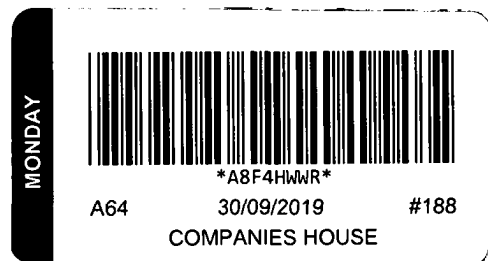


Registered number: 01671114

DHL Air Limited

**Annual report and financial statements
For the year ended 31 December 2018**



DHL Air Limited

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Company information

Directors

G Kehr
R Hughes
O Alexandroff
T Mackle

Company secretary

Mrs Jane Li (resigned 31 December 2018)

Company number

01671114

Registered office

Southern Hub
Unit 1, Horton Road
Colnbrook
Bershire
SL3 0BB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium
1 Harefield Road
Uxbridge
UB8 1EX

**Strategic report
For the year ended 31 December 2018**

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

Principal activities

The principal activity of the company during the year continued to be the provision of cargo airline services to the DHL network and the provision of ad-hoc maintenance services to third party airlines.

Review of the business and future developments

The company Directors considered 2018 a good year as the company has made a profit of € 15.5 million compared to the profit of €10.5 million made last year.

2018 saw the completion of the European Boeing B757 fleet replacement program. The company replaced its ageing Boeing B757 SF fleet with newer, greater capacity and more fuel efficient Boeing B757 PCF, having a positive impact on the company's cost base. During the year a further 4 B757SF's were retired and 8 B757PCF's added to the fleet. The overall Boeing B757 fleet grew from 22 aircraft at the beginning of the year to 26 aircraft at 31 December 2018. All 26 Boeing B757 aircraft are operated on Intra European routes under the wet lease agreement with European Air Transport Leipzig GmbH (EAT), a German based DHL airline.

The company's Airbus A300-600 fleet increased from 7 aircraft at the beginning of the year to 10 at year end with the acquisition of a further 3 A300-600 aircraft in December 2018, all of which are dry leased to Air Hong Kong Limited and based in Hong Kong supporting the DHL Asia air network.

The Airbus A330-300 fleet of 2 aircraft were deployed to Hong Kong in support of the DHL Asia air network by March 2018 as planned. During the year, the company acquired a 3rd A330-300 and inducted it for freighter conversion with EFW in Dresden with planned deployment in Asia scheduled for middle 2019.

There was no change on the B767 fleet as the 4 B767 aircrafts continue to operate, 3 on long haul international routes using our own call sign and since July 2018 1 sub leased to Tasman Cargo Airlines in Australia in support of the DHL Asia air network.

As at 31 December 2018, the company's aircraft fleet comprised 10 owned Airbus A300-600 aircrafts, 3 Airbus A330 aircrafts, 26 Boeing 757 aircrafts and 4 Boeing B767 freighter aircrafts.

In terms of financial results, revenue increased by 14% from €287 million to €328 million. This was predominantly driven by the increased number of Airbus A300-600 and A330-300 aircraft leased to Air Hong Kong, the sub lease of 1 Boeing B767 aircraft to Tasman Cargo Airlines and increased aircraft count and utilisation of the Boeing B757 fleet with European Air Transport GmbH (EAT). Gross margin for the year increased from 13% to 22%. The company continued to operate under tight cost control management throughout 2018 reflecting the directors' cautious approach to the competitive and challenging airline services environment.

Strategic report (continued)
For the year ended 31 December 2018

Review of the business and future developments (continued)

The main focus in 2018 was the group Quality Protection Plan (QPP) aimed at improving the service to DPDHL customers. Driving quality improvement Special Attention Packages (SAP) were introduced for all new aircrafts joining the fleet and then expanded to include the existing aircrafts, resulting in improved dispatch reliability.

No changes to the company's principal activities are expected in the foreseeable future.

Results for the year

The profit for the financial year, amounted to €15.5million (2017: €10.5million). Closing net assets amounted to €207.8 million (2017: €42.3 million).

Key performance indicators ("KPIs")

It is the view of management that business performance is measured on:

- 1) Block Hours – Measurement of aircraft utilisation,
- 2) Available tonne kilometres – Measurement of our airline total capacity (cargo),
- 3) Operator controllable On Time Performance – Measurement of punctuality of flights departing on schedule.

Boeing B757 fleet block hours increased 1% year on year, whilst available tonne kilometres increased by 4%, driven by the fact that the B757 PCF has a higher payload and volume capacity to the replaced B757 SF. Boeing B767 block hours reduced by 15% year on year and available tonne kilometres by 17%, which is the result of withdrawing one of the B767 from our operation and subleasing it to Tasman Cargo Airlines in the second half of 2018.

Overall operator controllable On Time Performance improved from 98.18% to 98.37% showing the effectiveness of the Special Attention Packages from our maintenance organisation and the focus on quality.

In terms of key financial KPIs, our measures are based on group management results and not UK statutory results. Therefore, we did not include these in this report.

Principal risks and uncertainties

As part of an international operating logistics group, DPDHL, our company is faced with risks and uncertainties that are defined as potential deviations to the company and group projected earnings. The company directors aim to identify the opportunities and risks at early stage and report them to the group opportunity and risk control system. Once the opportunities and risks are reported, DPDHL will manage as group's risk and discuss how the group manage opportunities and risks in the DPDHL 2018 annual report. In 2018, our company did not report any risks to the group.

On behalf of the board



T Mackle
Director

30 September 2019

Directors' report
For the year ended 31 December 2018

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2018.

Future developments

The future developments of the company were mentioned in the strategic report.

Dividends

The directors do not recommend the payment of any dividend (2017: €nil).

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of liquidity risk, interest rate cash flow risk, price risk and credit risk.

The policies approved by the Board of Directors, which are consistent with Deutsche Post AG financial risk policies, are implemented by the company's finance department and monitored by the Deutsche Post AG risk management department.

Liquidity risk

The company's debt profile entails two loans one is a €50,000,000 long term loan due in 2022 that is designed to ensure the company has sufficient available funds for operations and planned expansions and the other is a €194,000,000 long term loan due in 2022 that is designed to ensure the company has sufficient available funds for the aircraft renewal program. The debt finance is provided by fellow subsidiaries of the company's ultimate parent, Deutsche Post AG.

Interest rate cash flow risk

The company has interest bearing liabilities. The company has a policy of generally borrowing from fellow subsidiary undertakings at floating market rates. The directors will review the appropriateness of this policy should the company's operations change significantly in size or nature, or the Deutsche Post AG policies for financing group undertakings change.

Price and credit risk

Given that all the company's sales are intercompany or with a related party, price and credit risk are not deemed material.

Disabled Employees

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the company continues employment wherever possible and arranges retraining.

Applicants for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned.

Directors' report (continued)
For the year ended 31 December 2018

Employee Involvement

The company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests.

The company has continued its practice of keeping employees informed on a regular basis of financial and economic factors affecting performance, current activities, progress and general matters of interest in the business through personal briefings, television, the in-house magazine and newsletters.

Deutsche Post values the opinion of its employees and encourages staff to participate in an annual Employee Opinion Survey (EOS) in order to continue to improve on all aspects relating to their work life and personal wellbeing. The company also elects a team of Employee Communication Forum (ECF) Representatives from all departments around the business to provide feedback to management on a regular basis.

Political Contributions

The company made no political donations (2017: £nil) during the year.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements are as follows:

P Bishop (resigned 30 September 2018)

G Kehr

R Hughes

O Alexandroff

T Mackle (appointed 05 February 2018)

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", 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, 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.

Directors' report (continued)
For the year ended 31 December 2018

Statement of directors responsibilities in respect of the financial statement (continued)

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.

Statement of disclosure of information to auditors

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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors' indemnities

The company maintains liability insurance for its directors and officers. The Company also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purpose of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

This report was approved by the board on 30 September 2019 and signed on its behalf.



T Mackle
Director

Independent auditors' report to the members of DHL Air Limited**Report on the audit of the financial statements**

Opinion

In our opinion, DHL Air Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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

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 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on pages 5 and 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.

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

Auditors' responsibilities for the audit of the financial statements (continued)

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.



Alex Hookway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
30 September 2019

Statement of comprehensive income
For the year ended 31 December 2018

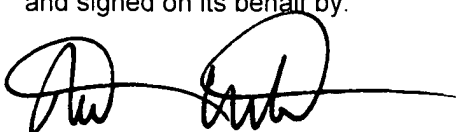
	Note	2018 €'000	2017 €'000
Revenue	4	327,725	286,529
Cost of sales		(254,626)	(249,002)
Gross profit		73,099	37,527
Administrative expenses		(56,713)	(27,273)
Other operating income		496	735
Operating profit	5	16,882	10,989
Finance income		134	15
Finance costs	7	(1,492)	(514)
Profit before taxation		15,524	10,490
Income tax expense	8	-	-
Profit for the financial year		15,524	10,490

All amounts derive from the continuing activities of the company.

Statement of financial position
As at 31 December 2018

	Note	2018 €'000	2017 €'000
Fixed assets			
Property, plant and equipment	9	401,026	285,631
Current assets			
Trade and other receivables	10	78,988	37,933
Total assets		480,014	323,564
Creditors: amount falling due within one year			
Trade and other payables	11	22,501	45,357
Total current liabilities		22,501	45,357
Net current assets / liabilities		56,487	(7,424)
Creditors: amount falling due after more than one year			
Trade and other payables	12	244,000	232,000
Provisions for liabilities and charges	13	5,710	3,928
Total non-current liabilities		249,710	235,928
Total liabilities		272,211	281,285
Total assets less current liabilities		457,513	278,207
Net assets		207,803	42,279
Equity			
Called up share capital	14	230	80
Share premium account		149,850	-
Retained earnings		57,723	42,199
Total equity		207,803	42,279

The financial statements on pages 10 to 27 were approved by the Board on 30 September 2019 and signed on its behalf by:



T Mackle
 Director

Statement of changes in equity
For the year ended 31 December 2018

	Called up Share capital €'000	Share premium account €'000	Retained earnings €'000	Total Equity €'000
Balance as at 1 January 2017	80	-	31,709	31,789
Profit for the financial year	-	-	10,490	10,490
Balance as at 31 December 2017	80	-	42,199	42,279
Profit for the financial year	-	-	15,524	15,524
Proceeds from shares issued	150	149,850	-	150,000
Balance as at 31 December 2018	230	149,850	57,723	207,803

**Notes to the financial statements
For the year ended 31 December 2018****1. General Information**

DHL Air Limited is a private company limited by shares and it is incorporated in the United Kingdom. The address of its registered office is Southern Hub, Unit 1, Horton Road, Colnbrook, Berkshire, SL3 0BB, England.

The principal activity of the company during the year continued to be the provision of cargo airline services and aircraft leasing to the DHL network plus the provision of ad-hoc maintenance services to third party airlines.

2. Statement of compliance

The individual financial statements of DHL Air Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The financial statements have been prepared under FRS 102.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(p).

b) Going concern

On the basis of their assessment of the company's financial position and resources, the directors believe that the company is well placed to manage its business risks. Therefore the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c) New and amended standard adopted by the company

There are no other amendments to accounting standards, effective for the year ended 31 December 2018 and have had a material impact on the company.

Notes to the financial statements (continued)**For the year ended 31 December 2018****3. Summary of significant accounting policies (continued)****d) Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The company is a qualifying entity as its results are consolidated into the financial statements of Deutsche Post AG which are publicly available.

As a qualifying entity, the company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

e) Foreign currency*i) Functional and presentation currency*

The company's functional and presentation currency is Euro (€).

ii) Transactions and balances

At 31 December 2018, the exchange rate to sterling was £1/€1.1226 (2017: £1/€1.1368).

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Notes to the financial statements (continued)**For the year ended 31 December 2018****3. Summary of significant accounting policies (continued)****f) Revenue recognition**

Revenue, which is stated net of value added tax, represents operating lease income from chartering operations provided by the company during the financial year to European Air Transport, a fellow group company. Rentals receivable under aircraft operating leases are recognised on a straight line basis with any rental increases recognised during the period to which they relate. Revenue also represents the amounts billed to other airline customers for the provision of ad-hoc maintenance services provided during the financial year excluding value added tax. Revenue also includes charges made for transportation services provided during the financial year to DHL International GmbH. Revenue in relation to such maintenance and transport services is recognised on delivery of the underlying service in accordance with the contractual obligations.

g) Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii) Defined contribution pension plans

The company operates two defined contribution pension schemes of which all full time employees, subject to pension fund rules, are eligible to become members. Company contributions are charged against profit in the period to which they relate.

h) Taxation*(i) Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that resulted in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the reporting date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

Notes to the financial statements (continued)**For the year ended 31 December 2018****3. Summary of significant accounting policies (continued)****h) Taxation (continued)**

The Company has entered into an agreement regarding UK corporation tax payments and refunds with Exel Limited, a fellow group undertaking. Under the terms of this agreement, Exel Limited has undertaken to discharge the current and future UK corporation tax liabilities on behalf of, and benefit from any tax recoverable due to, the Company. The Company recognises its UK corporation tax and deferred tax liabilities, but as such liabilities are indemnified by Exel Limited, an indemnification asset for the amount due from Exel Limited is also recognised in the statement of financial position until the amount is settled on the Company's behalf. The net tax charge on the profit or loss that has been indemnified by Exel Limited is netted against the indemnification amount due from Exel Limited in the statement of comprehensive income.

As a result of the above agreement with Exel Limited, the company will not benefit from the reversal of deferred tax assets and consequently these are not recognised in the financial statements.

i) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated to write off the cost of property, plant and equipment, less their residual values, over their expected useful lives using the straight line basis, as follows:

Leasehold improvements	10 years
Machinery and computer equipment	4 years
Furniture and fittings	5 years
Aircraft costs	1½ years to 15 years
Motor vehicles	5 years

Repairs, maintenance and minor inspection costs are expensed as incurred.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

Notes to the financial statements (continued)
For the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

j) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

ii) Lease incentives

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

k) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Notes to the financial statements (continued)
For the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

m) Contingent liabilities

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

n) Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method where applicable.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (iii) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial Liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Notes to the financial statements (continued)
For the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

n) Financial instruments (continued)

ii) Financial Liabilities (continued)

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The company does not hold or issue derivatives financial instruments.

iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

o) Related party transactions

The company has taken advantage of the exemptions as provided by section 33.1A of FRS 102 from disclosing related party transactions with wholly owned entities that are part of the Deutsche Post AG group or investees of the Deutsche Post AG group. The company discloses transactions with related parties which are not wholly owned with the same group in note 18.

p) Critical accounting judgements and key sources of estimation uncertainty

In the process of applying group accounting policies, the management has not made any critical judgements that have significant impact on the figures recognised in the preparation of the financial statements.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

- Useful economic lives of tangible assets

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of property, plant and equipment and note 3(i) for the useful economic lives for each class of asset.

Notes to the financial statements (continued)**For the year ended 31 December 2018****4. Revenue**

All revenue relates to the company's principal activity and there is only considered to be one class of business.

A geographical analysis of revenue based on the country in which the customer is located is as follows:

	2018 €'000	2017 €'000
Europe	301,488	281,624
Hong Kong	22,010	4,905
Australia	4,227	-
	327,725	286,529

There is no material difference between geographical analysis by destination and by origin.

5. Operating profit

Operating profit is stated after (crediting) / charging the following amounts:

	2018 €'000	2017 €'000
Rentals receivable from group companies under aircraft operating leases - other	(200,615)	(173,240)
Other income receivable from group companies	(118,030)	(124,045)
Operating lease payments	82,211	80,900
Depreciation of property, plant and equipment – owned by the company	50,620	23,155
Services provided by the company's auditors: Fees payable for the audit	43	45
Services provided by the company's auditors – non-audit services	-	-
Net foreign exchange (gains)/losses	(952)	136
Loss on disposal of property, plant and equipment (see note 9)	423	105
Impairment of property, plant and equipment (see note 9)	-	404

Notes to the financial statements (continued)**For the year ended 31 December 2018****6. Directors and employees**

Total Directors' emoluments and highest paid Directors' emoluments during the year were as follows:

	2018	2017
	€'000	€'000
Aggregate emoluments	481	323
Company contributions paid to money purchase pension schemes	18	-
	499	323

In the current year, only two directors are paid by the company versus prior year of one only. The other three directors receive remuneration paid by DHL Express Network Management GmbH and DHL International GmbH in respect of their services to the group. No recharge is made to the company.

The directors are of the view that further disclosure as required by section 26 of FRS 102 "Share based payments" is not considered necessary as the impact on these financial statements is not material.

Staff costs during the year were as follows:

	2018	2017
	€'000	€'000
Wages and salaries	38,748	34,077
Social security costs	4,218	3,762
Other pension costs (see note 16)	2,963	2,526
	46,049	40,365

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

By activity:	2018	2017
	Number	Number
Operations	410	370
Administration	12	11
	422	381

7. Finance costs

	2018	2017
	€'000	€'000
Interest payable to group undertakings	1,488	514
Interest payable to third parties	4	-

Interest payable to group undertakings relates to the in-house bank account and the long-term loan from Deutsche Post Finance B.V. (note 12).

Notes to the financial statements (continued)
For the year ended 31 December 2018

8. Income tax expense

A fellow group undertaking, Exel Limited, has undertaken to discharge the company's liability to UK corporation tax. The company has also agreed that Exel Limited will benefit from any tax recoverable. The indemnification asset arising under this agreement, if any, is disclosed in other receivables.

	2018 €'000	2017 €'000
Current tax		
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	869	2,735
Impact of changes in tax rates	(171)	(315)
Movement on UK deferred tax indemnified by Exel Limited	(1,782)	(2,453)
Adjustment in respect of prior years	1,084	33
Total deferred tax	-	-
Total tax per statement of comprehensive income	-	-

Reconciliation of tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19 % (2017: 19.25%). The differences are explained below:

	2018 €'000	2017 €'000
Profit on ordinary activities before taxation	15,524	10,490
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	2,950	2,019
Effects of:		
Expenses not allowable for UK tax purposes	3	2
Income not subject to UK tax	(950)	(1,299)
Transfer pricing adjustments	-	825
Impact of changes in tax rates	(171)	(315)
Group relief surrendered (by)/to other group companies	(1,134)	1,188
Movement on UK deferred tax indemnified by Exel Limited	(1,782)	(2,453)
Adjustment in respect of prior years	1,084	33
Total tax per statement of comprehensive income	-	-

Tax rate changes

The main rate of corporation tax reduced from 20% to 19% on 1 April 2017. Finance Act 2016 further reduced the main rate of corporation tax to 17% from 1 April 2020. Therefore any deferred tax assets and liabilities reflect these rates.

DHL Air Limited

Registered number: 01671114

Notes to the financial statements (continued)
For the year ended 31 December 2018

9. Property, plant and equipment

	Leasehold improvements	Machinery and computer equipment	Furniture and Fittings	Aircraft costs	Motor Vehicles	Construction in Progress	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cost							
At 1 January 2018	116	439	151	283,316	7	29,964	313,993
Additions	-	43	2	144,306	-	22,710	167,061
Disposals	-	-	-	(4,395)	-	(623)	(5,018)
Transfer	398	3	-	28,128	-	(28,529)	-
At 31 December 2018	514	485	153	451,355	7	23,522	476,036
Accumulated depreciation							
At 1 January 2018	70	177	89	28,020	6	-	28,362
Charge for the year	51	93	14	50,462	-	-	50,620
Disposals	-	-	-	(3,972)	-	-	(3,972)
At 31 December 2018	121	270	103	74,510	6	-	75,010
Net book value							
At 31 December 2018	393	215	50	376,845	1	23,522	401,026
At 31 December 2017	46	262	62	255,296	1	29,964	285,631

Aircraft costs comprise the purchase cost of aircraft plus charges for the design and introduction of the aircraft maintenance program, licences and over sight charges related to the conversion of the aircraft to freight configuration, along with the cost of heavy maintenance visits.

Notes to the financial statements (continued)

For the year ended 31 December 2018

10. Trade and other receivables

	2018 €'000	2017 €'000
Amounts falling due within one year:		
Amounts owed by group undertakings	70,212	32,635
Other trade receivables	2,162	670
Prepayments and accrued income	904	700
	73,278	34,005
Amounts falling due after more than one year:		
Other receivables (see below)	5,710	3,928
	78,988	37,933

Within amounts owed by group undertakings, is a bank balance of €49,159,110 (2017: €4,283,890) that is repayable by the parent Deutsche Post AG, and is unsecured. Other amounts owed by group undertakings are unsecured, interest free, and are repayable on demand.

Other receivables due after more than one year include the indemnification asset of €5,710,000 (2017: €3,928,000) due from Exel Limited for the company's UK deferred tax liability.

11. Trade and other payables: amounts falling due within one year

	2018 €'000	2017 €'000
Trade payables	996	2,725
Amounts owed to group undertakings	8,077	32,947
Taxation and social security	842	1,215
Other payables	83	325
Accruals and deferred income	12,503	8,145
	22,501	45,357

Within amounts owed to group undertakings, is a bank balance of €6,371,880 (2017: €29,956,155) that is repayable to the parent Deutsche Post AG, and is unsecured. Other amounts owed to group undertakings are unsecured, interest free, and are repayable on demand.

12. Trade and other payables: amounts falling due after more than one year

	2018 €'000	2017 €'000
Due after more than five years:		
Amounts owed to group undertakings	244,000	232,000

There are two loans from fellow group undertakings. An unsecured €50,000,000 (2017: €20,000,000), loan from Deutsche Post Finance B.V., is repayable in full on 27 June 2022. Interest is payable in monthly instalments at 1.5 % above the 6-month EURIBOR rate. Also included is a loan from DZ Specialties NV €194,000,000 (2017: €212,000,000), the interest expense is at 0.41%.

Notes to the financial statements (continued)**For the year ended 31 December 2018****13. Provisions for liabilities****A summary of the company's deferred tax liability is as follows:**

	2018	2017
	€'000	€'000
Accelerated capital allowances	6,589	4,041
Other timing differences	(879)	(113)
Net deferred tax liability	5,710	3,928

Provisions for liabilities	Deferred	Total
	Tax	
	€'000	€'000
At 1 January 2018	3,928	1,475
Charged to the statement of comprehensive income	1,782	2,453
At 31 December 2018	5,710	3,928

The company had a net deferred tax liability at 31 December 2018 of €5,710,000 (2017: €3,928,000) which has been recognised in the financial statements. A fellow group undertaking, Exel Limited, has agreed to indemnify the company against its current and future liabilities to UK corporation tax, and accordingly an indemnification asset due from Exel Limited equal to the deferred tax liability has been recognised in the statement of financial position.

No significant reversal of the deferred tax liability is expected in 2019.

14. Called up share capital

	2018	2017
	€'000	€'000
Allotted, issued and fully paid		
25,000 (2016: 25,000) 'A' ordinary shares of £1 each (€1 = £0.6277)	40	40
25,000 (2016: 25,000) 'B' ordinary shares of £1 each (€1 = £0.6277)	40	40
150,000 ordinary shares of €1 each	150	-
	230	80

There are no differences in the rights of the "A" and "B" ordinary shares. The shareholders have the right to participate in the distribution of dividends, and the right to participate in the return of capital, including winding up.

15. Operating lease commitments

At the reporting date the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Notes to the financial statements (continued)**For the year ended 31 December 2018****15. Operating lease commitments (continued)**

	2018 €'000	2017 €'000
Lessee: Operating leases which expire:		
Within 1 Year	68,609	70,811
Later than one year and not later than five years	51,460	81,750
Later than five years	-	-
	120,068	152,561

At the reporting date the company had the following future minimum lease receivables under non-cancellable operating leases for each of the following periods:

	2018 €'000	2017 €'000
Lessor: Operating leases which expire:		
Within 1 Year	176,697	157,324
Later than one year and not later than five years	167,392	129,794
	344,089	287,118

16. Pensions

The company operates two defined contribution pension schemes, whose assets are held separately from those of the company in independently administered funds. The pension charges represent contributions payable by the company and amounted to €2,963,000 (2017: €2,526,000). Contributions totalling €43,945 (2017: €Nil) were payable to the funds at the year end and are included in other payables.

17. Contingent liabilities

As at 31 December 2018, the company has a corporate guarantee to the value of \$200,000 in relation to a customs bond for flight operations in the United States.

18. Related party transactions

The company has taken advantage of the exemption from providing certain related party transaction disclosures as mentioned in the accounting policy.

2018 transactions with Air Hong Kong Limited, a Joint Venture Cargo Airline, 40% owned by our parent company Deutsche Post AG were as follows:

Dry lease rental income €17,123,243 (2017: €4,904,998), balance at year end €746,429.28.

Notes to the financial statements (continued)

For the year ended 31 December 2018

19. Immediate and ultimate parent undertaking and controlling party

The immediate parent undertaking is DHL Distribution Holdings (UK) Limited, a company registered in England and Wales and whose address is Southern Hub, Unit 1, Horton Road, Colnbrook, Berkshire, SL3 0BB.

The ultimate parent undertaking and controlling party is Deutsche Post AG, a company incorporated in Germany, which is the parent undertaking of the largest and smallest group to consolidate these financial statements. Copies of the consolidated financial statements of Deutsche Post AG may be obtained from the registered office: Deutsche Post AG, Headquarters, Investor Relations, 53250 Bonn, Germany.