dnata Limited

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

Annual Report and Financial Statements

For the year ended 31 March 2017

Company information

Directors
R S Angus
R S Marino
G I Morgan

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

Bankers
The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

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

Registered office
Unit 3
Northumberland Close
Stanwell
Middlesex
TW19 7LN

Strategic report for the year ended 31 March 2017

The directors present their strategic report on the company for the year ended 31 March 2017.

Review of the business

The profit for the financial year amounted to £2,253,000 (2016: £3,838,000).

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

Financial performance
Profit for the financial year fell to £2,253,000 compared to a profit in the previous year of £3,838,000.

Overall revenue increased by 7.2% in the year from the prior year (2016: 8.0%), with cargo handling increasing by 18.7% against prior year (2016: 4.7%) and ground handling revenue decreasing by 12.0% against prior year (2016: 13.9% increase).

The cargo increase in revenue was driven by an increase in cargo tonnes of 16.3% (2016: 2.8%) from the full year effect of new contracts in 2016, new contracts commencing in 2017 and organic growth. The decrease in ground handling revenue was due to the full year effect of the major contract loss at London Heathrow in December 2015 partially offset by new contracts in the United Kingdom regional airports. The large decrease in the number of turnarounds of 28% against prior year (2016 decrease 14%) was affected by the changes in the mix of the contracts including the full year effect of the ending of a large narrow bodied aircraft contact in October 2015.

Administrative expenses increased by 8.9% (2016 increase 5.5%) with 2.9% of the increase (2016 nil) relating to Group charges for franchise, management services and parental guarantee fees.

Cash and cash equivalents at 31 March 2017 was £5,090,000 (2016: £2,770,000). Capital expenditure continued to be high during the year with a further £6,649,000 (2016: £7,660,000) of fixed asset additions in the year as the company continues to invest in facilities and equipment to service new contracts. This investment programme was financed by cash generated from operations and a restructuring of loans with the existing bank loan of £1,500,000 and intercompany loans of £16,000,000 being repaid in the year and a new 5 year bank loan facility of £20,000,000 being drawn down.

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

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

Strategic report for the year ended 31 March 2017 (continued)

Key performance indicators

	2017	2016	% Movement
Revenue - £'000	**124,629**	116,294	7.2%
Cargo tonnes *1	**675,786**	581,084	16.3%
Turnarounds *2	**14,567**	20,225	(28.0%)

*1 Cargo tonnes is the weight of cargo that is handled including building and breaking of pallets.
*2 Aircraft turnarounds is the total number of aircraft serviced with ground handling by dnata Limited covering both arrival and departure.

Approved by the board and signed on its behalf.

G I Morgan
Director

Company number: 3091040

27 December 2017

Directors' report for the year ended 31 March 2017

The directors present their report and audited financial statements for the year ended 31 March 2017.

Directors

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

R S Angus
R S Marino
G I Morgan

Dividends

A dividend of £2,500,000 was paid to dnata Aviation Services Limited during the year (2016: £nil). The directors do not recommend the payment of a final dividend.

Financial risk management objectives and policies

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

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

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

Liquidity risk
The company aims to minimise liquidity risk by managing cash generated by its operations in line with group policies and has in place appropriate treasury management controls. The company also benefits from the support of its penultimate parent company, dnata, including covering the existing negative net current liabilities of £4,187,000 (2016: £9,775,000).

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates is minimised by the use of natural hedges which match the currencies of the future cash flows.

Directors' indemnities

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

Directors' report for the year ended 31 March 2017 (continued)

Management and staff

The company employed on average in the year 2,169 people (2016: 2,110) who are the 'backbone' of our business, as we rely heavily on labour and invest significantly in our work force. Our staff deliver a very positive 'can do' attitude, which cascades throughout the company. Our relationship with our employees' elected Trade Unions is very positive.

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

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

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

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

Going concern

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

Future developments and post balance sheet events

The company continues to grow and gain new contracts and is expected to continue as a going concern. There have been no material events since the reporting date that would require disclosure or adjustment to these financial statements.

Statement of directors' responsibilities in respect of the financial statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Directors' report for the year ended 31 March 2017 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the board and signed on its behalf

G I Morgan
Director

Company number: 3091040

Independent auditors' report to the members of dnata Limited

Report on the financial statements

Our opinion
In our opinion, dnata Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 March 2017;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Michael Jones (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
27 December 2017

Income statement
for the year ended 31 March 2017

	Note	*Year ended 31 March 2017*	*Year ended 31 March 2016*
	Note	**£'000**	£'000
Revenue	4	**124,629**	116,294
Administrative expenses	5	**(120,244)**	(110,374)
Operating profit	6	**4,385**	5,920
Finance income		**20**	12
Finance costs	9	**(1,379)**	(1,143)
Finance costs - net		**(1,359)**	(1,131)
Profit before taxation		**3,026**	4,789
Income tax expense	10	**(773)**	(951)
Profit for the financial year		**2,253**	3,838

Statement of comprehensive income
for the year ended 31 March 2017

	Year ended 31 March 2017	*Year ended 31 March 2016*
	£'000	£'000
Profit for the financial year	**2,253**	3,838
Other comprehensive income for the year, net of tax	**-**	-
Total comprehensive income for the year	**2,253**	3,838

Statement of financial position

as at 31 March 2017

	Note	*31 March 2017* £'000	*31 March 2016* £'000
Non-current assets			
Intangible assets	11	-	-
Tangible fixed assets	12	**30,571**	29,527
Debtors falling due after more than one year	13	**2,042**	1,988
		32,613	31,515
Current assets			
Stocks		**10**	44
Debtors	14	**19,990**	18,549
Cash and cash equivalents		**5,090**	2,770
		25,090	21,363
Creditors: amounts falling due within one year	15	**(29,277)**	(31,138)
Net current liabilities		**(4,187)**	(9,775)
Total assets less current liabilities		**28,426**	21,740
Creditors: amounts falling due after more than one year	16	**(22,253)**	(15,367)
Provision for liabilities	18	**(873)**	(826)
Net assets		**5,300**	5,547
Equity			
Called up share capital	21	**2,000**	2,000
Profit and loss account		**3,300**	3,547
Total shareholders' funds		**5,300**	5,547

The notes on pages 13 to 29 form part of the financial statements.

The financial statements were approved by the board on 27 December 2017 and were signed on its behalf by

G I Morgan

Director
Registered No 3091040

Statement of changes in equity
for the year ended 31 March 2017

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
As at 1 April 2015	2,000	(291)	1,709
Profit for the financial year	-	3,838	3,838
Total comprehensive income for the year	-	3,838	3,838
As at 31 March 2016 and 1 April 2016	**2,000**	**3,547**	**5,547**
Profit for the financial year	-	2,253	2,253
Total comprehensive income for the year	-	2,253	2,253
Dividends paid	-	(2,500)	(2,500)
Total transactions with owners, recognised directly in equity	-	(2,500)	(2,500)
As at 31 March 2017	**2,000**	**3,300**	**5,300**

Notes to the financial statements
for the year ended 31 March 2017

1. General information

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

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

The company was incorporated and is domiciled in the UK and the registered office is Unit 3, Northumberland Close, Stanwell, Middlesex, TW19 7LN.

New standards and amendments
No new accounting standards or amendments to accounting standards that are effective for the year ended 31 March 2017, have had a material impact on the company.

In preparing the financial statements for the year ended 31 March 2017 the directors reassessed the presentation of rent free accruals within in the statement of financial position. Historically all rent free accrual balances were recorded as current liabilities. The directors now consider it more appropriate to disclose rent free accruals within amounts falling due within one year and amounts falling due after more than one year depending on the period of the rent free accrual. This has resulted in a prior period reclassification in the statement of financial position and respective notes. A balance of £4,581,000 recorded within creditors: amounts falling due within one year under accruals and deferred income as at 31 March 2016 has been reclassified to creditors: amounts falling due after more than one year under accruals and deferred income.

2. Summary of significant accounting policies

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

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

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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

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

Notes to the financial statements (continued)

for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

Notes to the financial statements (continued)

for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

Tangible fixed assets and depreciation (continued)

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

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

Trade debtors

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

Stocks

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

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

Current and deferred income tax

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

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

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

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

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

Notes to the financial statements (continued)

for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

Leasing

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

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

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

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

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

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

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

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

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

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

Notes to the financial statements (continued)

for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

Borrowings

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

Interest

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

Share capital

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

Goodwill

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

Pensions

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

Holiday Pay

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

Impairment of financial assets

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

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

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

Notes to the financial statements (continued)

for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

Foreign currency translation

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

3. Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible fixed assets

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

Provisions

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

4 Revenue

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

	Year ended 31 March 2017 £'000	*Year ended 31 March 2016* £'000
Cargo	**86,119**	72,533
Ramp	**38,510**	43,761
	124,629	116,294

Notes to the financial statements (continued)

for the year ended 31 March 2017

5. Administrative expenses

	Year ended 31 March 2017	*Year ended 31 March 2016*
	£'000	*£'000*
Staff costs (note 7)	**71,000**	69,662
Depreciation of tangible fixed assets	**5,287**	4,826
(Profit)/loss on disposal of plant and equipment	**(246)**	91
Operating leases	**13,683**	12,440
Management fees	**2,842**	-
Foreign exchange losses/(gains)	**266**	(7)
Impairment of debtors	**44**	(20)
Other operating charges	**27,368**	23,382
	120,244	110,374

6. Operating profit

This is stated after charging:

	Year ended 31 March 2017 £'000	*Year ended 31 March 2016 £'000*
Services provided by the company's auditors		
- fees payable for the audit	**84**	82
Depreciation of owned fixed assets	**5,252**	4,549
Depreciation of assets held under hire purchase contracts	**35**	277
	5,287	4,826

Notes to the financial statements (continued)

for the year ended 31 March 2017

7. Staff costs

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Wages and salaries	**65,076**	64,139
Social security costs	**4,864**	4,607
Other pension costs	**1,060**	916
	71,000	69,662

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

	Year ended 31 March 2017 No.	Year ended 31 March 2016 No.
Administration	**129**	118
Operations	**2,040**	1,992
	2,169	2,110

8. Directors' emoluments

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Aggregate emoluments in respect of qualifying services	**279**	234

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

9. Finance costs

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Interest on amounts owed to group undertakings	**721**	1,103
Interest on bank loans and other borrowings	**304**	40
Management fees for parental guarantees	**354**	-
Total interest expense on borrowings	**1,379**	1,143

Notes to the financial statements (continued)

for the year ended 31 March 2017

10. Income tax expense

Tax expense included in income statement

	Year ended 31 March 2017 £'000	*Year ended 31 March 2016 £'000*
Current tax:		
UK corporation tax payable on profits for the year	**707**	869
Adjustments in respect of prior years	**(62)**	(85)
Total current tax	**645**	784
Deferred tax:		
Origination and reversal of timing differences	**106**	286
Adjustments in respect of prior year	**57**	(78)
Impact of change in tax rate	**(35)**	(41)
Total deferred tax (note 18)	**128**	167
Total tax on profit	**773**	951

The tax expense for the year is higher than (2016: lower than) as the standard rate of corporation tax in the UK for the year ended 31 March 2017 of 20% (2016: 20%). The differences are explained below:

	Year ended 31 March 2017 £'000	*Year ended 31 March 2016 £'000*
Profit before taxation	**3,026**	4,789
Profit before taxation multiplied by rate of tax of 20% (2016: 20%)	**605**	958
Effects of:		
Fixed asset differences	**197**	177
Expenses not deductible for tax purposes	**11**	43
Adjustments in respect of prior years	**(5)**	(163)
Impact of change in tax rate	**(35)**	(64)
Total tax charge for the year	**773**	951

Notes to the financial statements (continued)
for the year ended 31 March 2017

10. Income tax expense (continued)

Factors affecting current and future tax charges:

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

11. Intangible assets

	Goodwill £'000
Cost:	
At 1 April 2016 and 31 March 2017	**1,921**
Accumulated amortisation and impairment charges:	
At 1 April 2016 and 31 March 2017	**1,921**
Net book amount:	
At 31 March 2016 and 31 March 2017	-

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

Notes to the financial statements (continued)

for the year ended 31 March 2017

12. Tangible fixed assets

	Short term leasehold property improvements £'000	*Plant & machinery £'000*	*Assets under construction £'000*	*Total £'000*
Cost:				
At 1 April 2016	7,668	50,207	2,512	60,387
Additions	580	5,164	905	6,649
Transfer	1,036	1,290	(2,326)	-
Disposals	(337)	(3,244)	(180)	(3,761)
At 31 March 2017	**8,947**	**53,417**	**911**	**63,275**
Accumulated depreciation:				
At 1 April 2016	3,203	27,657	-	30,860
Depreciation	612	4,675	-	5,287
Disposals	(336)	(3,107)	-	(3,443)
At 31 March 2017	**3,479**	**29,225**	**-**	**32,704**
Net book value:				
At 31 March 2017	**5,468**	**24,192**	**911**	**30,571**
At 31 March 2016	4,465	22,550	2,512	29,527

The net book value of the plant and machinery above includes an amount of £15,000 (2016: £977,000) in respect of assets held under finance leases.

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

	31 March 2017 £'000	*31 March 2016 £'000*
Other debtors	**2,042**	1,988
	2,042	1,988

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

Notes to the financial statements (continued)
for the year ended 31 March 2017

14. Debtors

	31 March 2017 £'000	*31 March 2016 £'000*
Trade debtors	**8,996**	8,722
Amounts owed by group undertakings	**1,682**	1,260
Corporation tax	**103**	-
Prepayments and accrued income	**9,209**	8,567
	19,990	18,549

Amounts owed by group undertakings are interest free, not secured and are payable under normal commercial payment terms.

Trade debtors are stated after provisions for impairment of £77,000 (2016: £33,000).

15. Creditors: amounts falling due within one year

	31 March 2017 £'000	*31 March 2016 £'000*
Bank loans	**2,222**	1,500
Trade creditors	**1,615**	1,090
Amounts owed to group undertakings	**15,146**	18,444
Finance leases (note17)	**4**	180
Corporation tax	**-**	196
Other taxation and social security	**1,733**	1,478
Other creditors	**866**	695
Accruals and deferred income	**7,691**	7,555
	29,277	31,138

Included within the amounts owed to group undertaking is £10,771,000 (2016: £nil) which bears interest at the rate of 5.75% and is repayable in January 2018. In the prior year, amounts owed to group undertakings included an amount of £16,000,000 which bore interest at a rate of 12 months libor plus 2%. This was repaid in full during the year. The other amounts owed to group undertakings are interest free, not secured and settled on normal commercial terms.

Included in creditors is £205,000 (2016: £129,000) of outstanding defined contribution pension payments.

Notes to the financial statements (continued)

for the year ended 31 March 2017

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

	31 March 2017 £'000	*31 March 2016 £'000*
Bank loans	**16,667**	-
Amounts owed to group undertakings	**-**	10,771
Finance leases (note17)	**8**	15
Accruals and deferred income	**5,578**	4,581
	22,253	15,367

In the prior year, amounts owed to group undertakings included an amount of £10,771,000 which bore interest at the rate of 5.75%. As the amount is repayable in January 2018, this has been presented within the creditors falling due within one year in note 15 for the current year.

17. Loans and other borrowings

	31 March 2017 £'000	*31 March 2016 £'000*
Bank loans	**18,889**	-
Finance leases	**12**	195
Carrying value of liability	**18,901**	195

The 2017 bank loan bears a variable interest rate of 3 month libor plus 1.1%, and is payable in 8 semi-annual instalments of £1,111,111 each, and one final repayment of £10,000,000 in May 2021. The 2016 bank loan of £1,500,000 carried variable interest at the Bank of England base rate plus 1.1%, and was repaid in full in December 2016.

Bank loan maturity

	Year ended 31 March 2017 £'000	*Year ended 31 March 2016 £'000*
Not later than one year	**2,222**	-
Later than one year and not later than five years	**16,667**	-
Later than five years	**-**	-
	18,889	-

Notes to the financial statements (continued)

for the year ended 31 March 2017

17. Loans and other borrowings (continued)

Finance leases

The future minimum finance lease payments are as follows:

	31 March 2017 £'000	*31 March 2016 £'000*
Not later than one year	**5**	185
Later than one year but not later than five years	**8**	15
Total gross payments	**13**	200
Impact of finance charges	**(1)**	(5)
Carrying value of liability	**12**	195

The finance leases relate to a transport vehicle which is leased from a specialist leasing company. The remaining lease term is 2 years. At the end of the lease the company has the option to purchase the asset at a nominal fee.

18. Provision for liabilities

	Deferred tax £'000	**Other provision £'000**	**Total £'000**
At 1 April 2016	576	250	826
Charge / (reversal) for the year	128	(81)	47
At 31 March 2017	**704**	**169**	**873**

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

Notes to the financial statements (continued)

for the year ended 31 March 2017

18. Provision for liabilities (continued)

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

	31 March 2017 £'000	*31 March 2016 £'000*
Deferred tax asset due within 12 months	**(53)**	(62)
Deferred tax liabilities within 12 months	**134**	141
Total provision due within 12 months	**81**	79

	2017 *£'000*	2016 *£'000*
Deferred tax liabilities due after more than 12 months	**623**	497
Total provision due after more than 12 months	**623**	497

	2017 *£'000*	2016 *£'000*
Total deferred tax provision		
Total provision	**704**	576

Notes to the financial statements (continued)

for the year ended 31 March 2017

18. Provision for liabilities (continued)

Deferred tax liabilities	**Accelerated capital allowances**
	£'000
At 1 April 2015	**487**
Charged to the income statement	151
At 31 March 2016 and 1 April 2016	**638**
Charged to the income statement	119
At 31 March 2017	**757**

Deferred tax assets	**Short term timing differences**
	£'000
At 1 April 2015	**78**
Charged to the income statement	(16)
At 31 March 2016 and 1 April 2016	**62**
Charged to the income statement	(9)
At 31 March 2017	**53**

19. Operating leases and capital commitments

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

	Year ended 31 March 2017 £'000	*Year ended 31 March 2016 £'000*
Not later than one year	**11,491**	9,259
Later than one year and not later than five years	**43,065**	37,519
Later than five years	**47,402**	56,961
	101,958	103,739

b) Capital commitments

The company has capital commitments at the year end, contracted but not provided for £810,000 (2016: £2,598,000).

Notes to the financial statements (continued)
for the year ended 31 March 2017

20. Related party transactions

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

21. Called up share capital

	31 March 2017 £'000	*31 March 2016 £'000*
Allotted and fully paid		
2,000,000 (2016 : 2,000,000) Ordinary shares of £1 each	**2,000**	2,000

22. Parent and ultimate parent undertaking

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

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

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

23. Post balance sheet events

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