Strategic Report

Principal activity

The principal activity of the Group continued to be that of an airport operator.

In the opinion of the directors the financial statements give a fair view of the development of the business during the period and of its position at the end of the year. There have been no significant events outside the normal course of business since the balance sheet date.

The directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Use of forward-looking statements

This following review of the business has been prepared solely to provide additional information to shareholders and should not be relied upon by any other party or for any other purpose. The review contains certain forward looking statements with respect to the principal risks and uncertainties facing the Company.

These statements have been made by the directors in good faith based on the information available to them up to the time of their approval of the report. They should be treated with caution due to the inherent uncertainties arising because they relate to events and depend on circumstances that may or may not occur in the future.

Review of the business and future prospects

Key financial and other performance indicators

31 December	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2014 Change
Operational					
Passengers (scheduled)	2,994,000	3,019,000	3,380,000	**3,648,000**	7.9%
Aircraft Movements (scheduled)	61,024	64,345	68,002	**70,140**	3.1%
Load factor (scheduled)	62%	62%	66%	**65%**	(1.5)%
Average aircraft seat capacity (scheduled)	78	75	76	**80**	5.3%
Aircraft Movements (Business Aviation)	6,530	5,729	5,279	**5,169**	(2.1)%
Financial					
Group Revenue (£m)	79.4	85.2	93.2	**102.9**	10.4%
EBITDA (£m)	35.5	37.9	41.9	**45.8**	9.3%
Yield					
LCY scheduled Aero (£ per movt)	870	912	959	**989**	3.1%
LCY scheduled Aero (£ per pax)	17.74	19.44	19.30	**19.02**	(1.5)%
LCY scheduled Non Aero (£ per pax)	5.52	5.60	5.48	**6.24**	13.9%
LCY Total (£ per pax)	23.25	25.04	24.78	**25.26**	1.9%
Business aviation (£ per movt)	1,500	1,673	1,791	**2,074**	15.8%
Investment					
Capital expenditure (£m)	16.4	12.4	12.2	**17.3**	41.8%

Strategic report *(continued)*

Scheduled aeronautical activity and income
The Group, branded London City Airport, operates London City Airport ("LCY"). LCY is primarily a business airport serving 51 destinations throughout the year across the UK, Europe, USA and connections to the rest of the world through major hubs. LCY offers passengers a time-saving proposition and its location means it is 15 minutes by road to Canary Wharf and 21 minutes to the City by Docklands Light Railway. We pride ourselves on our 'speed of transit' proposition, enabling the vast majority of passengers to pass through the airport in around 20 minutes, door to departure lounge and 15 minutes, tarmac to train, on arrivals.

Scheduled passenger traffic grew by 7.9% in 2014 driven by a 3.1% increase in ATMs and an increase in capacity. During the year, 5 new routes commenced at the airport: Exeter, Inverness, Belfast, Guernsey and Hamburg. Extra frequencies were operated on Dublin, Edinburgh, Glasgow, Milan, Luxembourg & seasonal destinations.

Passenger growth	**London City**	**London Heathrow**	**London Gatwick**	**London Stansted**	**London Luton**
2013-14 change	7.9%	1.4%	9.7%	12.2%	8.6%

Source: Civil Aviation Authority

LCY handled 3.6 million scheduled passengers in 2014 (growth of 7.9% on 2013) reflecting strong underlying demand for its route network.

LCY's top 10 destinations continue to be the core of the airport traffic, accounting for 68% of passengers in 2014. Collectively, the two main airline alliances of Oneworld (British Airways City Flyer) and Star Alliance (Lufthansa and Swiss) in addition to Cityjet (formerly SkyTeam) account for 74% of scheduled LCY traffic.

In 2014 new contracts were successfully agreed with Lufthansa, Swiss, Luxair, BA Mainline & Aurigny ensuring continued growth at LCY. A new 3 year contract was agreed with BACF extending the relationship to 2017 and seeing their fleet grow to an 18 aircraft operation at LCY. A new 5 year deal was agreed with Flybe to 2019 bringing 5 Q400s to operate out of LCY. Cityjet have rationalised the routes that they fly in 2014. This has freed up slots offering opportunities to other airlines.

Retail and other income
Commercial income will continue to build on 2014 largely driven by a forecasted increase in passenger numbers. In 2014 Bloomberg invested in the Bloomberg Hub, comprising a world-first experiential installation in the departure lounge, including a unique media wall and a 130m digital ticker pre and post security which will carry news and data. It is the largest installation of its kind in the world. In addition, our Director of Non Aero income will focus on new business opportunities driving incremental revenue streams. The purchase of the fuel facility within the airport in 2013 will continue to drive revenue increases year on year.

Business aviation
The Jet Centre discontinued non-peak pricing in 2014. The Business Aviation sector for London grew 4% in 2014, the first increase since 2008. This resulted in a decrease in movements of only 2% for the Jet Centre and an increase in Revenue of 16% YOY.

Strategic report *(continued)*

Costs
We continue to focus on mitigating cost inflation and delivering improved productivity. Projects throughout the year included the introduction of common user check in, enabling better use of the space available. Trials are also taking place with more efficient security lanes in order to increase the speed and capacity of processing a passenger on a lane.

Capital expenditure
In 2014 London City Airport continued to progress with the planning application submitted to the London Borough of Newham in order to deliver the infrastructure required to facilitate the 120,000 noise factored annual movements approved in 2009. Other major projects included an upgrade of the airports IT systems, led by a new Chief Information Officer, Alison Fitzgerald. Projects completed include an improved outbound baggage system, the installation of E-gates and fixed electrical ground power. We continue to invest in the airport for passengers, airlines, and to meet our S106 planning obligations.

Planning

In February 2015, the London Borough of Newham passed a resolution to grant planning permission for the City Airport Development Programme (CADP), paving the way for a £250 million investment that will enable the airport to operate up to a permitted 111,000 annual flight movements, from the 70,000 currently operated. This new capacity will help ease the pressure on existing airport infrastructure in London and the UK pending a decision on new runway capacity delivery for the UK, and in the period before it becomes operational in the late 2020s.

By 2023 the airport's expansion programme will:

- Generate additional short-haul aviation capacity for the UK
- Create 1,500 new jobs (and a further 500 during construction)
- Double LCY's economic impact to £1.5bn per annum
- Facilitate greater levels of inward investment in East London
- Deliver a world-class international gateway to London

The plans include developing existing infrastructure to increase runway capacity, to allow more take-offs and landings at peak times and accommodate the next generation of quieter, more fuel efficient aircraft which have longer ranges and will open up new routes to business destinations not currently served from the airport. Further details about the City Airport Development Programme can be found at:
http://www.londoncityairport.com/aboutandcorporate/page/cadp

On March 26 2015, the Mayor of London, Boris Johnson, directed the London Borough of Newham to refuse planning permission for the City Airport Development Programme. This unexpected decision was predicated on the grounds that the CADP is contrary to the London Plan and that the increase in flight movements brings unacceptable noise impacts to the community surrounding the airport. The airport already operates under one of the strictest noise regimes of any airport in the UK and, as part of the CADP application, a further suite of robust noise controls were proposed via planning conditions and a section 106 planning agreement which included air and construction noise mitigation schemes. As at March 27 2015, the airport is considering its options prior to developing and progressing a strategy to allow it to fulfill its stated ambitions for growth

Environmental

Managing the impact our operation has on the local and global environment, and local communities, is a priority for our business. We work closely with our neighbours and stakeholders to maximise the positive impacts the Airport brings to the local and UK economies, while delivering our wide ranging environmental programmes to ensure we can operate and grow in a sustainable way.

Key environmental priorities at LCY include noise, air quality, waste management, energy consumption, carbon emissions, water management and sustainable transport. We are the leading UK airport for surface access via public transport, with more than 70% of our passengers arriving at our site via rail, bus or licenced black taxi. We continue

Strategic Report (continued)

to deliver our upgraded sound insulation scheme for local homes and public buildings, providing glazing, ventilation and grants to mitigate the impact of noise for local residents. The noise level which triggers entitlement to this scheme is one of the lowest daytime levels of any UK airport.

In 2014 LCY gained Airports Council International Europe's, Stage 2: Reduction, Airports Carbon Accreditation. This independently verified award was given to the airport after it actively reduced the amount of carbon per passenger by 6% since 2012 and detailed, through its Carbon Management Plan, how this will be improved upon in future years. The airport is to gain stage 3 in 2015.

The improvement in waste management continued in 2014 as not only did the airport remain a zero landfill company the airports recycling rates grew to 51%, that is 557 tonnes of recycling captured.

Social and community

Since opening in 1987 London City Airport has developed a wealth of relationships with local communities and contributed significantly to the regeneration of East London. Through regular and voluntary interaction with community partners, residents, schools, colleges, charities, local businesses, landowners, developers and other stakeholders, as well as local boroughs, the airport works towards accomplishing its goal to maintain constructive relationships with its neighbours, support local initiatives, whilst at the same time developing its business.

The airport has developed and implemented a comprehensive CSR strategy that focuses on education, employment, training, charitable donations and fundraising for our chosen charity, Richard House Hospice. The airport is committed to making progress and making a difference across all these areas. For example, in 2014, the airport delivered the following:

Employment: "Take off into Work" has now supported over 450 local residents into jobs since March 2009, and 2014 was its record year with 70 successful placements across the LCY campus. 2014 also saw the launch of the first ever LCY Ramp Academy which is an aviation industry training and recruitment programme. 12 Newham residents were successfully selected for the programme and are now working at LCY.

Education: A variety of schools across Newham, Greenwich and Tower Hamlets have been engaged at primary and secondary school level, learning about different roles at the airport as well as potential careers that can be pursued. 6 University Prize Scheme students took part in work experience placements, each spending two weeks in various departments within the airport . Since 2004, over £215,000 has been awarded to local students in grants. In 2014, LCY also entered into a three year partnership with West Ham United in support of their new schools programme which aims to raise aspiration levels of school children in Newham and surrounding boroughs.

Training: 50 local students were given work experience placements at LCY.

Fundraising: In 2014, over £55,000 was raised for Richard House. This money was raised through a variety of events which amongst others included a sponsored cycle ride to Rotterdam, foreign coin collection boxes and a staff 5 a-side football tournament.

Sponsorship: Tens of thousands of pounds were donated to local charities and good causes in 2014, including the Royal Docks Community Market, the Stephen Timms Summer School and initiatives focusing on community engagement at the Royal Docks Learning and Activity Centre.

The airport has always taken an active role in its community, and in 2014 LCY staff donated over 605 hours of their time to community endeavours and projects. This included first ever LCY Staff Volunteer Week where airport staff from a variety of departments took on the challenge of completing 5 local projects in 5 days.

LCY is at the heart of its community and new initiatives in 2015 will deliver even greater benefit to those who live and work in proximity to the airport.

Strategic Report (continued)

Health and safety matters

It is the policy of the Group to seek to prevent all personal injuries, dangerous occurrences and damage to property. The Group seeks to achieve this by ensuring that the Board and management recognise their commitment to the safety of LCY employees, and those who may be affected by operations under the Group's control.

It is also the Group's policy to ensure that all employees are aware that they have a legal and moral responsibility, for their own safety, for the safety of those who might be affected by their actions, and to co-operate with their employer in Health and Safety matters.

In order to monitor the Group's Health and Safety policy, data is collected and monitored on the number, types and frequency of accidents and incidents in the workplace. Accident investigation is undertaken in the event of loss or damage to property and injury to persons to ensure root cause and corrective action is identified.

Regular internal audits, inspections and validations are undertaken of the airport's facilities, infrastructure and operating equipment together with periodic audits and inspections from external regulatory bodies.

London City Airport continues to demonstrate continuous improvement in Health and Safety for its employees and partners. We can report a number of key successes for 2014: a reduction in the Lost time injury rate (LTIR), per 200,000 hours worked, from 3.33 in 2013 to 3.08 in 2014, a 7.5% reduction, this continues the downward trend we have seen since 2010, which overall has been a 35% reduction; we continue to reduce the level of lost time resulting from accidents, from 1062 hours in 2013 to 813, a 23% reduction, since 2010 we have seen the amount of lost time reduce by 75%. The numbers of claims from accidents have continued to reduce as we drive improved reporting processes, improve the standard of accident investigations and constantly review our procedures and safe working practises.

Our safety promotion campaign "Cake and Safety" continued into 2014 with the numbers of staff attending events at an all-time high, over 500 staff attending 4 events throughout the year. This initiative was developed to improve safety awareness, safety knowledge and safety culture throughout the Airport community. All staff are encouraged to come along to an event and they can have tea and cake whilst they talk to the safety and ops teams about any safety matter or issue

The continuing success of reducing accidents is based around the commitment from all departments to improving the safety and well-being of staff and our on-going execution of new initiatives to keep Safety at the forefront of everything we do.

Significant contractual and other relationships

The Group has a number of important relationships with its customers, suppliers and bankers. These relationships are managed by key managers and directors of the individual businesses. The two primary areas of concentration of key relationships are:

a) Revenue - Scheduled aviation revenue is principally derived from the two major airline alliances in Europe, namely Oneworld (British Airways) and Star Alliance (Lufthansa/Swiss). This is in addition to CityJet. From quarter 4 2014, LCY have also welcomed Flybe.

b) Debt finance - The Group has arranged its debt finance through a syndicate of banks to access the level of funding required for its leveraged structure. For details of the finance accessed by the Group see Note 20 of the financial statements.

Strategic report *(continued)*

Principal risks and uncertainties

Safety risks

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

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

Security risks

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

Economic risks

LCY passengers are travelling principally on business. Any major economic event which damages business prosperity and reduces passenger prosperity to fly could impact current traffic volumes.

Strategic report *(continued)*

Competitive risks

The key competitive risks are derived from;

a) Passenger switching to other airports – Passengers can opt to fly from other London airports that serve similar destinations to LCY.

b) Airline operators switching to other airports – Airline operators may choose to move operations to other airports, subject to operating slot availability at other locations.

Operational disruption risks

There are a number of circumstances that can pose short-term risks to the normal operations of the airport, particularly adverse weather conditions. Where possible, the Group seeks to anticipate the effects of these events on its operations and also maintains contingency plans to minimise disruption wherever possible.

Legislative and planning risks

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

Additionally, planning risks exist in relation to the ability of the airport to secure planning permissions to facilitate future growth. Changes to the planning legislation, national aviation policy and the impact of anti-aviation pressure groups could impact the airport's ability to deliver the growth vision set out in its 2006 Master Plan. With its planning experience and resources, LCY is well placed to respond to these risks.

Directors' report

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2014.

Results and dividends

The results for the year and financial position of the Company and the Group are as shown in the annexed financial statements. The Company paid a dividend of £49.2m for the year ended 31 December 2014 *(2013: £nil)*.

Financial risks

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

a) Risk relating to leverage - As at 31 December 2014 the Group had external debt of £432.5 million *(2013: £411.0 million)*. The Group is exposed to interest rate risk, liquidity risk and cash flow risk in respect of these borrowings. Throughout 2014 the Group was compliant with its various financial agreements and maintained comfortable headroom over all financial covenant ratios.

The Group is exposed to interest rate risk on its debt which bears interest at variable rates. Increases in these rates result in increased interest expense and increased interest payment. The Group controls these interest rate risks through the use of derivatives, specifically interest rate swaps.

The application of these derivatives economically converts the hedged portions of variable-interest debt from variable to fixed interest. As at 31 December 2014, 80% *(2013: 84%)* of the corporate borrowings were hedged.

Liquidity risk is the risk that an entity may encounter difficulties in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by having a strong positive cash flow and has un-drawn overdraft facilities to manage liquidity risk.

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

b) **Exposure to credit risk -** Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Group policies are aimed at minimising such a risk by conducting credit checks where appropriate and by other established credit control procedures. Details of the Group's debtors are shown in notes 15 and 16.

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

Employees

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

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

Directors' report *(continued)*

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

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

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

Political and charitable contributions

The Group raised charitable contributions of £55k during the year *(2013: £25k)*. The Group did not make any political contributions.

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Registered in England & Wales. Registered Number: 1963361

Directors' report *(continued)*

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Corporate governance

The Board is comprised of a non-executive Chairman, six non-executive Directors and two Executive Directors from the Company, being the Chief Executive Officer and Chief Finance Officer.

The Board meets regularly, normally bi-monthly, and in addition, separate strategic discussions take place. Matters of significance are reserved for confirmation by the full Board. Matters not reserved for the Board may be delegated to senior management within clearly defined financial parameters.

The Company has an Audit Committee which is comprised of one Non Executive director from each shareholder and the non-executive Chairman, who is appointed as Chairman. The Committee normally meets once a year. External auditors are invited to attend the meeting. The Committee has the authority to examine any matters relating to the financial affairs and internal controls of the group.

Group internal controls are monitored at management reviews which cover all operational and health and safety aspects of the Company, independent audits, monthly business reviews, monthly reporting with performance measured against budgets and a comprehensive annual budget process which requires Board and business approval. In addition to the annual budget, a long term plan is continuously updated to reflect current performance and strategic aspirations.

In November 2008 the Walker Report was published, following a request by the British Venture Capital Association and certain major private equity firms. This report provided 'best practice' disclosure guidelines in the annual report and financial statements for those companies defined as UK portfolio companies and private equity firms. The Company meets the definition of a UK portfolio company and therefore the directors have adopted the disclosure recommendations in the annual report and financial statements.

Ownership

Docklands Aviation Group Limited is the UK parent Company for the operations of London City Airport. London City Airport is owned by two infrastructure funds as follows;

- Global Infrastructure Partners: 75%
- Oaktree Capital Management LP: 25%

Directors' report *(continued)*

Directors

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

R Griffins	Non-executive chairman
D Collier	Chief Executive Officer
P Burrows	Chief Finance Officer
RE Gooding	Non-executive director – formerly CEO (resigned 30 June 2014)
M Noorani	Non-executive director – GIP representative
T Hatton	Non-executive director – GIP representative
Gary Pritchard	Non-executive director – GIP representative
J Kowalishin	Non-executive director – Highstar representative
E McCann	Non-executive director – Highstar representative

Directors' biographies are set out below.

Roy Griffins CB, Chairman

Roy Griffins has been Chairman of Docklands Aviation Group Limited since 1 January 2007. Previously, Roy had a thirty-year career in the British civil and diplomatic service, mostly in international, transport and environment posts. He served as the UK's Director of Railways from 1996 to 1999 and Director General of Civil Aviation from 1999 to 2004. Additionally he was Director General of the Airports Council International in Brussels and chaired the Channel Tunnel Intergovernmental Commission.

Declan Collier, Chief Executive Officer

Declan Collier joined London City Airport as Chief Executive Officer in March 2012. Prior to his appointment he was Chief Executive of the Dublin Airport Authority (DAA), April 2005 to 2012. During this time he oversaw the successful delivery of a £1 billion capital investment programme to modernise the aviation gateways to Ireland, a successful expansion of the DAA's international airports business and growth in the financial performance of the group.

Before joining the DAA, Declan worked with ExxonMobil, where he held a number of senior executive positions in Ireland and the UK. In his last role at ExxonMobil, he had responsibility for the management of a number of key global businesses in the alternative fuels sector, in addition to the management of the company's European district heating businesses.

He is President of Airports Council International (Europe), the representative body for European airports and a member of the World Board of the Airports Council International. He has been a Non Executive Director of Allied Irish Banks Ltd (AIB) since January 2009. A native of Dublin, he has a Masters Degree in Economics from Trinity College Dublin.

Patrick Burrows, Chief Financial Officer
Patrick Burrows joined London City Airport in 2011. He is a chartered accountant and most recently held the position of Group Finance Director at New Look, where he led the finance streams of New Look's 2010 Initial Public Offering process. Patrick previously spent 13 years at Tesco, where he gained a breadth of customer focused experience, holding Finance Director roles in parts of the business as diverse as UK Convenience and Tesco Thailand.

Scott Hatton, Non-Executive Director

Scott Hatton, based in the US, is an Operating Partner and the Chief Financial Officer of GIP. Prior to GIP, Scott spent 14 years with General Electric (GE) in five separate operating divisions, including Transportation, Aircraft and Plastics. Critical GE leadership roles included a 2-year overseas assignment as CFO of Asia/Pacific for the Transportation division and a financial integration leader for a $12 billion integration effort in the Plastics division. After leaving GE in 2002, Scott held two senior financial leadership positions within Honeywell as CFO of their $4b global transportation operating division and their $10b global Automation & Control operating division before assuming the top financial officer position of Sypris Solutions, a publicly-held technology and industrial solutions provider.

Mehrdad Noorani, Non- Executive Director

Mehrdad Noorani, based in London, is a Partner of GIP. Previously, he was Managing Director and Head of Airport Finance at GE Commercial Aviation Services (GECAS). Prior to joining GE, Mr. Noorani was a Managing Director of Credit Suisse First Boston and a senior member of the firm's Transportation and Logistics Group in London, which he joined in 1991.

Gary Pritchard, Non- Executive Director

Gary Pritchard, based in the US, is an Operating Partner of GIP. Prior to joining GIP, Gary was Vice President and General Manager, Manufacturing for SABIC Innovative Plastics, formerly GE Plastics. Before leading manufacturing for GE Plastics, he served as Vice President of Operations for GE Silicones where he led major process improvement and restructuring efforts to improve Plastics' and Silicones' competitive positions and significantly increase their capital efficiency. Gary has over 31 years of experience in process improvement, asset optimization and restructuring, work process re-design, environment, health and safety, capital planning and project execution.

James Kowalishin, Non- Executive Director

James Kowalishin joined Highstar Capital as a Senior Advisor in 2008 and became a Partner in 2009. He is Co-Head of Investments & Asset Management and serves on Highstar Capital's Investment Committee and Management Committee. Prior to joining Highstar, Mr. Kowalishin worked extensively with the Highstar Team as Managing Director of Banque AIG in London and was a director of Hambros in London.

Emmett McCann, Non- Executive Director

Emmett McCann joined Highstar in 2009 and has over 13 years of experience in private equity, investment banking and finance. Prior to joining Highstar, he was an Executive Director at Morgan Stanley, where he helped lead the firm's infrastructure effort in Europe. Before joining Morgan Stanley, he was a member of Goldman Sachs' North American infrastructure investment banking team.

None of the directors had any interest in the shares of the Company.

There were no contracts or arrangements in which the directors of the Company had interests which are required to be disclosed under the Companies Act 2006.

Consolidated profit and loss account

for the year ended 31 December 2014

	Note	**Year ended 31 December 2014 £000**	Year ended 31 December 2013 £000
Turnover	*4*	**102,855**	93,222
Cost of sales		**(2,560)**	(2,204)
Gross profit		**100,295**	91,018
Administrative expenses		**(79,002)**	(72,968)
Operating profit	*5*	**21,293**	18,050
Interest received	*6*	**290**	638
Interest paid	*7*	**(27,879)**	(26,012)
Loss on ordinary activities before tax		**(6,296)**	(7,324)
Tax charge on loss on ordinary activities	*10*	**(2,288)**	(2,691)
Loss for the financial year		**(8,584)**	(10,015)

There are no recognised gains and losses for either year other than those stated in the profit and loss account above.

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

There is no material difference between the loss reported above and the historical loss.

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Registered in England & Wales. Registered Number: 1963361

Consolidated balance sheet

as at 31 December 2014

Registered number 5879149

	Note	2014	2013
		£000	£000
Fixed assets			
Goodwill	*11*	**114,312**	123,905
Tangible assets	*12*	**441,086**	438,690
		555,398	562,595
Current assets			
Debtors: amounts falling due within one year	*15*	**11,824**	12,654
Debtors: amounts falling due after one year	*16*	**17,782**	17,527
		29,606	30,181
Cash at bank and in hand		**21,825**	29,734
		51,431	59,915
Creditors: amounts falling due within one year	*18*	**(36,387)**	(31,417)
Net current assets		**15,044**	28,498
Total assets less current liabilities		**570,442**	591,093
Creditors: amounts falling due after more than one year	*19*	**(502,840)**	(465,204)
Provisions for liabilities			
Deferred taxation	*17*	**(1,254)**	(1,757)
Net assets		**66,348**	124,132
Capital and reserves			
Called up share capital	*24*	**-**	-
Capital reserve	*25*	**245,782**	245,782
Profit and loss account	*25*	**(179,434)**	(121,650)
Shareholders' funds		**66,348**	124,132

Consolidated cash flow statement
for the year ended 31 December 2014

	Note	**Year ended 31 December 2014**	Year ended 31 December 2013
		£000	£000
Net cash inflow from operating activities		**52,076**	53,096
Returns on investments and servicing of finance			
Interest received	*6*	**97**	98
Interest paid	*7*	**(25,799)**	(24,603)
Net cash outflow from servicing of finance		**(25,702)**	(24,505)
Taxation			
Corporation tax paid		**(3,255)**	(1,342)
Capital expenditure			
Payments to acquire fixed assets		**(16,949)**	(14,001)
Equity dividends paid		**(49,200)**	-
Cash inflow before financing		**(43,030)**	13,248
Financing			
Bank loans repaid	*20*	**-**	(436,250)
Bank loans drawn	*20*	**21,500**	411,000
Refinancing fees		**-**	(9,974)
Amounts due to parent		**13,672**	24,659
Capital element of finance lease rental payments	*20*	**(51)**	(103)
Net cash outflow from financing		**35,121**	(10,668)
(Decrease)/ increase in cash and cash equivalents		**(7,909)**	2,580
Cash and cash equivalents brought forward		**29,734**	27,154
Cash and cash equivalents carried forward		**21,825**	29,734

Reconciliation of operating profit to net cash inflow from operating activities

for the year ended 31 December 2014

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Operating profit	**21,293**	18,050
Depreciation	**14,890**	14,325
Amortisation	**9,593**	9,592
Charge in relation to share based payments	**124**	-
Decrease in debtors	**1,082**	132
Increase in creditors	**5,094**	10,997
Net cash inflow from operating activities	**52,076**	53,096

Analysis and reconciliation of movement in net debt

for the year ended 31 December 2014

	At 1 January 2014 £000	**Cashflow £000**	**Other non-cash charges £000**	**At 31 December 2014 £000**
Cash at bank and in hand	29,734	(7,909)	-	**21,825**
Bank loans (due within one year)	-	-	-	**-**
Bank loans (due after one year)	(411,000)	(21,500)	-	**(432,500)**
Unamortised cost of raising loan	8,915	-	(2,079)	**6,836**
Finance leases	(125)	51	-	**(74)**
	(372,476)	(29,358)	(2,079)	**(403,913)**

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Notes *(forming part of the financial statements)*

1 Basis of preparation of accounts

The accounts are prepared under the historical cost convention as modified to include the revaluation of certain land and buildings and in accordance with the accounting policies described in note 2 below.

Going Concern

The Group is dependent for its working capital requirements on a £400m credit facility, which was refinanced on 2nd April 2013, further details of which are provided in note 20 to the financial statements.

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

This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on its parent undertaking for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

2 Accounting policies

The following policies have been applied consistently in dealing with items considered material to the Group's accounts.

Basis of consolidation
These financial statements consolidate the financial statements of the Company and all of its subsidiaries, as listed in note 14.

Turnover

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

Goodwill

Goodwill arising on acquisition is amortised over its useful economic life of twenty years.

Tangible fixed assets

Recognised at cost on initial acquisition. Land and buildings are revalued periodically. Depreciation is applied to the revalued amount.

Notes *(continued)*

2 Accounting policies (continued)

Tangible fixed assets and depreciation

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

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

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less impairment.

Stocks

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

Borrowings

All borrowings are initially stated at the fair value of the consideration received after the deduction of issue costs. Issue costs together with the deferred finance costs are charged to the profit and loss account over the term of the borrowings pro rata to the balance of capital outstanding.

Finance and operating leases

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

Pensions

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for any consideration payable to or receivable from other group undertakings for the surrender of losses under group relief provisions.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Government grants

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

Notes *(continued)*

2 Accounting policies (continued)

Share based payments

The parent, Clover Bidco Ltd, have issued A shares to selected senior management of the airports in order to align their interests with the shareholders'. The A shares are structured so that, on a listing or sale (an "Exit Event") they should have a specific value. This value is based on the internal rate of return achieved on that exit by the Companies' shareholders, Global Infrastructure Partners ("GIP"). A shares were issued under the Employee Shareholder Status ("ESS") regime. The initial value of the A shares has been agreed with HMRC. Both the unrestricted and actual market values were agreed with HMRC.

For cash settled share based payment transactions the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become entitled to payment. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account.

Financial instruments

The net interest paid or received under interest rate swaps is recorded in net interest in the profit and loss account. The notional value of any such contracts is recorded off balance sheet.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2014. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

3 Related parties

Four employees have each been issued with 1000 shares under the ESS scheme worth £33 per share. This has resulted in an expense in the year of £132k. The Company paid £8k to Clover Bidco Limited for the shares, and own the liability of the market value. A Directors loan exists between the four employees and the Docklands Aviation Group who has loaned the staff members the PAYE fees payable in relation to this. The loan amounts to £58k. The Company paid £8k to Clover Bidco Limited for the shares, and own the liability of the market value.

Company	**Relationship**	**Description**	**2014 Balance £000**	2013 Balance £000
Amounts recorded in the consolidated balance sheet at the year-end				
North Woolwich Properties Ltd	Common control	Trading balance	**543**	256
AMI Property Holdings Ltd	Common control	Loan	**2,663**	2,467
West Silvertown Properties Ltd	Common control	Trading balance	**(249)**	(29)
AMI Property Holdings Ltd	Common control	Trading balance	**(43,415)**	(29,585)
Clover Bidco Ltd	Parent company	Trading balance	**(18,577)**	(18,475)
Clover Equityco Ltd	Parent company	Trading balance	**15**	18
Amounts recorded in the consolidated profit and loss account for the year				
West Silvertown Properties Ltd	Common control	Loan interest received	**-**	484
West Silvertown Properties Ltd	Common control	Property rental expense	**(370)**	(87)
AMI Property Holdings Ltd	Common control	Property rental expense	**(15,255)**	(13,947)
AMI Property Holdings Ltd	Common control	Loan interest received	**197**	110

Notes *(continued)*

4 Turnover

The directors consider that the business has only one segment. The Group's turnover is derived from the provision of airport management services and operating lease rentals, solely in the United Kingdom. Additional details of the turnover generated by each of the Group's key activities are given below:

	Year ended 2014 £000	Year ended 2013 £000
Aeronautical income	**69,875**	65,239
Retail and other income	**22,262**	18,527
Corporate aviation income	**10,718**	9,456
	102,855	93,222

5 Operating profit

	Year ended 2014 £000	Year ended 2013 £000
Operating profit is stated after charging/(crediting):		
Auditor's remuneration		
Audit fees*	**67**	72
Other services	**-**	-
Depreciation – owned assets	**14,890**	14,230
Depreciation – assets held under finance leases	**-**	95
Amortisation of goodwill	**9,593**	9,592
Amortisation of government grants	**(76)**	(76)
Operating lease rentals - plant and machinery	**185**	213
Operating lease rentals – other	**3,914**	3,585

*The audit fee includes £7,000 (*2012: £7,000)* in respect of the Company

Reconciliation of operating profit to EBITDA

	Year ended 2014 £000	Year ended 2013 £000
Operating profit	**21,293**	18,050
Depreciation	**14,890**	14,325
Amortisation of goodwill	**9,593**	9,592
Amortisation of government grants	**(76)**	(76)
EBITDA	**45,700**	41,891

Notes *(continued)*

6 Interest received and similar income

	Year ended 2014 £000	Year ended 2013 £000
Interest on related party loans	**197**	540
Bank interest	**93**	98
	290	638

7 Interest paid and similar charges

	Year ended 2014 £000	Year ended 2013 £000
Bank interest payable	**25,792**	23,846
Amortisation of finance costs	**2,079**	2,158
Finance lease interest	**8**	8
	27,879	26,012

8 Directors' remuneration

	Year ended 2014 £000	Year ended 2013 £000
Directors' emoluments	**1,614**	1,536
Share based payment	**132**	-

The aggregate pension contributions paid on behalf of the directors were £111k (*2013: £107k*). The emoluments of the highest paid director in the Group were £508k *(2013: £488k)* including pension contributions of £31k (*2013: £31k)*. Directors' costs are recharged to companies within the immediate parent company's group structure.

Four employees have each been issued with 1000 shares under the ESS scheme worth £33 per share. This has resulted in an expense in the year of £132k.

Directors' remuneration includes the Chief Commercial Officer & Chief Operating Officer both of which are not legally classified Directors'. Excluding these the Directors' emoluments are £1,006k (2013: £953k).

Notes *(continued)*

9 Staff numbers and costs

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

	Number of employees	
	Year ended 2014	Year ended 2013
Operational	**407**	403
Administration	**61**	56
	468	459

The aggregate payroll costs of these persons were as follows:

	Year ended 2014 £000	Year ended 2013 £000
Wages and salaries	**16,658**	15,980
Social security costs	**1,778**	1,675
Other pension costs	**946**	657
	19,382	18,312
Subcontractor labour costs	**1,379**	1,426
Share based payment	**132**	-
	20,893	19,738

Notes *(continued)*

10 Taxation

Analysis of charge in the year

	Year ended 2014 £000	Year ended 2013 £000
UK corporation tax		
Current tax charge on income for the year at 21.5% (2013: 23.25%)	**2,791**	2,576
Adjustment in respect of prior years	**-**	(27)
Total current tax	**2,791**	2,549
Deferred tax (see note 17)		
Origination and reversal of timing differences	**(235)**	121
Effect of decreased tax rate	**(229)**	-
Adjustment in respect of prior years	**(39)**	21
Tax charge on profit on ordinary activities	**2,288**	2,691

	Year ended 2014 £000	Year ended 2013 £000
Current tax reconciliation		
Loss on ordinary activities before taxation	**(6,296)**	(7,324)
Current tax at 21.5% *(2013: 23.25%)*	**(1,354)**	(1,703)
Capital allowances in excess of depreciation	**(178)**	(122)
Expenses not deductible for tax	**2,109**	2,135
Transfer pricing adjustments on group items	**152**	164
Other including consolidation adjustments	**2,062**	2,102
Prior year adjustment	**-**	(27)
Total current tax charge	**2,791**	2,549

Reductions in the UK corporation tax rates from 23% to 21% (effective from 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted as part of the Finance Act 2013 on 2 July 2013. This will reduce the company's future tax charge accordingly. Deferred taxes have been calculated based on the rate of 20% (2013:20%) which has been substantively enacted at the balance sheet date.

Notes *(continued)*

11 Intangible fixed assets – Goodwill

	2014	2013
	£000	£000
At 1 January 2014	**123,905**	133,497
Amortised in year	**(9,593)**	(9,592)
At 31 December 2013	**114,312**	123,905

On 30 November 2006 the group acquired City Aviation Group Holdings resulting in Goodwill to the value of £191.9m. This is amortised over 20 years.

12 Tangible fixed assets – Group

	Long leasehold land and buildings £000	**Plant and machinery £000**	**Total £000**
Cost			
At 1 January 2014	454,304	63,625	517,929
Additions	5,876	11,410	17,286
Disposals	-	(1,347)	(1,347)
At 31 December 2014	**460,180**	**73,688**	**533,868**
Accumulated depreciation			
At 1 January 2014	58,567	20,672	79,239
Charge for year	8,724	6,166	14,890
Disposals	-	(1,347)	(1,347)
At 31 December 2014	**67,291**	**25,491**	**92,782**
Net book value			
At 31 December 2014	**392,889**	**48,197**	**441,086**
At 31 December 2013	**395,737**	**42,953**	**438,690**

On 30 November 2006 Drivers Jonas, Chartered Surveyors, revalued the Group's land and buildings at £427.5m. In addition the fair value of the London City Airport Jet Centre buildings was determined to be equal to their book value of £1.3m on 30 November 2006 when the group acquired London City Airport Limited and its associated companies. The valuation was prepared on the basis of market value as defined in the Appraisal and Valuation manual issued by the Royal Institute of Chartered Surveyors.

Notes *(continued)*

13 Tangible fixed assets – Company

	Long leasehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2014	454,305	1,998	456,303
Additions	5,876	-	5,876
At 31 December 2014	**460,181**	**1,998**	**462,179**
Accumulated depreciation			
At 1 January 2014	58,567	1,998	60,565
Charge for year	8,724	-	8,724
At 31 December 2014	**67,291**	**1,998**	**69,289**
Net book value			
At 31 December 2014	**392,890**	**-**	**392,890**
At 31 December 2013	395,738	-	395,738

All tangible fixed assets stated above are held for use.

14 Fixed asset investments – Company

	2014 £000	2013 £000
Investment at cost	**330,936**	330,936
	330,936	330,936

Following the restructure in 2013, investments remain in London City Airport to the value of £295.1m and London City Airport Jet Centre £35.8m.

Notes *(continued)*

Details of subsidiary undertakings

The subsidiary undertakings have not changed in the year. All subsidiaries have been consolidated in these accounts and the subsidiary undertakings at 31 December 2014 were as follows:

Name	Ordinary share capital 2014 and 2013	Nature of the business
Marketspur Limited (registered in England and Wales)	100%	Dormant
London City Airport Limited (registered in England and Wales)	100%	Airport operator
London City Airport Jet Centre Limited (registered in England and Wales)	100%	Business aviation

Notes *(continued)*

15 Debtors: amount falling due within one year

	Group 2014 £000	**Company 2014 £000**	Group 2013 £000	Company 2013 £000
Trade debtors	**5,341**	**-**	8,012	-
Amounts owed by parent undertaking	**15**	**-**	18	-
Amounts owed by fellow group undertakings	**575**	**706**	263	168
Other debtors	**2,161**	**-**	1,506	-
Prepayments and accrued income	**3,732**	**15**	2,855	33
	11,824	**721**	12,654	201

16 Debtors: amount falling due after one year

	Group 2014 £000	**Company 2014 £000**	Group 2013 £000	Company 2013 £000
Amounts owed by group undertakings	**17,724**	**-**	17,527	-
Loan to Directors (Note 3)	**58**	**58**	-	-

17 Deferred taxation

	Group 2014 £000	**Company 2014 £000**	Group 2013 £000	Company 2013 £000
Deferred tax liabilities	**1,254**	**180**	1,757	157

Notes *(continued)*

18 Creditors: amounts falling due within one year

	Group 2014 £000	**Company 2014 £000**	Group 2013 £000	Company 2013 £000
Trade creditors	**4,517**	**-**	1,456	-
Corporation tax	**1,795**	**2**	2,020	2
Finance leases	**74**	**-**	125	-
Amounts owed to fellow group undertakings	**282**	**-**	37	-
Other creditors	**1,690**	**55**	1,660	98
Accruals and deferred income	**28,029**	**14,441**	26,119	13,348
	36,387	**14,498**	31,417	13,448

19 Creditors: amounts falling due after more than one year

	Group 2014 £000	**Company 2014 £000**	Group 2013 £000	Company 2013 £000
Bank loans	**432,500**	**432,500**	411,000	411,000
Unamortised cost of raising loan	**(6,836)**	**(6,836)**	(8,915)	(8,915)
Finance leases	**-**	**-**	-	-
Amounts owed to fellow group undertakings	**77,052**	**118,774**	63,119	117,498
Share based payments	**124**	**124**	-	-
	502,840	**544,562**	465,204	519,583

Notes *(continued)*

20 Loans and finance leases

The Group has adopted the requirements of Financial Reporting Standard Number 25: Derivatives and Other Financial Instruments: disclosures ("FRS 25").

The Group has taken advantage of the exemption under FRS 25 that short term debtors and creditors be excluded from the following disclosures.

	Group Finance lease 2014 £000	**Group and Company Bank loans 2014 £000**	Group Finance lease 2013 £000	Group and Company Bank loans 2013 £000
Less than one year	**74**	**-**	51	-
Between one and two years	**-**	**-**	74	-
Between two and five years	**-**	**432,500**	-	411,000
	74	**432,500**	125	411,000

As at 31 December 2014 the Group had three bank loans drawn. The first is a facility of £400m drawn on 09 April 2013. The second is a capital expenditure facility of £50m of which £24.5m had been drawn at the year end, and the third is the working capital facility of £15m of which £8m had been drawn. All loans are repayable in April 2018 and bear interest at LIBOR plus a variable margin dependent on the ratio of Net debt: EBITDA. Floating to fixed rate interest swap contracts covering £345m of the drawn facilities are in place which fix the interest payable on this amount of loan at approximately 4.5% per annum plus the variable margin noted above. Based on the fair value of the derivatives at 31 December 2014, they represent a liability to the Group of £166.8m (2013: £85.7m).

21 Provisions for liabilities and charges

	Group 2014 £000	Group 2013 £000
The liabilities for deferred tax are as follows		
Accelerated capital allowances	**1,294**	1,803
Other timing differences	**(40)**	(46)
	1,254	1,757
The unprovided deferred tax in respect of revaluation surpluses is as follows:	**56,141**	57,209

	2014 £000	2013 £000
At 1 January 2014	**1,757**	1,616
Deferred tax charge/(credit) to the profit and loss account for the year	**(235)**	122
Effect of decreased tax rate	**(229)**	-
Adjustment in respect of prior years	**(39)**	19
At 31 December 2014	**1,254**	1,757

Notes *(continued)*

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

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

- Specific payments – Funding towards local community projects and initiatives covering education and training, transport infrastructure and environmental improvements of £2.1m. The precise timing of some payments is prescribed by the s106 agreement, whilst the timing of other payments is conditional upon the timing of projects and activities being undertaken by third parties to whom the contributions relate.

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

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

23 Other financial commitments

	2014	2013
	£000	£000
Capital expenditure		
Authorised but not contracted for	**7,000**	10,400
	7,000	10,400

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

	2014			2013		
	Land and buildings	**Other**	**Total**	Land and buildings	Other	Total
	£000	**£000**	**£000**	£000	£000	£000
Leases expiring in 2-5 years	**-**	**185**	**185**	-	213	213
Leases expiring in over 5 years	**3,914**	**-**	**3,914**	3,585	-	3,585
	3,914	**185**	**4,099**	3,585	213	3,798

An annual variable rental commitment is due to AMI Property Holdings on a long term lease. This variable rent is based on passenger numbers & other marginal factors which are not predictable, and therefore the rent is excluded from the above. In 2014 the rent charged was £11.7m (2013: £10.4m).

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Notes *(continued)*

24 Share capital

	2014	2013
	£	£
Authorised, allotted, called up and fully paid		
1 ordinary shares of £1 each	**1**	1

25 Reserves

	Share capital £000	**Capital Reserve £000**	**Profit and loss Account £000**	**2014 Total £000**	2013 Total £000
Group					
At 1 January 2014	-	245,782	(121,650)	124,132	134,147
Loss for the year	-	-	(8,584)	(8,584)	(10,015)
Dividends paid	-	-	(49,200)	(49,200)	-
At 31 December 2014	**-**	**245,782**	**(179,434)**	**66,348**	124,132
Company					
At 1 January 2014	-	245,782	(44,188)	201,594	210,500
Loss for the year	-	-	(25,474)	(25,474)	(8,906)
Dividends paid	-	-	(9,800)	(9,800)	-
At 31 December 2014	**-**	**245,782**	**(79,462)**	**166,320**	201,594

A capital reduction was undertaken by way of a solvency statement, giving rise to distributable reserves in 2013.

Dividends of £49.2m were paid to the parent Clover Bidco Limited in two tranches, throughout 2014.

26 Parent undertakings

The immediate parent undertaking is Clover Bidco Limited, a company registered in Jersey. The ultimate and controlling parent undertaking is Clover Equityco Limited, a company registered in Jersey.