Docklands Aviation Group Limited

Directors' report and financial statements

Registered number 5879149

31 December 2018

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.

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 c.£500 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 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 have been satisfied which allowed the construction of CADP to commence in October 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 Londonia Bid Co Limited. For details of the finance accessed by the company see Note 15 of the financial statements.

Principal risks and uncertainties

Safety risks

Risk assessments are 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.

Strategic report *(continued)*

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 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.

Planning risks

Planning risks exist in relation to the ability of the Company 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.

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 - the Company has no external debt but has intercompany loans with Londonia Bidco Limited, 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, Londonia 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 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 annually.

Louise M. Arian

Director

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

24 June 2019

Directors' report

The directors present their report with the audited financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the year of (£5.9m) *(2017 restated: (£11.4m))* is arrived at after taking into account taxation of £0.1m *(2017 restated: £4.6m)*.

The directors paid a dividend of £nil for the year ended 31 December 2018 *(2017: £nil)*.

Ownership

Clover Bidco 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 Sinclair	Chief Executive Officer
P Moses	Chief Finance Officer (resigned 4th January 2018)
W Allan	Chief Finance Officer (appointed 27th February 2018)

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. In line with good governance the Board of Directors are proposing to conduct an audit tender in the next few months with a view to either confirming their re-appointment of KPMG or making the appointment of a new firm to take over from KPMG.

By order of the board

Louise McAllan

Director

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

24 June 2019

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Docklands Aviation Group Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and the appropriateness of the going concern basis of preparation of the financial statements. This depends on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Ian Griffiths (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
25 June 2019

Profit and loss account

for the year ended 31 December 2018

	Note	**Year ended 31 December 2018 £000**	Restated Year ended 31 December 2017 £000
Turnover	*5*	**18,000**	17,572
Administrative expenses		**(28,078)**	(22,056)
Operating profit/(loss)	*6*	**(10,078)**	(4,484)
Interest received and similar income	*7*	**33,342**	19,390
Interest payable and similar expenses	*8*	**(29,327)**	(30,928)
Loss before taxation		**(6,063)**	(16,022)
Tax on loss		**147**	4,593
Loss for the financial year		**(5,916)**	(11,429)

The notes on pages 13 to 26 form part of the financial statements.

Statement of other comprehensive income
for the period ended 31 December 2018

	Year ended 31 December 2018 £000	Restated Year ended 31 December 2017 £000
Loss for the year	**(5,916)**	(11,429)
Other comprehensive income		
Changes in fair value of cash flow hedges	**19,856**	16,164
Deferred tax on other comprehensive income	**(3,376)**	(2,747)
Total comprehensive income for the year	**10,564**	1,988

The notes on pages 13 to 26 form part of the financial statements.

Balance Sheet
as at 31 December 2018

Registered number 5879149

	Note	2018 £000	Restated 2017 £000
Fixed assets			
Tangible assets	*11*	**523,359**	468,154
		523,359	468,154
Current assets			
Debtors: amounts falling due within one year	*12*	**224**	160
Debtors: amounts falling due after one year	*13*	**605,997**	591,543
Total debtors		**606,221**	591,703
Cash at bank and in hand		**297**	601
		606,518	592,304
Creditors: amounts falling due within one year	*14*	**(16,186)**	(14,907)
Net current assets/(liabilities)		**590,332**	577,397
Total assets less current liabilities		**1,113,691**	1,045,551
Creditors: amounts falling due after more than one year	*15*	**(879,878)**	(825,343)
Provisions for liabilities			
Deferred tax liability	*16*	**(8,755)**	(5,714)
Net assets		**225,058**	214,494
Capital and reserves			
Called up share capital	*19*	**340,523**	340,523
Capital reserve		**245,782**	245,782
Cashflow hedge		**(166,429)**	(182,909)
Profit and loss account		**(194,818)**	(188,902)
Shareholders' funds		**225,058**	214,494

The notes on pages 13 to 26 form part of the financial statements.

These financial statements were approved by the board of directors on 24 June 2019 and were signed on its behalf by:

Louma M Auan

Director

Statement of changes in equity

	Share capital	Profit & loss account	Cashflow hedge	Capital Reserve	2018 Total
	£000	£000	£000	£000	£000
As 1 January 2018	340,523	(188,902)	(182,909)	245,782	**214,494**
Loss for the year		(5,916)	-	-	**(5,916)**
Cashflow hedge in the year		-	19,856	-	**19,856**
Deferred tax on cashflow hedge		-	(3,376)		**(3,376)**
Issued share capital		-			
At 31 December 2018	**340,523**	**(194,818)**	**(166,429)**	**245,782**	**225,058**

	Share capital	Profit & loss account	Cashflow hedge	Capital Reserve	2017 Total
	£000	£000	£000	£000	£000
As 1 January 2017	-	(164,202)	(209,597)	245,782	(128,017)
Restatement Adjustment	-	(13,271)	13,271	-	-
As 1 January 2017 (restated)	-	(177,473)	(196,326)	245,782	(128,017)
Loss for the year (restated)	-	(11,429)	-	-	(11,429)
Cashflow hedge in the year (restated)	-	-	16,164	-	16,164
Deferred tax on cashflow hedge (restated)	-	-	(2,747)	-	(2,747)
Issued share capital	340,523	-	-	-	340,523
At 31 December 2017	**340,523**	**(188,902)**	**(182,909)**	**245,782**	**214,494**

The notes on pages 13 to 26 form part of the financial statements.

Notes

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 Londonia Bidco Limited. Londonia Bidco Limited changed its name from Maverick Bidco Limited on 18 August 2017. Londonia 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 Bidco Ltd which was sold to Londonia Bidco Ltd in 2016. 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 £400m capital expenditure facility and £30m revolving facility. The new facility is held by Londonia Bidco 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 2016 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.

Turnover

Turnover is calculated on the basis of the 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.

Tangible fixed assets, depreciation and amortisation

Tangible fixed assets are stated at cost less accumulated depreciation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Notes *(continued)*

The estimated useful lives are 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

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

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.

Notes *(continued)*

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

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

3 Prior period restatement

Following an assessment of the Company's hedging arrangements, the Directors identified that an ineffective portion of the fair value changes in the hedging instrument, arising as a result of the acquisition in March 2016, had been taken to the cash flow hedge reserve when they should have been taken to the profit and loss account. The associated impact on deferred tax should have been recognised in 2016 and also 2017 The following tables summarise the impacts on the Company's financial statements:

i) Statement of financial position

	Impact as at 1 Jan 2017		
	As previously reported £'000	**Adjustments £'000**	**As restated £'000**
Total Net Assets	**(128,017)**	-	**(128,017)**
Called up share capital	-	-	-
Capital reserve	245,782	-	245,782
Cash Flow Hedge Reserve	(209,597)	13,271	(196,326)
Retained earnings	(164,202)	(13,271)	(177,473)
Total Equity	**(128,017)**		**(128,017)**

Notes *(continued)*

Impact as at 31 Dec 2017			
	As previously reported £'000	**Adjustments £'000**	**As restated £'000**
Total Net Assets	**214,494**	-	**214,494**
Called up share capital	340,523	-	340,523
Capital reserve	245,782	-	245,782
Cash Flow Hedge Reserve	(200,268)	17,359*	(182,909)
Retained earnings	(171,543)	(17,359)*	(188,902)
Total Equity	**214,494**	-	**214,494**

*Please note this is the cumulative of the 2016 and 2017 hedge ineffectiveness adjustments.

ii) Statement of profit and loss

Impact for the year ended 31 Dec 2017			
	As previously reported £'000	**Adjustments £'000**	**As restated £'000**
Turnover	17,572	-	17,572
Administrative expenses excluding profit on disposal	(22,056)	-	(22,056)
	(4,484)	-	**(4,484)**
Interest received and similar income	19,390	-	19,390
Interest payable and similar expenses	(26,003)	(4,925)	(30,928)
Loss before taxation	**(11,097)**	**(4,925)**	**(16,022)**
Tax on loss	3,756	837	4,593
Loss for the financial year	**(7,341)**	**(4,088)**	**(11,429)**

iii) Statement of Other Comprehensive Income

Impact for the year ended 31 Dec 2017			
	As previously reported £'000	**Adjustments £'000**	**As restated £'000**
Loss for the year	**(7,341)**	**(4,088)**	**(11,429)**
Other Comprehensive income	-		
Changes in fair value of cash flow hedges	11,239	4,925	16,164
Deferred tax	(1,910)	(837)	(2,747)
Total Comprehensive income	**1,988**	-	**1,988**

4 Related parties

Company	Relationship	Description	2018 Balance £000	2017 Balance £000
Amounts recorded in the balance sheet at year-end				
North Woolwich Properties Ltd	Common control	Trading balance	**80**	80
West Silvertown Properties Ltd	Common control	Trading balance	**80**	80
Londonia Bid Co Ltd	Parent company	Interest loan	**345,000**	345,000
AMI Property Holdings Ltd	Common control	Trading balance	**(17,903)**	-
AMI Property Holdings Ltd	Parent company	Interest loan	**260,997**	246,543
Londonia Bid Co Ltd	Parent company	Trading balance	**(464,286)**	(459,007)
Clover Bidco Ltd	Parent company	Trading balance	**(18,475)**	(18,475)
London City Airport Ltd	Common control	Trading balance	**(154,801)**	(106,574)
London City Airport Jet Centre Ltd	Common control	Trading balance	**-**	-
Amounts recorded in profit and loss at year-end				
West Silvertown Properties Ltd	Common control	Property rental expense	**-**	-
AMI Property Holdings Ltd	Common control	Property rental expense	**(16,284)**	(14,919)

Notes *(continued)*

5 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 2018 £000	Year ended 2017 £000
Rental and other income	**18,000**	17,572
	18,000	17,572

6 Operating loss

	Year ended 2018 £000	Year ended 2017 £000
Operating loss is stated after charging/(crediting):		
Fees payable to the Company's auditor		
-for the audit of the Company's annual accounts	**10**	7
Depreciation – owned assets	**11,571**	9,297
Amortisation of government grants	**(4)**	(4)

Notes *(continued)*

7 Interest received and similar income

	Year ended 2018 £000	Year ended 2017 £000
Interest on related party loans	**33,342**	19,390
	33,342	19,390

8 Interest paid and similar charges

	Year ended 2018 £000	Restated Year ended 2017 £000
Bank interest payable	**16,546**	17,773
Interest on related party loans	**9,799**	8,230
Hedge ineffectiveness	**2,982**	4,925
	29,327	30,928

9 Directors' remuneration

	Year ended 2018 £000	Year ended 2017 £000
Directors' emoluments	**-**	(427)

Directors' costs were paid by DAG initially before being recharged to companies within the immediate parent company's group structure, this process changed in May 2017 when it was agreed that Directors' costs would be paid by Londonia Bidco Limited and a transfer of the expenses incurred in 2017 were transferred to Londonia Bidco Limited. The costs incurred by the company for the highest paid director in the group structure was £1.3m (2017: £501k) including pension contributions of £32k (2017: £10k). Directors' emoluments are £2.2m (2017: £1.5m) for the group.

Notes *(continued)*

10 Taxation

Total tax expense recognised in the profit and loss account

	Year ended 2018	Restated Year ended 2017
	£000	£000
Current tax		
Current tax on income for the period	188	(1,356)
	188	(1,356)
Deferred tax charge (see note 16)	484	233
Adjustment in respect of prior periods- deferred tax	(312)	(1,839)
Deferred tax – revaluation	-	(794)
Deferred tax – hedge	(507)	(837)
Total Tax (credit) on profit on ordinary activities	(147)	(4,593)

	Year ended 2018	Restated Year ended 2017
	£000	£000
Reconciliation of effective tax rate		
Loss before taxation	**(6,063)**	(16,022)
Tax using the UK corporation tax rate of 19% *(2017: 19.25%)*	**(1,152)**	(3,084)
Effects of:		
Capital allowances in excess of depreciation	-	955
Non qualifying depreciation	**1,620**	-
Expenses not deductible for tax	**10**	10
Transfer pricing adjustments	**(373)**	48
Deferred Tax on property revaluation – rate change	-	(1,839)
Impact of change in UK tax rate	-	(794)
Adjustments in respect of prior periods	**(312)**	-
Other - tax rate difference on hedge	-	111
CFC Adjustment	**60**	-
Total tax credit included in profit or loss	**(147)**	(4,593)

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 Tangible fixed assets

	Long leasehold land and buildings	Plant and Machinery	Total
	£'000	**£'000**	**£'000**
Cost or valuation			
At 1 January 2018	**515,669**	**47,459**	**563,128**
Additions at cost	66,776	-	66,776
At 31 December 2018	**582,445**	**47,459**	**629,904**
Accumulated depreciation			
At 1 January 2018	**83,225**	**11,749**	**94,974**
Charge for year	11,571	-	11,571
At 31 December 2018	**94,796**	**11,749**	**106,545**
Net book value			
At 31 December 2018	**487,649**	**35,710**	**523,359**

	Land and buildings	Plant and Machinery	Total
	£m	**£m**	**£m**
Cost or valuation			
At 1 January 2017	483,530	47,459	530,989
Additions	34,268	-	34,268
Write off	(2,129)	-	(2,129)
At 31 December 2017	**515,669**	**47,459**	**563,128**
Accumulated depreciation			
At 1 January 2017	75,793	11,749	87,542
Charge for year	9,297	-	9,297
Write off	(1,865)	-	(1,865)
At 31 December 2017	**83,225**	**11,749**	**94,974**
Net book value			
At 31 December 2017	**432,444**	**35,710**	**468,154**

Notes *(continued)*

12 Debtors: amount falling due within one year

	2018 £000	2017 £000
Prepayments	**64**	-
Amounts owed by group undertakings	**160**	160
	224	160

13 Debtors: amount falling due after one year

	2018 £000	2017 £000
Amounts owed by group undertakings	**605,997**	591,543

14 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Other creditors	**41**	44
Accruals and deferred income	**16,145**	14,863
	16,186	14,907

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	2018 **£000**	2017 £000
Cashflow hedge – swap	224,414	241,288
Amounts owed to fellow group undertakings	655,464	584,055
	879,878	825,343

The amount due to Londonia Bidco Ltd is charged interest at 5.475% per annum. This amounts to £464.3m (2017: £459.0m).

16 Loans and finance leases

The maturity profile of The Company's financial liabilities under loans and secured notes at 31 December 2017 are as follows:

	Cashflow Hedge 2018 £000	Cashflow Hedge 2017 £000
Between one and two years	**-**	-
Greater than 5 years	**224,414**	241,288
	224,414	241,288

During 2016 the external bank loan was repaid and replaced by an intercompany loan between DAG and Londonia 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 2018 is £224.4m *(2017: £241.3m).*

Notes *(continued)*

17 Provisions for liabilities and charges

	Year ended 31 December 2018 £000	Restated Year ended 31 December 2017 £000
The liabilities for deferred tax are as follows: -		
Short term timing differences	**1,549**	1,721
Accelerated capital allowances		
Provided deferred tax in respect of revaluation surpluses	**(48,488)**	(48,488)
Deferred tax in respect of cashflow hedge	**38,150**	41,019
Other timing differences	**34**	34
Total	**(8,755)**	(5,714)

	Year ended 31 December 2018 £000	Restated Year ended 31 December 2017 £000
At 1 January 2018	**(5,714)**	(3,485)
Cashflow hedge	**(2,869)**	(1,910)
Provided deferred tax in respect of revaluation surpluses - movement	**-**	794
Adjustment in respect of prior years	**312**	1,839
Deferred tax charge for the year	**(484)**	(233)
Prior Year – Swap	**-**	(2,718)
Provision at 31 December 2018	**(8,755)**	(5,714)

Notes *(continued)*

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

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 £480 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 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 legal obligations covering topics such as environment; surface access; employment; education; design and construction.

The legal obligations attached to the CADP permission are listed in the Section 106 Agreement (S106) that the airport entered into with the London Borough of Newham, the Greater London Authority and Transport for London. 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 funding of employment and education initiatives , transport infrastructure (including DLR rolling stock), environmental improvements and noise insulation/ development value compensation. The range of the financial obligations is between £16.6m - £26.2m. There are two categories of future monetary payments that are payable under the CADP S106 agreement:

- Specific payments – for which the amounts are known The precise timing of some payments is prescribed by the S106, 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.

Whilst the CADP permission was triggered in October 2017, and has replaced the 2009 permission as the current operational consent, a number of variable payments under the 2009 S106 still need to be closed out in 2018. These relate to the completion of Sound Insulation Works which were previously offered under the 2009 S106 but which are required to be completed under the CADP S106.

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 .

19 Other financial commitments

	2018	2017
	£000	£000
Capital expenditure		
Commitments	90,505	90,505
	90,505	90,505

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 2018 the rent charged was £16.2m (2017: £14.9m).

20 Share capital

	2018	2017
	£	£
Authorised, allotted, called up and fully paid		
340,523,086 ordinary shares of £1 each	**340,523,086**	340,523,086

20 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 Londonia Topco Limited, a company registered in Jersey. The registered office is 44 Esplanade, St Helier, Jersey, JE4 9WG. Londonia Topco Limited changed its name from Maverick Topco Limited on 18 August 2017.