Docklands Aviation Group Limited

Strategic report, directors' report and

financial statements

Registered number 5879149

31 December 2019

Contents

Strategic Report

Principal activity

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

City Airport Development Programme ('CADP')

During the year work continued on the £500m airport development programme. At the end of 2019 several of the infrastructure facilities were nearing completion. For example, the temporary immigration and baggage facilities, four of the new stands and the parallel taxiway. These new assets should be brought into operational use during 2020.

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. For the third consecutive year the company achieved a 100% compliance of these conditions.

Future Developments

The COVID-19 global pandemic has had a significant impact on the whole aviation industry. The concerns around the recovery of passenger numbers may impact the speed and levels of investment that will be made in the short term. The Directors took the decision to continue with the construction of activities which were nearing completion and are expected to complete in 2020 before pausing the programmes. The phasing and deliverables of the CADP project will be kept under review as the industry resumes operations and recovery curves become clearer.

Significant contractual and other relationships

The key contractual relationships are between other group companies, including the airport leases and intercompany loans. The "Group" consists of Londonia Bidco Limited, an intermediate holding company, and its consolidated holdings. The ultimate and controlling parent undertaking is Londonia Topco Limited, a company registered in Jersey.

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.

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 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 its growth aspirations. Specialist planning advisors, involvement with the industry level lobbying and an experienced team work together to pre-empt and address any issues arising.

Strategic report *(continued)*

Financial risks

Hedge effectiveness risk - the Company continues to hold financial derivatives on behalf of the Group and continues to apply hedge accounting. The interest exposure of the company is offset by the interest receivable by an intermediate holding company, Londonia Bidco Ltd. Due to the age of the derivative and the downward movement in LIBOR over time, the derivative is currently ineffective, which is recognised in the financial statements. External consultants are engaged to perform the necessary valuations.

Liquidity – while the company continues to be loss making, it aims to mitigate liquidity risk by maintaining a positive cash flow. The company is dependent for its working capital on funds provided to it by the group which 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.

Other risks- 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 and assessed annually.

Going Concern

The financial statements have been prepared on a going concern basis as Londonia Topco Limited, the ultimate parent company intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Londonia Topco Limited intends to support the Company for at least one year after the financial statements were approved.

Wilma M Allan

Wilma Allan, Director

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

26 June 2020

Directors' report

The directors present their report with the audited financial statements for the year ended 31 December 2019.

Results and dividends

The loss for the year of £2.7m (2018: (£5.9m loss)) is arrived at after taking into account taxation of £8.9m (2018: £0.1m). No dividend was declared or paid in the year (2018: £nil). There are no plans for a future dividend.

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
W Allan	Chief Finance Officer

Directors' insurance and indemnities

The company has made qualifying third-party indemnity provisions for the benefit of the respective directors which were in place throughout the year and which remain in place at the date of the report. The company also purchased and maintained throughout the year Directors and Officers liability insurance in respect of itself and its directors.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Future developments

Future developments are discussed in the Strategic Report on page 3.

Going concern

The financial statements have been prepared on a going concern basis as Londonia Topco Limited, the ultimate parent company intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Londonia Topco Limited intends to support the Company for at least one year after the financial statements were approved.

Post balance sheet events

Post balance sheet events are detailed in note 23 of the financial statements.

Prior year restatement

The Directors have changed the treatment of items in the prior year accounts. In accordance with FRS 102, the Company is required to correct a material prior year error retrospectively in the first financial statements authorised for issue after its discovery by restating the comparative amounts for the prior year presented in which the error occurred. Details of the restatements are disclosed in note 22 to these financial statements

Independent Auditors

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

On behalf of the board

Wilma M. Allan

Wilma Allan, Director

26 June 2020

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 Section 1A, 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' report to the members of Docklands Aviation Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Docklands Aviation Group Limited 's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic report, directors' report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Profit and loss account, the Statement of other 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 where:

- 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.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, 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.

Stuart Macdougall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 June 2020

Profit and loss account

for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £000	Restated Year ended 31 December 2018 £000
Turnover	*4*	**18,000**	18,000
Administrative expenses		**(29,581)**	(28,078)
Operating loss	*5*	**(11,581)**	(10,078)
Interest receivable and similar income	*7*	**33,345**	33,342
Interest payable and similar expenses	*8*	**(33,282)**	(29,327)
Loss before taxation		**(11,518)**	(6,063)
Tax credit arising on loss	*9*	**3,724**	1,649
Loss for the financial year		**(7,794)**	(4,414)

The loss for the current and prior years is derived from continuing operations

The notes on pages 13 to 25 form part of the financial statements.

Statement of other comprehensive income
for the period ended 31 December 2019

	Note	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Loss for the financial year		**(7,794)**	(4,414)
Other comprehensive (expense)/income			
Changes in fair value of cash flow hedges	15	**(8,741)**	19,856
Deferred tax on other comprehensive income/(expense)		**1,486**	(3,376)
Total comprehensive (expense)/income for the year		**(15,050)**	12,066

The notes on pages 13 to 25 form part of the financial statements.

Balance Sheet Registered number 5879149
as at 31 December 2019

	Note	2019 £000	Restated 2018 £000
Fixed assets			
Tangible assets	*10*	**603,927**	523,359
Current assets			
Debtors: amounts falling due within one year	*11*	**179**	224
Debtors: amounts falling due after one year	*12*	**622,317**	605,997
Cash at bank and in hand		**2,039**	297
Total current assets		**624,535**	606,518
Creditors: amounts falling due within one year	*13*	**(771,553)**	(671,650)
Net current liabilities		**(147,018)**	(65,132)
Total assets less current liabilities		**456,909**	458,227
Creditors: amounts falling due after more than one year	*14*	**(239,928)**	(224,414)
Provisions for liabilities			
Deferred tax liability	*17*	**-**	(1,783)
Net assets		**216,981**	232030
Capital and reserves			
Called up share capital	*20*	**340,523**	340,523
Capital reserve		**245,782**	245,782
Cashflow hedge		**(173,684)**	(166,429)
Profit and loss account		**(195,640)**	(187,846)
Total shareholders' funds		**216,981**	232,030

The notes on pages 13 to 25 form part of the financial statements.

These financial statements were approved by the board of directors on 26 June 2020 and were signed on its behalf by:

Wilma M Allan

Wilma Allan, Director

Statement of changes in equity

	Share capital	Restated Profit & loss account	Cashflow hedge	Capital Reserve	2019 Total
	£000	£000	£000	£000	£000
As 1 January 2019	340,523	(187,846)	(166,429)	245,782	**232,030**
Loss for the period	-	(7,794)	-	-	**(7,794)**
Cashflow hedge in the period	-	-	(8,741)	-	**(8,741)**
Deferred tax on cashflow hedge	-	-	1,486	-	**1,486**
At 31 December 2019	**340,523**	**(195,640)**	**(173,684)**	**245,782**	**216,981**

	Share capital	Restated Profit & loss account	Cashflow hedge	Capital Reserve	2018 Total
	£000	£000	£000	£000	£000
As 1 January 2018	340,523	(183,432)	(182,909)	245,782	**219,964**
Loss for the period	-	(4,414)	-	-	**(4,414)**
Cashflow hedge in the period	-	-	19,856	-	**19,856**
Deferred tax on cashflow hedge	-	-	(3,376)	-	**(3,376)**
At 31 December 2018	**340,523**	**(187,846)**	**(166,429)**	**245,782**	**232,030**

The notes on pages 13 to 25 form part of the financial statements.

Notes

1 Basis of preparation of accounts

The principal activity of the Company is of a management company.

The company is a private company limited by shares and incorporated in England. The address of its registered office is City Aviation House, Royal Docks, London, E16 2PB.

Copies of the consolidated financial statements for the immediate and ultimate parent undertakings can be obtained from the company's registered address, 44 Esplanade, St. Helier, Jersey, JE4 9WG.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Statement of compliance

The financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law).

Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss as the company has investment property held at fair value.

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.

Disclosure exemption in the accounting policies

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102.

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Going concern

The financial statements have been prepared on a going concern basis as Londonia Topco Limited, the ultimate parent company intends to support the Company to ensure it can meet its obligations as they fall due. The Directors have received confirmation that Londonia Topco Limited intends to support the Company for at least one year after the financial statements were approved.

Prior year restatement

The Directors have changed the treatment of items in the prior year accounts. In accordance with FRS 102, the Company is required to correct a material prior year error retrospectively in the first financial statements authorised for issue after its discovery by restating the comparative amounts for the prior year presented in which the error occurred. Details of the restatements are disclosed in note 22 to these financial statements.

Notes *(continued)*

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 invoiced value of goods and services supplied during the trading period and excludes value added tax. Turnover consists of rental income from other group companies.

Tangible fixed assets, depreciation and amortisation

Tangible fixed assets are stated at cost less accumulated depreciation. Assets under construction are stated at cost. Assets under construction are not depreciated until they are available for use.

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.

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.

Notes *(continued)*

Financial instruments

The company has decided to early adopt amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Interest rate benchmark reform, which was issued in December 2019 and provides exemptions from certain hedge accounting qualification requirements in response to market-wide benchmark interest rate reform.

The amendments permit an entity to assume no impact to existing hedge accounting relationships subject to the reform, thereby allowing a continuation of hedge accounting. The amendments apply to annual periods beginning on or after 1 January 2020.

The amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter.

Note 16 Financial instruments provides the required disclosures of the uncertainty arising from LIBOR reform for hedging relationships for which the company applied the reliefs.

Derivative and hedging - Interest rate swaps

The company has entered into a number of interest rate swap contracts (hedged instruments) in relation to the £345m intercompany loan (hedged item) to receive interest at 3-month GBP LIBOR and pay interest at a fixed rate of 5.4579%. The swap contracts mature in December 2023 on the same date as the intercompany loan. The purpose of these transactions is to manage the interest rate risk.

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).

Hedging arrangement - 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.

Notes *(continued)*

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.

Capital reserves

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

Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting principles

Management are required to make judgements in relation to the capitalisation of costs in relation to assets in the course of construction. This relates to both when amounts may begin to be capitalised and where there may be doubt about the ultimate completion of the asset, for example as a consequence of regulatory requirements such as planning consents.

(b) Critical accounting estimates and assumptions

In the application of the Company's accounting policies, which are described in note above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. 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.

Capitalisation of tangible assets

Management are required to make judgements in relation to the capitalisation of costs in relation to assets in the course of construction. This relates to both when amounts may begin to be capitalised and where there may be doubt about the ultimate completion of the asset, for example as a consequence of regulatory requirements such as planning consents.

Useful economic lives of tangible assets

The annual depreciation charge for tangible 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 where necessary to reflect current estimates. See note 10 for the carrying amount of the Land, plant and machinery, and note above for the useful economic lives of each class of assets.

Notes *(continued)*

Recognition of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the timing differences can be utilised. The amount of the deferred tax asset considered realisable could be adjusted if estimates of future taxable income are reduced or decreased. The value of the deferred tax asset is re-assessed annually.

Fair Value of Derivative Financial Instruments

The fair value of derivative financial instruments is determined by using valuation techniques. These techniques require judgement and make assumptions that are mainly based on market conditions existing at each reporting date. The valuation technique used is a discounted cash flow methodology. The valuation is sensitive to the forward estimate of LIBOR, which is the critical market input to the valuation.

3 Related parties

The Company has taken advantage of the exemption under FRS 102.1.12(d) for disclosing related party transactions with other group companies consolidated within the financial statements of Londonia Bidco Limited.

4 Turnover

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

	Year ended 2019 £000	Year ended 2018 £000
Rental income	**18,000**	18,000

Notes *(continued)*

5 Operating loss

	Year ended 2019 £000	Year ended 2018 £000
Operating loss is stated after charging/(crediting):		
Fees payable to the Company's auditors		
-for the audit of the Company's financial statements	5	10
Depreciation – owned assets	11,536	11,571
Amortisation of government grants	(4)	(4)

6 Employees and directors

Employees

The company had no employees during 2019 (2018: £nil).

Directors

None of the directors received any emoluments from the Company during the year (2018: £nil). The directors were remunerated by Londonia Bidco Limited and provide services to a number of group companies, it is not practical to determine the element of their remuneration which relates to their qualifying services as directors of this company.

7 Interest receivable and similar income

	Year ended 2019 £000	Year ended 2018 £000
Interest receivable from group undertakings	33,345	33,342

8 Interest payable and similar expenses

	Year ended 2019 £000	Year ended 2018 £000
Bank interest payable	16,051	16,546
Interest payable to group undertakings	10,457	9,799
Hedge ineffectiveness	6,774	2,982
	33,282	29,327

Notes *(continued)*

9 Tax credit on loss

Total tax expense recognised in the profit and loss account

	Year ended 2019 £000	Restated Year ended 2018 £000
Current tax		
Current tax on income for the period	**(2,025)**	188
	(2,025)	188
Deferred tax charge (see note 17)	**1,141**	484
Adjustment in respect of prior periods- deferred tax	**-**	(312)
Deferred tax – revaluation	**(1,688)**	(1,502)
Deferred tax – hedge	**(1,152)**	(507)
Total Tax credit on loss	**(3,724)**	(1,649)

	Year ended 2019 £000	Restated Year ended 2018 £000
Reconciliation of effective tax rate		
Loss before taxation	**(11,518)**	(6,063)
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	**(2,188)**	(1,152)
Effects of:		
Non-qualifying depreciation	**1,731**	1,620
Expenses not deductible for tax	**10**	10
Transfer pricing adjustments	**(1,724)**	(373)
Impact of change in UK tax rate	**135**	-
Deferred tax on property revaluation	**(1,688)**	(1,502)
Adjustments in respect of prior periods	**-**	(312)
CFC Adjustment	**-**	60
Total tax credit included in profit or loss	**(3,724)**	(1,649)

Deferred tax on property revaluation has been restated. Refer to Note 22 for further details.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance bill on 19 March 2020. This sets the main rate of corporation tax (CT) for the financial year beginning 1 April 2020 at 19%. This will maintain the company's future current tax charge accordingly.

Notes *(continued)*

10 Tangible fixed assets

	Assets under construction	Long leasehold land	Buildings	Plant and Machinery	Total
	£'000	**£000**	**£'000**	**£'000**	**£'000**
Cost or valuation					
At 1 January 2019	**154,113**	**404,649**	**59,393**	**11,749**	**629,904**
Additions in the year	91,987	-	117	-	**92,104**
At 31 December 2019	**246,100**	**404,649**	**59,510**	**11,749**	**722,008**
Accumulated depreciation					
At 1 January 2019	-	**63,990**	**30,806**	**11,749**	**106,545**
Charge for year	-	5,196	6,340	-	**11,536**
At 31 December 2019	-	**69,186**	**37,146**	**11,749**	**118,081**
Net book value					
At 31 December 2019	**246,100**	**335,463**	**22,364**	**-**	**603,927**

	Assets under construction	Long leasehold land	Buildings	Plant and Machinery	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation					
At 1 January 2018	**89,439**	**404,469**	**57,291**	**11,749**	**563,128**
Additions in the year	64,674		2,102	-	66,776
At 31 December 2018	**154,113**	**404,469**	**59,393**	**11,749**	**629,904**
Accumulated depreciation					
At 1 January 2018	-	**58,794**	**24,431**	**11,749**	**94,974**
Charge for year	-	5,196	6,375	-	11,571
At 31 December 2018		**63,990**	**30,806**	**11,749**	**106,545**
Net book value					
At 31 December 2018	**154,113**	**340,659**	**28,587**	**-**	**523,359**

Plant and Machinery with a net book value of £35,710k (2018: £35,710k) was reclassified into Assets under construction in the year.

Notes *(continued)*

11 Debtors: amount falling due within one year

	2019 £000	2018 £000
Amounts owed by group undertakings	**160**	160
Prepayments and accrued income	**19**	64
	179	224

12 Debtors: amount falling due after one year

	2019 £000	2018 £000
Deferred tax asset (see note 17)	**1,401**	-
Amounts owed by group undertakings	**620,916**	605,997

The company has a loan facility with AMI Holdings Ltd and Londonia Bidco Ltd, a fellow group undertaking. At the year end date, the loan with AMI Holdings Ltd with a principal of £180,703,149 and interest of £95,213,232 is included in amounts owed to group undertakings due after more than one year. This loan is due and receivable on 31 December 2025. Interest is charged at a rate of 8% per annum. The loan to Londonia Bidco Ltd with a principal of 345,000,000 is included in amounts owed by group undertakings due after more than one year. This loan is due and receivable on 31 December 2025. Interest is charged at a rate of 5.4749% per annum.

13 Creditors: amounts falling due within one year

	2019 £000	Restated 2018 £000
Other creditors	**37**	41
Accruals and deferred income	**17,999**	16,145
Amounts owed to group undertakings	**753,517**	655,464
	771,553	671,650

The prior year balance has been restated to reflect amounts payable on demand as current liabilities. These balances were previously classified as non-current. Following management's review, the balances are now appropriately classified as current, reflecting the terms of the intercompany agreement.

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	2019	Restated 2018
	£000	£000
Cashflow hedge – swap	**239,928**	224,414
	239,928	224,414

The company has a loan facility with Londonia Bidco Ltd, a fellow group undertaking. At the year end date, a principal of £459,814,000 and interest of £6,980,349 is included in amounts owed to group undertakings due after more than one year. This loan is due and payable on 31 December 2025. Interest is charged at a rate of LIBOR plus 1.45% per annum.

The amount due to Londonia Bidco Ltd is charged interest at 5.475% per annum. This amounts to £47.2m (2018: £28.4m).

15 Loans and finance leases

The maturity profile of The Company's financial liabilities under loans and secured notes at 31 December 2019 are as follows:

	Cashflow Hedge 2019	Cashflow Hedge 2018
	£000	£000
Not later than one year	**16**	16
Later than one year and not later than five years	**239,928**	224,414
Later than five years	**-**	-
	239,944	224,430

Derivative financial instruments – Interest rate swaps

The company has entered into a number of interest rate swap contracts (hedged instruments) in relation to the £345m intercompany loan (hedged item) to receive interest at 3-month GBP LIBOR and pay interest at a fixed rate of 5.4579%. The swap contracts mature in December 2023 on the same date as the intercompany loan. The purpose of these transactions is to manage the interest rate risk.

The instrument is used to hedge the company's exposure to interest rate movements on the loan facility. The fair value of the hedged instruments at 31 December 2019 is £239.9m *(2018: £224.4m)*.

Cash flows on both the loan and the interest rate swaps are paid quarterly until December 2023. During 2019, a hedging loss of £15,515k (2018: £19,856k gain) was recognised in other comprehensive income for changes in the fair value of the interest rate swap and £6,774k (2018: £2,982k) was reclassified from the hedge reserve to profit and loss.

Notes *(continued)*

16 Financial instruments

Interest rate benchmarks such as the London Interbank Offered Rate (LIBOR) are being reformed, and it is anticipated that LIBOR will not be available after 2021. There is increasing uncertainty about the long-term viability of some interest rate benchmarks and this gives rise to issues affecting financial reporting in the period before the reform, particularly in relation to hedge accounting.

Below are details of the hedging instruments and hedged items in scope of the FRS102 Interest Rate Benchmark Reform amendments, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments.

Hedge Type	Instrument Type	Maturing in	Nominal	Hedged Item
Cashflow hedge	Receive 3-month GBP LIBOR, pay GBP fixed interest rate swap	December 2036	£345m	intercompany loan

17 Deferred Tax

	Year ended 31 December 2019 £000	Restated Year ended 31 December 2018 £000
The assets/(liabilities) for deferred tax are as follows: -		
Short term timing differences	**408**	1,549
Provided deferred tax in respect of revaluation surpluses	**(39,828)**	(41,516)
Deferred tax in respect of cashflow hedge	**40,787**	38,150
Other timing differences	**34**	34
Total	**1,401**	(1,783)

	Year ended 31 December 2019 £000	Restated Year ended 31 December 2018 £000
At 1 January	**(1,783)**	(244)
Cashflow hedge	**2,637**	(2,869)
Adjustment in respect of prior years	**-**	312
Deferred tax charge for the period	**547**	1,018
Asset/ (Provision) at 31 December	**1,401**	(1,783)

Deferred tax on property revaluation has been restated. Refer to Note 22 for further details.

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 £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 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 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.

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

	2019	2018
	£000	£000
Capital expenditure		
Commitments	70,782	61,094

Following an assessment of the group's capital expenditure commitments, the prior year commitments have been updated to reflect the obligation of the company based on the contracts with third party providers.
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 2019 the rent charged was £17,923k (2018: £16,284k), of which £700K is fixed annual rent expense.

Notes *(continued)*

20 Called up share capital

	2019	2018
	£	£
Authorised, allotted, called up and fully paid		
340,523,086 (2018: 340,523,086) ordinary shares of £1 each	**340,523,086**	340,523,086

21 Ultimate and controlling 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.

22 Prior year restatement

A prior year restatement on the 31 December 2018 comparatives has resulted in previously recognised intercompany creditors: amounts falling due after more than one year of £753,517k (1 January 2018: £584,055k) being reclassified to intercompany creditors: amounts falling due within one year and certain previously recognised intercompany debtors: amounts falling due after more than one year of £Nil (1 January 2018: £Nil) being reclassified to intercompany debtors: amounts falling due within one year. The nature of this adjustment is to reflect the fact that the intercompany balances are repayable on demand. There is no impact on the profit and loss.

A prior year restatement on the 31 December 2018 comparatives has resulted in a decrease in deferred tax liability of £6,972k (1 January 2018: £5,470k) relating to the deferred tax on revaluation of leasehold land. The nature of the restatement is to reflect the changes in the difference in the book basis and tax basis of long leasehold land, since 2016. The impact on the profit and loss for the year ended 31 December 2018 was a decrease in the loss of £1,502k.

23 Subsequent events

To the date of signing these financial statements, 2020 has been dominated by the Covid-19 pandemic and the unprecedented impact it has had on the global aviation industry, with some airlines going out of business and passenger numbers almost entirely eradicated in April and May. With lockdowns imposed across the UK and much of Europe, to protect staff and customers, the airport made the decision to temporarily suspend operations on March 25th at least until June 2020. Consequently, several scenarios have been prepared by the Group taking into account emerging views, the likely recovery and when the business may return to normal as part of the Directors Going Concern assessment. For the Company, the global outbreak of Covid-19 is deemed to be a non-adjusting post balance sheet event as at 31 December 2019 and therefore no adjustments have been made in these financial statements for Covid-19.