361**	**28,361**

Following acheivement of planning consent, certain development costs have been transferred to tangible fixed assets.

Notes *(continued)*

12 Tangible fixed assets

	Long leasehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2016	446,238	1,998	448,236
Additions	37,292	-	37,292
Transfer from Intangible Fixed Assets	-	45,461	45,461
At 31 December 2016	**483,530**	**47,459**	**530,989**
Accumulated depreciation as at 31 December 2016			
At 1 January 2016	68,360	1,998	70,358
Charge for year	7,433	-	7,433
Transfer from Intangible Fixed Assets		9,751	9,751
At 31 December 2016	**75,793**	**11,749**	**87,542**
Net book value			
At 31 December 2016	**407,737**	**35,710**	**443,447**
At 31 December 2015	**377,878**	**-**	**377,878**

13 Fixed asset investments

	2016 £000	2015 £000
Investment at cost	-	330,936
	-	330,936

During 2016, DAG sold it's investment in London City Airport, Jet Centre and Marketspur to Maverick BidCo Ltd.

Notes *(continued)*

14 Debtors: amount falling due within one year

	2016 £000	2015 £000
Amounts owed by group undertakings	897	292
	897	292

15 Debtors: amount falling due after one year

	2016 £000	2015 £000
Amounts owed by group undertakings	349,761	-
Loan to Directors	-	58

Notes *(continued)*

16 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Corporation tax	-	-
Other creditors	82	82
Share based payments	-	124
Accruals and deferred income	17,545	16,666
	17,627	16,872

17 Creditors: amounts falling due after more than one year

	2016 £000	2015 £000
Bank loans	-	454,500
Cashflow hedge – swap	252,526	158,624
Unamortised cost of raising loan	-	(1,809)
Amounts owed to fellow group undertakings	646,954	125,818
	899,480	737,133

The amount due to Maverick BidCo Ltd is charged interest at 5.475% per annum. This amounts to £461.8m.
The amount due to AMI is charged interest at 7.5% per annum.This amounts to £76.8m.
The remaining intercompany balances do not have any associated interest charges.

Notes *(continued)*

18 Loans and finance leases

The maturity profile of The Company's financial liabilities under loans and secured notes at 31 December 2016 are as follows:

	Bank loans 2016 £000	Cashflow Hedge 2016 £000	Bank loans 2015 £000	Cashflow Hedge 2015 £000
Between one and two years	-	-	9,000	-
Between two and five years	-	252,526	445,500	158,624
	-	252,526	454,500	158,624

During 2016 the external bank loan was repaid and replaced by an intercompany loan between DAG and Maverick BidCo Limited. This enables DAG to continue to apply hedge accounting to its derivative instruments.
The Company is exposed to interest rate risk. To manage this exposure, the Company has entered into a number of interest rate swap contracts (hedged instruments) in relation to the £345m intercompany loan (hedged item) and has applied cashflow hedging to this relationship.
The fair value of the hedged instruments at 31 December 2016 is £252.5m.

Notes *(continued)*

19 Provisions for liabilities and charges

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
The liabilities for deferred tax are as follows: -		
Accelerated capital allowances	**149**	1,070
Provided deferred tax in respect of revaluation surpluses	**(49,282)**	(53,594)
Deferred tax in respect of cashflow hedge	**42,929**	31,725
Other timing differences	**-**	-
Total	**(6,204)**	(20,799)

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
At 1 January 2016	**(20,799)**	(22,952)
Cashflow hedge	**11,204**	(1,644)
Provided deferred tax in respect of revaluation surpluses - movement	**-**	2,547
Adjustment in respect of prior years	**(704)**	-
Deferred tax charge for the period	**4,093**	1,250
Provision at 31 December 2016	**(6,204)**	(20,799)

20 Potential future obligations arising from planning approval to expand airport's operations

In July 2009 the London Borough of Newham (LBN) approved the airport's planning application to increase the permitted number of aircraft movements up to 120,000 per annum. As part of this approval the airport entered into a s106 Town and Country Planning Act agreement with LBN which sets out the legal obligations attached to the grant of the planning approval. These obligations comprise a number of positive contributions, both monetary and non-monetary, that the airport will make in the local community and environment. The financial contributions that the airport is, or could be, required to make cover a wide range of areas such as contributions to local community projects and initiatives, education and training, transport infrastructure, landscaping, environmental improvements and noise insulation and development value compensation. At 31 December 2013 there are two categories of future monetary payments that are payable under the s106 agreement;

- Specific payments – Funding towards local community projects and initiatives covering education and training, transport infrastructure and environmental improvements of £2.2m. The precise timing of some payments is prescribed by the s106 agreement, whilst the timing of other payments is conditional upon the timing of projects and activities being undertaken by third parties to whom the contributions relate.

- Variable payments – For some of the obligations it is not possible to accurately estimate the potential cost or timing of the payment of these amounts as they are dependent on a variety of factors around the airport's own development and the future development of the local environment specifically in relation to development value compensation, noise insulation and other environmental improvements.

Details of the progress, funding and support provided by the airport to date is contained in the Annual Performance Report compiled under the agreement with LBN which can be found on the airport's website – http://www.londoncityairport.com/aboutandcorporate/page/ourenvironment .

The main operator named as part of the achieved planning permission is London City Airport Limited. Docklands Aviation Group Limited is named as an associated party to the planning permission granted.

21 Other financial commitments

	2016 £000	2015 £000
Capital expenditure		
Authorised but not contracted for	**4,824**	10,395
	4,824	10,395

The annual commitments under non-cancellable operating leases are as follows:

	2016			2015		
	Land and buildings £000	**Other £000**	**Total £000**	Land and buildings £000	Other £000	Total £000
Leases expiring in 2-5 years	**-**	**180**	**180**	-	247	247
Leases expiring in over 5 years	**4,161**	**-**	**4,161**	4,102	-	4,102
	4,161	**180**	**4,341**	4,102	247	4,349

An annual variable rental commitment is due to AMI Property Holdings Ltd on a long term lease. This variable rent is based on passenger numbers and other marginal factors which are not predictable, and therefore the rent is excluded from the above table. In 2016 the rent charged was £14.7m (2015: £13.8m).

Notes *(continued)*

22 Share capital

	2016	2015
	£	£
Authorised, allotted, called up and fully paid		
1 ordinary shares of £1 each	1	1

23 Parent undertakings

The immediate parent undertaking is Clover Bidco Limited, a company registered in Jersey. The registered office is 44 Esplanade, St Helier, Jersey, JE4 9WG.

The ultimate and controlling parent undertaking is Maverick TopCo Limited, a company registered in Jersey. The registered office is 44 Esplanade, St Helier, Jersey, JE4 9WG.