

PEEL AIRPORTS LIMITED

DIRECTORS' REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2012

COMPANY NUMBER 3385025

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PEEL AIRPORTS LIMITED

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PEEL AIRPORTS LIMITED

Directors, Professional Advisers and Registered Office

Directors:

Amit Rikhy
George Casey
Glenn McCoy
Peter Hosker
Steven Underwood
Colin Campbell
John Duthie-Jackson
Craig Richmond
Robert Hough

Secretary:

Elizabeth McDonald

Registered Office

Liverpool John Lennon Airport
Liverpool
L24 1YD

Registered Number:

3385025

Auditor:

KPMG LLP
Chartered Accountants & Statutory Auditor
Liverpool
United Kingdom

PEEL AIRPORTS LIMITED

Report of the Directors for the year ended 31st March 2012

The Directors submit their annual report together with the audited financial statements of the Group for the year ended 31 March 2012

Results, review of business and future developments.

The Peel Airports Group ("the Group") comprises the Company and its subsidiaries. The principal activities of the Group during the year were the ownership and operation of three key regional airports, airport development and the provision of ancillary aviation services.

Following the sale of its stake in February 2012 of Durham Tees Valley Airport, the Group entered into an agreement with the new owners to provide key aviation services.

The Group continues to invest in its assets at its two airports in the UK, Liverpool John Lennon Airport and Robin Hood Doncaster Sheffield Airport, with total capital expenditure for the year being £3.6m.

Revenues were derived from aircraft and passenger handling charges and income from its commercial activities, particularly retail and car parking as well as general aviation. Overall passenger numbers for the continuing business (LJLA and RHAS) for the year increased to 6,061,677 from 5,901,065 with represented an increase of 2.7% on the previous year.

The Group focuses on providing a high quality, cost effective service to low cost and charter airlines serving the needs of the local communities. The business is focussed on improving the passenger experience and improvements in non-aero revenue ensuring that there continues to be adequate capacity to meet the demand in growth and creating the platform for profitable returns for the future. Costs continued to be closely managed.

Liverpool John Lennon Airport (LJLA)

For the financial year 11/12 overall passenger numbers grew to 5,216,088 compared to 5,012,348 in the previous year, representing an increase of 4% year on year. The airport made an operating profit (before fixed asset impairment losses) of £3.7m (2011 £2.5m), with earnings before interest, tax, depreciation and amortisation ("EBITDA") of £11.4m (2011 £10.3m).

During the year the Group continued to invest in the infrastructure at LJLA with work on several new retail stores and food and beverage outlets being completed, this included the development of a new landside Starbucks, a JD Sports retail unit, Claire's Accessories and a complete refurbishment of the Estuary restaurant to better serve customer needs. In addition several other key units including the World Duty Free outlet were re-developed during the year and the passenger arrivals hall was expanded to better suit the needs of passengers.

Robin Hood Doncaster Sheffield Airport (DSA)

The financial year ended 31 March 2012 is the seventh financial year in which the airport has been operational. Passenger traffic saw a slight decline from 888,717 to 845,589 passengers. The airport made an operating loss of £3.4m compared to £3.7m in the previous year.

The Company will continue to closely manage its costs and work with its business partners to improve the operational efficiency of the airport and to attract new business. The Directors believe that the opportunity for better access to the airport afforded by the now approved FARRS Link road project will assist in attracting new airlines to the airport.

Results and Financial Performance

The Group's results and financial position are set out in the profit and loss account and balance sheets on pages 10 and 11.

As shown in the profit and loss account turnover for the year totalled £46.2m compared to £42.3m in the previous year. There was a Group operating loss of £11.1m compared to £2.8m in the previous year.

Net liabilities increased by £22.0m from £30.7m at 31 March 2011 to £52.7m at 31 March 2012. This decrease was predominantly as a result of the loss for the year.

The net debt of the Group increased from £196.7m at 31 March 2011 to £215.2m at 31 March 2012, resulting mainly from new external and shareholder funding.

No dividend can be declared (2011 same).

Report of the Directors (Continued)

Principal Risks and Uncertainties

The risks and uncertainties described below are considered to have the most significant effect on the Group's business financial results and prospective. The list is not intended to be exhaustive. The Group carries out detailed risk assessments to ensure that risks are assessed and to the extent possible mitigated.

The UK aviation market continues to show a reduction in international traffic and a steep decline in the domestic market. This market trend is a direct result of the current economic climate, significant reduction in disposable income being available for business travel and holiday spend.

The cost of security provision, arising from the need to protect our national air borders, continues to increase. It should be highlighted that the cost resulting from having these more stringent security measures maintained at our airports cannot in all cases be recovered from airlines or passengers.

Growing regulatory costs and continued taxation of the industry is a disadvantage when competing for business with competitor airports in the rest of the EU.

Other risks and uncertainties:

- Continued uncertainty in Eurozone over the future of the Euro and the economic stability of certain member states
- Continued impact of double taxation from January 2012 (combined effect of the EU Emission Trading Scheme – (ETS) and further increase in Air Passenger Duty (APD) from 1st April 2012)
- Continued recession, weak consumer confidence and slow recovery of the UK economy
- Rising aviation fuel cost and impact on airline costs, increasing in fare levels
- Growing cost pressure on the industry (economic regulation, airport policing and security costs)
- More pronounced un-competitiveness of UK aviation market compared to European competitors
- Industry consolidation will affect competitiveness across the UK's regional airports

The Group continues to take an active part in Government consultations on UK aviation regulatory and aviation policy matters thus ensuring the Group continues to be well positioned in the domestic and international market whilst at the same time protecting its strategic interest and ensuring continued growth.

Going Concern

After making enquires and receiving confirmation of continued financial support from the company's shareholders Vantage Airport Group Limited and Peel Investments (PAH) Limited, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore they continue to adopt the going concern basis in preparing the financial statements. Further detail is given in note 1 to the accounts.

Airport Economic Regulations

Liverpool Airport Limited is subject to economic regulations under the Airports Act 1986 which require the Airport to hold permission from the Civil Aviation Authority to levy airport charges.

PEEL AIRPORTS LIMITED

Report of the Directors *(Continued)*

Shareholders

The Shareholders as at 31 st March 2012	Number of ordinary shares	Percentage
Vantage Airport Group (UK) Limited	45,994,654	65
Peel Investments (PAH) Limited	24,766,351	35

The Board of Directors

Except as stated, the directors who held office during the financial year and thereafter were

Steven Underwood	
Amit Rikhy	
George Casey	
Neville Weir	(resigned 31 May 2012)
Glenn McCoy	
Colin Campbell	
John Duthie-Jackson	
Craig Richmond	(appointed 20 April 2011)
Robert Hough	(appointed 19 July 2012)

Employees

The Group's employment strategy is regularly reviewed and updated by the Board. This strategy is linked to business needs and has been designed to deliver the growth and development for our people. Our employment policies are designed to provide equal opportunities irrespective of age, disability, ethnicity, gender, gender reassignment, marital status and civil partnership, nationality, pregnancy and maternity, race, religion and belief and sexual orientation.

The Group has positive working relationships with the trade unions, in particular the GMB and Unite Unions. The Group works in partnership with the trade unions to successfully resolve any conflict and works together to try and achieve corporate objectives and goals.

The Group delivers a robust, wide ranging training program, by utilising a network of in-house subject matter experts. All employees, whether part-time or full-time, temporary or permanent, are treated fairly and equally. We select employees for employment, promotion, training or other matters affecting their employment on the basis of aptitude and ability. A key aim of the business is to promote within and the Group's succession plans have been developed to assist with internal progression. All employees are assisted and encouraged to develop to their full potential so that their combined talents and resources of the team are fully utilised to maximise the efficiency of the organisation.

The Group is constantly looking for ways to ensure that employees are able to participate and engage in the business. Consultation takes place with employees or their representatives at all levels, with the aim of ensuring their views are taken fully into account when making strategic decisions. The Group has focussed on improving communications with all employees, business briefing are cascaded through the origination to communicate key business and operational issues and include regular video briefings provided by senior management which are accessible to all employees.

Environment and the Community

The Group has always been conscious that it has a duty to balance the potential environmental impacts of operating the airports with the social and economic benefits an airport brings to the region it serves. The Group continues to work hard to minimise the environmental impact of its operation at a local and global level, working to reduce the impact of noise on the local environment and our carbon emissions on the wider environment. Full consideration is given to environmental issues particularly when developing new projects, refurbishing existing properties and on possible acquisitions. Design consultants are encouraged to promote good environmental performance with consideration given to environmental risk, energy consumption, the use of environmentally friendly materials and the avoidance of materials hazardous to health.

The Group has an obligation under the Carbon Reduction Commitment (CRC) to record and report the overall CO2 emissions from the airports operations. In the financial year 2011/12 the total CRC eligible CO2 emissions for PAL was 13,220 tonnes of which LAL and DSAL is 9,049 and 4,171 tonnes respectively.

Report of the Directors (Continued)

Charitable and political donations

During the year the Group collected £18,303 through Coin Co International PLC (CCI) which went mainly to local and children's charities in Liverpool and South Yorkshire. The Group works closely with a number of schools and colleges covering pupils and students ranging from infants to University undergraduates, discussing the role of the airport linked to the various curriculums. The Airport also operates a successful and growing number of organised airport tours, hosting educational visits and a variety of community groups from across the region and beyond.

The chosen charities during this period were Zoe's Place, Clatterbridge Cancer Trust, Alder Hay Imagine Appeal and Claire House at LPL, and Bluebell Wood Children's Hospice, Macmillan, Sheffield Children's Hospital and the Yorkshire Air Ambulance were the chosen charities at DSA.

Creditor Payment Policy and Practice

It is the Company's policy that payments to suppliers are made in accordance with terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been met.

The Directors of the Company, who held office during the year, or thereafter, had no interest in the shares of the Group companies at any time during the year. Each person who is a director at the date of approval of this report confirms that:

- (a) so far as they are aware, there is no relevant audit information of which the Company's auditor are unaware, and
- (b) they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

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



Elizabeth McDonald

Secretary

For and on behalf of the Board of Directors

[date] 25 July 2012

Registered office
Liverpool John Lennon Airport
Liverpool
L24 1YD

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEEL AIRPORTS LIMITED

We have audited the financial statements of Peel Airports Limited for the year ended 31st March 2012 set out on pages 10 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31st March 2012 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEEL AIRPORTS LIMITED *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

HP Jones

HP Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH

26 July 2012.

PEEL AIRPORTS LIMITED

Group Profit and Loss Account for the year ended 31st March 2012

	Note	Continuing £000	2012 Dis- continued £000	Total £000	Continuing £000	2011 Dis- continued £000	Total £000
Turnover	2	41,704	4,513	46,217	36,564	5,692	42,256
Cost of sales		(20,699)	(3,920)	(24,619)	(20,517)	(4,759)	(25,276)
Gross profit		21,005	593	21,598	16,047	933	16,980
Fixed asset impairment	11	(1,383)	-	(1,383)	(360)	-	(360)
Impairment loss on increase of stake in subsidiary	14	(8,867)	-	(8,867)	-	-	-
Other administrative expenses		(21,466)	(950)	(22,416)	(17,164)	(2,290)	(19,454)
Total administrative expenses		(31,716)	(950)	(32,666)	(17,524)	(2,290)	(19,814)
Group operating loss		(10,711)	(357)	(11,068)	(1,477)	(1,357)	(2,834)
Share of operating profit in associate	13			14			2
(Loss) / profit on disposal of subsidiaries	14			(342)			73
Loss on disposal of fixed assets	3			-			(454)
Loss on ordinary activities before interest and taxation	3			(11,396)			(3,213)
Other interest receivable and similar income	4			25			18
Interest payable and similar charges	5			(17,834)			(14,342)
Other finance income	6			196			382
Loss on ordinary activities before taxation				(29,009)			(17,155)
Tax on loss on ordinary activities	7			84			(5,802)
Loss on ordinary activities after taxation				(28,925)			(22,957)
Minority interests	22			550			412
Loss for the financial year	21			(28,375)			(22,545)

Movements in reserves are shown in note 21

Discontinued operations relate to the disposal of a subsidiary undertaking in the current year as disclosed in note 14

The accompanying notes form an integral part of these financial statements

PEEL AIRPORTS LIMITED

Balance Sheets as at 31st March 2012

		Group	Group	Holding Company	Holding Company
		2012	2011	2012	2011
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets					
Goodwill	10	1,029	1,141	-	-
Tangible assets					
Investment properties	11	19,232	20,615	-	-
Other fixed assets	12	172,481	179,113	-	-
Investments	13	288	274	34,891	34,891
		193,030	201,143	34,891	34,891
Current assets					
Stocks	15	136	155	-	-
Debtors	16	6,795	8,407	56,580	56,573
Cash at bank and in hand		6,316	4,519	1,427	100
		13,247	13,081	58,007	56,673
Creditors (amounts falling due within one year)	17	(15,654)	(51,493)	(481)	(187)
Net current (liabilities)/assets		(2,407)	(38,412)	57,526	56,486
Total assets less current liabilities		190,623	162,731	92,417	91,377
Creditors (amounts falling due after more than one year)	18	(243,361)	(193,586)	(109,252)	(92,879)
Net liabilities excluding pension liability		(52,738)	(30,855)	(16,835)	(1,502)
Pension liability	23	-	174	-	-
Net liabilities including pension liability		(52,738)	(30,681)	(16,835)	(1,502)
Capital and reserves					
Called-up share capital	20	70,761	70,761	70,761	70,761
Revaluation reserve	21	1,136	1,293	-	-
Profit and loss account	21	(124,635)	(94,418)	(87,596)	(72,263)
		(52,738)	(22,364)	(16,835)	(1,502)
Equity minority interests	22	-	(8,317)	-	-
Equity		(52,738)	(30,681)	(16,835)	(1,502)

Approved by the board of directors on 25 July 2012


Craig Richmond
Director

Company Registration No 3385025

The accompanying notes form an integral part of these financial statements

PEEL AIRPORTS LIMITED

Group Cash Flow Statement for the year ended 31st March 2012

	Note	31st March 2012	31st March 2011
		£'000	£'000
Cash inflow from operating activities	24(a)	3,211	5,247
Returns on investments and servicing of finance	24(b)	(7,503)	(7,559)
Capital expenditure and financial investment	24(c)	(3,554)	(10,709)
Cash outflow before management of liquid resources and financing		(7,846)	(13,021)
Financing	24(d)	6,948	17,157
Disposals	24(e)	(305)	(115)
(Decrease) / Increase in cash in the year		(1,203)	4,021

Group Reconciliation of Cash Flow to Movement in Net Debt
for the year ended 31st March 2012

	Note	31st March 2012	31st March 2011
		£'000	£'000
Movement in cash in the year	24(f)	1,797	2,500
Movement in overdrafts	24(f)	(3,000)	1,521
Net movement in debt due within one year	24(f)	35,116	189,187
Net movement in debt due after more than one year	24(f)	(52,413)	(163,717)
Change in net debt in the year		(18,500)	29,491
Net debt at 31st March 2011/31st March 2010		(196,731)	(226,222)
Net debt at 31st March 2012/31st March 2011	24(f)	(215,231)	(196,731)

The accompanying notes form an integral part of these financial statements

PEEL AIRPORTS LIMITED

Group Statement of Total Recognised Gains and Losses
for the year ended 31st March 2012

		31st March 2012 £'000	31st March 2011 £'000
	Note		
Loss for the financial year		(28,375)	(22,545)
Other recognised gains and losses			
Realised during the year on disposal of subsidiary undertaking		-	(105)
Capital contribution (waiver of intercompany loan with Peel Investments (PAH) Limited)		-	51,510
Actuarial (loss) / gain relating to the pension fund	23	(1,999)	416
		(1,999)	51,821
Total recognised net gains and losses for the financial year		(30,374)	29,276

Reconciliation of Movements in Group Shareholders' Funds
for the year ended 31st March 2012

	31st March 2012 £'000	31st March 2011 £'000
Loss for the financial year	(28,375)	(22,545)
Other recognised gains and losses for the financial year	(1,999)	51,821
Net (decrease) / increase in shareholders' funds	(30,374)	29,276
Shareholders' deficit at 1st April 2011/1st April 2010	(22,364)	(51,640)
Shareholders' deficit at 31st March 2012/31st March 2011	(52,738)	(22,364)

Reconciliation of Movements in Company Shareholders' Funds
for the year ended 31st March 2012

	31st March 2012 £'000	31st March 2011 £'000
(Loss)/profit for the financial year	(15,333)	5,175
Other recognised gains and losses for the financial year	-	51,510
Net (decrease)/increase in shareholders' funds	(15,333)	56,685
Shareholders' deficit at 1 April 2011/1 April 2010	(1,502)	(58,187)
Shareholders' deficit at 31st March 2012/31st March 2011	(16,835)	(1,502)

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

1. Accounting Policies

The principal accounting policies are summarised below. The policies have been applied consistently throughout the year and the preceding year.

Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention as modified to include the revaluation of fixed asset investment properties and in accordance with applicable United Kingdom law and accounting standards.

Going Concern

The financial statements have been prepared on the going concern basis which the Directors believe to be appropriate for the following reasons. The Directors have received confirmation that shareholders Vantage Airport Group Limited and Peel Investments (PAH) Limited, will continue to provide the necessary level of support to enable it to continue to operate for at least 12 months from the date of these financial statements. Taking this into account the Directors have a reasonable expectation that the group and parent company has adequate resources 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 other group entities 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. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings made up to 31 March each year.

All subsidiaries are consolidated under acquisition accounting principles. Results of subsidiary undertakings acquired or disposed of during the year are included from the date of acquisition or to the date of disposal to the extent of group ownership.

Intra-group turnover and profits are eliminated on consolidation.

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account for the holding company is not presented (2012 loss of £15,333,000 (2011 profit of £5,175,000)).

Acquisitions and Disposals

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised as an intangible asset and written off to the profit and loss account on a straight line basis over its useful economic life, up to a maximum of twenty years. Provision is made for any impairment.

Notes to the Financial Statements *(continued)*

1. Accounting Policies *(continued)*

Investment Properties

Investment properties are included in the balance sheet at their open market value and, in accordance with Statement of Standard Accounting Practice No 19, are not depreciated or amortised unless they relate to properties with an unexpired life of 20 years or less. This departure from the requirements of the statutory accounting policies is necessary for the financial statements to give a true and fair view in accordance with applicable United Kingdom accounting standards. Depreciation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Surpluses or deficits arising from revaluation are transferred to the unrealised revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Realised revaluation surpluses representing the difference between historical cost and the asset's carrying value are reclassified by way of a transfer to profit and loss account reserve in the year in which the property disposal occurs.

Properties in the course of development or practically completed but not substantially let are included in the balance sheet at cost subject to provisions if the directors consider it prudent having regard to the prevailing market conditions. Cost includes interest and directly attributable overheads whilst the property is in the course of development.

Reclassifications between investment properties, other fixed assets and stocks are made at the lower of net book value and net realisable value.

Investment property sales are accounted for on the basis of unconditional exchange.

Other Fixed Assets

Other fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset over its expected useful life, as follows:

Land	No depreciation
Freehold Buildings	10 to 50 years
Runway, Car Park & Runway Lighting	5 to 100 years
Fixed Plant	7 to 50 years
Fixtures Fittings & Tools & Equipment	5 to 10 years
Motor Vehicles	5 to 20 years
Assets In the Course of Construction	No depreciation

Properties in the course of development or practically completed but not substantially let are included in the balance sheet at cost subject to provisions if the Directors consider it prudent having regard to the prevailing market conditions. Cost includes interest and directly attributable overheads whilst the property is in the course of development.

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset.

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Notes to the Financial Statements *(continued)*

1. Accounting Policies *(continued)*

Fixed Asset Investments

Fixed asset investments in subsidiary undertakings are stated at cost less provision for impairment. Cost represents the aggregate cash consideration, costs incurred and either the fair or the nominal value of shares issued.

Stocks

Stocks are stated at the lower of cost, including attributable overheads and capitalised interest, to the Group or estimated net realisable value.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Deferred tax is measured on a non-discounted basis.

Related Party Disclosures

The company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard No 8 "Related Party Transactions" and has not disclosed details of transactions with fellow wholly owned undertakings within the Peel Airports Limited group of companies.

Turnover

Airport income represents the amounts receivable by the Group in respect of facilities and services provided during each year, and is recognised as the facilities and services are provided.

Property rental income and the appropriate allocation of rental premiums are accounted for on an accruals basis.

Turnover excludes sales related taxes.

Interest

Interest directly attributable to both investment properties in the course of development and other fixed assets is included in the cost thereof. Interest is capitalised on a simple interest basis without allowing for any tax relief thereon.

Leased Assets

Assets acquired under finance leases are capitalised at a value equivalent to the cost incurred by the lessor and depreciated over their expected useful economic lives. Finance charges thereon are charged to the profit and loss account in the period in which they accrue. The capital element of the future lease payments is reflected within creditors.

Expenditure on operating leases is charged directly to the profit and loss account.

Notes to the Financial Statements *(continued)***1. Accounting Policies *(continued)*****Pension Costs**

The cost of the Group's money purchase pension arrangements are charged to the profit and loss account on the basis of contributions payable in respect of the accounting period

The Group also operates defined benefit schemes, which require contributions to be made to separately administered funds. The scheme is a multi-employer scheme and has been accounted for under the full requirements of FRS 17 "Retirement Benefits" as the Group is able to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis

Under FRS 17, defined benefit scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged against operating profit. The expected return on the schemes assets and the increase during the period in the present value of the schemes liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses. The Group recognises an asset in respect of any surplus, being the excess of the value of the assets in the schemes over the present value of the schemes liabilities, only to the extent that it is able to recover the surplus, either through reduced contributions in the future or from refunds from the schemes.

The defined benefit scheme was operated in a subsidiary undertaking which was disposed of during the year, and as such there is no pension asset or liability in respect of the scheme at the year end.

Government Grants

Government grants received in respect of capital expenditure are credited to a deferred income account and released to the profit and loss account over the useful economic life of the asset to which they relate.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3. Notes to the profit and loss account

	31 March 2012 £'000	31 March 2011 £'000
Loss on ordinary activities before interest and taxation is stated after charging/(crediting)		
Depreciation on other fixed assets - owned assets	4,995	4,756
Depreciation on other fixed assets - leased assets	340	314
Impairment losses on revaluation/write down of investment properties	1,383	-
Impairment losses - other fixed assets	-	360
Amortisation of goodwill	112	112
Loss on sale of other fixed assets	-	454
Hire of plant and machinery under operating leases	152	164
Amortisation of government grants	(1,527)	(1,475)
Adjustment to past service cost on pension (note 23)	-	(1,993)
<i>Auditors' remuneration</i>		
Audit of these financial statements	8	8
Audit of financial statements of subsidiaries pursuant to legislation	58	42
Other services related to taxation	106	35
Other services	7	13

Notes to the Financial Statements (*continued*)**4. Other Interest Receivable and Similar Income**

	31 March 2012 £'000	31 March 2011 £'000
Interest receivable and similar income		
On bank and other deposits	25	18

5. Interest Payable and Similar Charges

	31 March 2012 £'000	31 March 2011 £'000
Interest payable and similar charges		
On bank loans and overdrafts	7,820	7,058
On loan from group companies	9,874	7,140
Finance lease and other interest	140	144
	17,834	14,342

6. Other finance income

	31 March 2012 £'000	31 March 2011 £'000
Other finance income		
Expected return on pension scheme assets	1,003	1,490
Interest on pension scheme liabilities	(807)	(1,108)
	196	382

7. Tax on Loss on Ordinary Activities

	31 March 2012 £'000	31 March 2011 £'000
<i>Analysis of charge in the period</i>		
UK corporation tax	-	-
Adjustments in respect of prior years	(84)	-
Total current tax credit	(84)	-
Deferred tax		
Origination and reversal of timing differences (note 19)	(533)	5,111
Adjustments in respect of prior years	(567)	-
Deferred tax in respect of pension	1,100	691
Total deferred tax	-	5,802
Total tax (credit) / charge on loss on ordinary activities	(84)	5,802

Factors affecting the tax charge for the year

The current tax charge for the period is higher (2011 higher) than the standard rate of corporation tax in the UK (26%, 2011 28%). The differences are explained below

PEEL AIRPORTS LIMITED

Notes to the Financial Statements *(continued)*

7. Tax on Loss on Ordinary Activities *(continued)*

	31 March 2012	31 March 2011
	£'000	£'000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(29,009)	(17,155)
Current tax at 26% (2011 28%)	(7,542)	(4,803)
<i>Effects of</i>		
Capital allowances in excess of depreciation	(1,115)	(1,420)
Other timing differences	(289)	(34)
Net disallowable expenditure	6,436	256
Movement in tax losses	2,510	6,001
Adjustments in respect of prior years	(84)	-
Total current tax	(84)	-

Factors that may affect future current and total tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate would reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge as the relevant legislation is substantively enacted.

The Group has available trading losses carried forward at 31st March 2012 of £35,133,000 (2011 £30,872,000).

The Chancellor has also proposed changes to further reduce the main rate of UK corporation tax by 1% per annum to 22% by 1 April 2014. These reductions have not been substantively enacted; the changes are not reflected in the above figures.

8. Staff Costs

	31 March 2012	31 March 2011
	£'000	£'000
Staff costs (including directors)		
Wages and salaries	13,178	14,235
Social security costs	1,304	1,448
Pension fund service cost (note 23)	248	298
Other pension costs (note 23)	742	741
	15,472	16,722

The average monthly number of persons employed by the Group during the period, inclusive of executive directors, was as follows:

	31 March 2012	31 March 2011
	Number	Number
Airport operational and maintenance	333	366
Administration	70	64
	403	430

Notes to the Financial Statements *(continued)*

9. Directors' Remuneration

The directors received total remuneration from the Group of £259,654 during the year (2011 £229,521) and £Nil pension contributions were made by the Group on behalf of the directors (2011 £6,090). The highest paid director received total remuneration from the group of £259,654 during the year (2011 £229,521) and pension contributions were made by the Group of £Nil (2011 £6,090). No other directors were remunerated for their services to the group.

10. Goodwill

	Group
Cost:	£'000
At 1 April 2011 and 31 March 2012	2,250
Amortisation:	
At 1 April 2011	1,109
Amortised in the year	112
At 1 April 2012	1,221
Net Book Value:	
At 31 March 2012	1,029
At 31 March 2011	1,141

11. Investment Properties

	Group		
	Freehold	Long leasehold	Total
Cost or Valuation:	£'000	£'000	£'000
At 1 April 2011	6,340	14,275	20,615
Impairment	(158)	(1,225)	(1,383)
At 31 March 2012	6,182	13,050	19,232
Professional Valuation:			
31 March 2012	6,182	13,050	19,232
Cost:			
Historical cost			
At 31 March 2012	5,047	15,000	20,047

Valuations

The Long leasehold property is a 125 year lease within Liverpool Airport Hotel Limited, which was valued on an open market existing use basis at 31 March 2011 by Aitchison Rafferty. At 31 March 2012 the property was valued by Peel Airports Limited Group's RICS qualified staff, resulting in an impairment of £1,225,000.

Professional valuations were carried out on all other investment properties at 31 March 2009 by King Sturge, International Property Consultants and Surveyors, on the basis of open market value. This was subsequently valued by Peel Airports Limited Group's RICS qualified staff, resulting in an impairment of £158,000.

In both instances, this is considered to be a permanent change to the market value of the investment property and therefore has been charged to the profit and loss account in accordance with SSAP19.

In the opinion of the Directors, having consulted the Peel Airports Limited Group's RICS qualified staff, the current open market value of such land and investment properties is not materially different from their value incorporated in the financial statements.

On an historical cost basis these would have been included at an original cost of £20,047,000 (2011 £20,047,000).

Notes to the Financial Statements *(continued)***12. Other Fixed Assets**

	Land and buildings freehold £'000	Asset in course of construction £'000	Runways, lightings & car parks £'000	Other assets £'000	Total £'000
Cost:					
At 1 April 2011	182,864	11,516	114,490	65,425	374,295
Additions	1,486	639	136	1,293	3,554
Disposal of subsidiary	(25,875)	(75)	(21,952)	(9,468)	(57,370)
Transfers	8,228	(12,080)	584	3,268	-
At 31 March 2012	166,703	-	93,258	60,518	320,479
Depreciation:					
At 1 April 2011	85,749	75	58,183	51,175	195,182
Charge for the financial year	2,129	-	1,239	1,967	5,335
Disposal of subsidiary	(21,713)	(75)	(21,421)	(9,310)	(52,519)
At 31 March 2012	66,165	-	38,001	43,832	147,998
Net Book Value:					
At 31 March 2012	100,538	-	55,257	16,686	172,481
At 31 March 2011	97,115	11,441	56,307	14,250	179,113

At 31 March 2012, freehold land which is not subject to depreciation amounts to £15,297,000 (2011 £17,660,000)

All other fixed assets at 31 March 2011 are held at depreciated historical cost to the Group

Land and buildings include interest in aggregate amounting to £5,189,000 (2011 £5,189,000)

Assets Held Under Finance Leases

The net book value at 31 March 2012 of assets held under finance leases amounted to £2,946,000 (2011 £3,338,000) and depreciation provided thereon during the period totalled £340,000 (2011 £288,000)

PEEL AIRPORTS LIMITED

Notes to the Financial Statements *(continued)*

13. Fixed Asset Investments

	Company		
	Investment in subsidiary undertakings £'000	Investment in associate £'000	Total £'000
Cost:			
At beginning of year	71,924	272	72,196
Additions	24,285	-	24,285
Disposals (Note 14)	(32,590)	-	(32,590)
At end of year	63,619	272	63,891
Provisions:			
At beginning of year	37,305	-	37,305
Released on disposal (Note 14)	(8,305)	-	(8,305)
At end of year	29,000	-	29,000
Net book value:			
At 31 March 2012	34,619	272	34,891
At 31 March 2011	34,619	272	34,891

Capitalisation of inter-company loan

On 10 February 2012, 34,216,420 shares of £0.01 each in Durham Tees Valley Airport Limited were issued. The consideration for these shares was the release of the subsidiary Company's obligation to repay £24,285,000 of loans payable to Peel Airports Limited.

Disposals of subsidiary undertakings

On 10 February 2012, the subsidiary company, Durham Tees Valley Airport Limited was disposed of to a Peel group company, Peel Investments (PAH) Limited. The sales price was agreed at £1. This resulted in a loss on disposal of £2,225,000 in the Peel Airport Limited Companies' profit and loss account, being the total cost of investment (net of provisions) of Durham Tees Valley Airport Limited at the date of disposal. Details of the loss on disposal recorded in the consolidated accounts are in note 14.

Subsidiary Undertakings and Joint Associates

Details of investments of the Group in its principal subsidiary undertakings are given on page 33.

	Group
	Total £'000
Investment in associate	
At 1 April 2011	274
Share of results for the year	14
At 31 March 2012	288

Notes to the Financial Statements *(continued)*

14. Loss on disposal of subsidiary

On 10 February 2012, intercompany loans between Peel Airports Limited and Durham Tees Valley Airport Limited were converted to share capital. This increased Peel Airports Limited's holding in the subsidiary company from 75.0% to 89.3%. This transaction improved the net asset position of DTVA by £24.8m. The improvement was wholly funded by PAL, therefore a loss on increase of stake holding of £8,867,000 was recognised in the Group profit and loss account.

The ordinary share capital of Durham Tees Valley Airport Limited, was disposed of on 10 February 2012, resulting in a loss on disposal in the Group of £342,000 and in the Company of £2,225,000. The operations of the business have been classified in the profit and loss account as a discontinued operation.

	2012 £'000
Net assets disposed of	
Fixed assets	4,848
Stocks	61
Debtors	1,064
Cash	305
Creditors	(6,254)
	24
Consideration received (£1)	(-)
Disposal costs	318
	342

The Durham Tees Valley Airport Limited business disposed of during the year contributed an outflow of £2,100,000 (2011 £1,977,000 inflow) to the Group's net operating cash flows, received £150 (2011 £17,825) in respect of net returns on investments and servicing of finance, paid Nil (2011 £Nil) in respect of taxation and utilised £289,000 (2010 £1,172,000) for capital expenditure.

15. Stocks

	Group	
	2012 £'000	2011 £'000
Consumables	136	155

Notes to the Financial Statements *(continued)***16. Debtors**

	Group		Holding Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade debtors	4,239	3,208	100	7
Amounts owed by fellow group undertakings	61	36		257
Amounts owed by subsidiary undertakings	-	-	56,377	56,309
Other debtors	275	167	24	-
Prepayments and accrued income	2,220	4,996	79	-
	6,795	8,407	56,580	56,573

Subsequent to the year end, there has been a revision to the terms on amounts owed by subsidiary undertakings. This has resulted in £50,000,000 of amounts owed by subsidiary undertakings not falling due until 31st December 2017.

17. Creditors (amounts falling due within one year)

	Group		Holding Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	3,000	-	-	-
Secured bank loans and overdrafts	-	35,000	-	-
Obligations under finance leases and hire purchase contracts	314	430	-	-
Debt falling due within one year	3,314	35,430	-	-
Trade creditors	3,214	4,448	155	112
Amounts owed to fellow group undertakings	278	411	258	-
Other taxes and social security	425	598	-	-
Other creditors	137	564	-	-
Accruals and deferred income	6,778	8,567	68	75
Grants	1,508	1,475	-	-
	15,654	51,493	481	187

The group uses derivatives to manage its exposure to interest rate movements on its bank borrowings.

As at 31 March 2012 there were interest rate swaps open with a fair value liability of £9,140,473 (2011 £5,197,985). This fair value has not been recognised in the financial statements as the group has not adopted FRS 26 "Financial Instruments Recognition and Measurement".

Details of security on the above borrowings are disclosed in note 18.

PEEL AIRPORTS LIMITED

Notes to the Financial Statements *(continued)*

18. Creditors (amounts falling due after more than one year)

	Group		Holding Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	107,623	71,220	-	-
Obligations under finance leases and hire purchase contracts	1,358	1,721	-	-
Shareholder loan notes	109,252	92,879	109,252	92,879
Debt falling due after more than one year	218,233	165,820	-	-
Accruals and deferred income	357	322	-	-
Grants	24,771	27,444	-	-
	243,361	193,586	109,252	92,879

Details of security on the above borrowings are disclosed below

Analysis of Group Net Debt

	Group	
	2012	2011
	£'000	£'000
Creditors (amounts falling due within one year)	3,314	35,430
Creditors (amounts falling due after more than one year)	218,233	165,820
Gross debt	221,547	201,250
Cash at bank and in hand	(6,316)	(4,519)
Group net debt	215,231	196,731

Repayment of Gross Debt

	Group	
	2012	2011
	£'000	£'000
Finance leases:		
Within 1 year	314	430
1-2 years	556	330
2-5 years	802	979
Over 5 years	-	412
	1,672	2,151
Other debt:		
On demand	-	35,000
2-5 years	35,000	-
	35,000	35,000
After five years - Secured bank loan and shareholder loan notes	184,875	164,099
	219,875	199,099
Gross debt	221,547	201,250

The Liverpool Airport Limited bank loan of £72,623,000 (2011 £71,220,000) is secured by a debenture giving a fixed charge over all land and other fixed assets and a floating charge over all other assets of the company. The loan bears interest at LIBOR plus applicable margin. Interest on £55.7m of the bank loan has been fixed under an interest rate swap contract at a rate of 3.005%. The swap agreement is in place until 21 March 2015. The unutilised element of the £86,000,000 bank loan facility as at 31 March 2012 is £4,352,075 (2011 £14,779,646). The bank loans are stated net of issue costs of £2,223,000 (2011 £2,655,000) and a debt service reserve account of £2,289,000 (2011 £2,237,000). The issue costs are being spread in accordance with FRS 4 over the term of the finance to which they relate.

Notes to the Financial Statements (continued)

18. Creditors (amounts falling due after more than one year) (continued)

The secured bank loan of £35,000,000 is secured by debentures giving a first legal charge over freehold land and investment properties, other fixed assets and a floating charge over all other assets. The interest on the bank loan has been fixed under an interest rate swap contract at a rate of 4.895% plus an applicable margin over the life of the loan. The loan is due for repayment no later than November 2016. There is a bank guarantee in place with Barclays Bank Plc, which is renewable annually.

On the basis that the guarantee is in force at the balance sheet date and that it is forecast to be in place for at least the next twelve months the loan is classified as a creditor due in greater than one year.

Shareholder loan notes are subordinated redeemable loan notes which have been issued to the shareholders of Peel Airports Limited. The loan notes are repayable in 2020 and bear interest at 10% per annum. Any redemption of the loan notes shall be made pro rata to the holdings of the note holders.

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

19. Deferred Tax

Deferred taxation in the financial statements is provided/unprovided as follows:

	2012 Provided £'000	2012 Unprovided £'000	2011 Provided £'000	2011 Unprovided £'000
Accelerated capital allowances	223	(523)	223	(1,736)
Short term timing differences	(223)	(4,248)	(223)	(5,109)
Losses	-	(8,432)	-	(9,874)
	-	(13,203)	-	(16,719)

In accordance with FRS 19 no asset has been recognised for the potential deferred tax asset of £13,203,000 (2011: £16,719,000) in subsidiary companies arising from tax losses and other timing differences as the losses are not expected to be utilised in the foreseeable future.

20. Called-up Share Capital

	Group and Company 2012 £'000	Group and Company 2011 £'000
Allotted, Called-up and Fully Paid Equity Share Capital		
70,761,005 ordinary shares of £1 each	70,761	70,761

Notes to the Financial Statements *(continued)*

21. Reserves

		Group
	Revaluation reserve £'000	Profit and loss account £'000
At 1 April 2011	1,293	(94,418)
Realised during the year on disposal of investment properties	(157)	157
Retained loss for the year	-	(28,375)
Actuarial loss relating to the pension fund		(1,999)
31 March 2012	1,136	(124,635)

	Holding Company
	Profit and loss account £'000
At 1 April 2011	(72,263)
Retained loss for the financial year	(15,333)
At 31 March 2012	(87,596)

22. Minority Interests

	Group £'000
At 1 April 2011	(8,317)
Proportion of loss on ordinary activities after taxation	(550)
Realised during the year on disposal of minority interest	8,867
At 31 March 2012	-

23. Pension Fund

Defined Contribution Pension Scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contribution payable by the Group to the scheme and amounted to £479,000 (2011 £404,000).

Contributions amounting to £64,232 (2011 £63,290) were payable to the scheme and are included in creditors.

Notes to the Financial Statements *(continued)***23. Pension Fund** *(continued)***Defined Benefit Scheme**

Durham Tees Valley Airport Limited is admitted to a local government pension fund which is a defined benefits pension fund based on final pensionable pay and which is closed to new entrants of that subsidiary undertaking. The assets of the schemes are held separately from those of the Group. Durham Tees Valley Airport Limited was disposed of on 10 February 2012. The latest actuarial valuation as at 31 March 2010 has been adjusted to reflect the position at 31st December 2011, by a qualified independent actuary (in accordance with FRS17), prior to the disposal of the subsidiary.

	2012	2011	2010
The major assumptions used by the actuary were:	%	%	%
Rate of increase in salaries	4.50	5.00	4.35
Rate of increase in pension payment	2.20	2.70	3.60
Discount rate	4.70	5.50	5.50
RPI increase	3.00	3.50	3.60
CPI increase	2.20	2.70	N/A

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	Valuation at	
	2012 years	2011 years
Retiring today		
Males	19.0	18.9
Females	23.1	23.0
Retiring in 20 years		
Males	21.0	20.9
Females	25.0	24.9

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2012 £'000	2011 £'000
Current service cost	248	298
Interest cost	807	1,108
Expected return on scheme assets	(1,003)	(1,490)
Past service cost	-	(1,933)
	<u>52</u>	<u>(2,017)</u>

In July 2010, the government announced its intention that future revaluation pension increase orders would be measured by the Consumer Prices Index, rather than the Retail Prices Index and the trustees announced a change in benefit to reflect this. The impact of this change has been reflected in the actuarial assumptions applied at 31 March 2011 and a gain of £1,933,000 was recognised as a result.

Actuarial gains and losses have been reported in the statement of total recognised gains and losses.

The actual return on scheme assets was £360,000 (2011 £1,610,000). The cumulative amount of actuarial gains and losses recognised in the STRGL since adoption of FRS17 is £1,080,000 net loss (2011 £919,000 net gain).

Notes to the Financial Statements *(continued)*

23. Pension Fund *(continued)*

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows

	2012 £'000	2011 £'000
Present value of defined benefit obligations	-	(19,819)
Fair value of scheme assets	-	20,054
Deficit in scheme	-	235
Related deferred tax asset	-	(61)
(Liability) / asset recognised in the balance sheet	-	174

Movements in the present value of defined benefit obligations were as follows

	2012 £'000	2011 £'000
At 1 April	19,819	22,383
Service cost	248	298
Interest cost	807	1,108
Contributions from scheme members	82	109
Actuarial loss / (gain)	1,902	(597)
Benefits paid	(736)	(1,538)
Past service cost	-	(1,933)
Disposal of subsidiary	(8)	(11)
	(22,114)	-
At 31 March	-	19,819

Notes to the Financial Statements *(continued)*

23. Pension Fund *(continued)*

Movements in the fair value of scheme assets were as follows

	2012 £'000	2011 £'000
At 1 April	20,054	19,439
Expected return on scheme assets	1,003	1,490
Actuarial (loss) / gain	(799)	152
Contributions from the sponsoring companies	263	413
Contributions from scheme members	82	109
Benefits paid	(744)	(1,549)
Disposal of subsidiary	(19,859)	-
At 31 March	-	20,054

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows

	Fair value of assets	
	2012 %	2011 %
Equity instruments	-	84 00
Index-linked gilts	-	6 00
Corporate bonds	-	2 00
Property	-	4 00
Cash	-	4 00
	-	100 00

The five-year history of experience adjustments is as follows

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of defined benefit obligations	-	(19,819)	(22,383)	(15,627)	(17,081)
Fair value of scheme assets	-	20,054	19,439	14,028	16,995
Surplus/(Deficit) in the scheme	-	235	(2,944)	(1,599)	(86)
Experience adjustments on scheme liabilities Amount	-	767	-	698	(587)
Experience adjustments on scheme assets Amount	-	152	4,354	(3,884)	(1,712)

Notes to the Financial Statements *(continued)*

24. Notes to the Group Cash Flow Statement

	31 March 2012 £'000	31 March 2011 £'000
(a) Cash flow from operating activities		
Group operating loss	(11,068)	(2,834)
Non-cash adjustments		
- non-cash movements on pension	(15)	(2,048)
- depreciation and amounts written off tangible fixed assets	6,718	5,430
- other non-cash movements in fixed assets	(1,337)	837
- grant release	(1,527)	(1,475)
- amortisation of goodwill	112	112
- goodwill impairment – increase in stake	8,867	-
Movement in stocks	(42)	288
Movement in debtors	548	2,990
Movement in creditors	955	1,947
	3,211	5,247
(b) Returns on investments and servicing of finance		
Interest received	25	18
Interest paid	(7,388)	(7,433)
Finance lease interest paid	(140)	(144)
	(7,503)	(7,559)
(c) Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(3,554)	(10,776)
Receipts from sales of tangible fixed assets	-	67
	(3,554)	(10,709)
(d) Financing		
New loans	7,471	16,564
Grants (repaid) / received	(44)	987
Repayment of finance lease creditor	(479)	(394)
	6,948	17,157
(e) Disposals		
Cash disposed of with subsidiaries	(305)	(115)

(f) Analysis of Movement in Group Net Debt

	1 April 2011 £'000	Cash flow £'000	Other non cash changes £'000	31 March 2012 £'000
Cash at bank (accessible within 24 hours)	4,519	1,797	-	6,316
Overdrafts	-	(3,000)	-	(3,000)
Debt due within one year (excluding overdrafts)	(35,430)	116	35,000	(314)
Debt due after more than one year	(165,820)	(7,107)	(45,306)	(218,233)
Net debt	(196,731)	(8,194)	(10,306)	(215,231)

Notes to the Financial Statements *(continued)***25. Financial commitments**

	2012 £'000	2011 £'000
Operating leases which expire		
Within one year	83	109
Between one and two years	82	38
Between two and five years	-	5
	165	152

26. Contingent Liabilities

At 31 March 2012, there is a contingent liability in respect of the Durham Tees Valley Airport Limited defined benefit pension scheme of £Nil (2011 £338,000)

27. Related Parties

During the year the company entered into the following transactions with fellow subsidiary companies of the group. The transactions were priced on an arm's length basis

	Sales of Goods/ Services £'000	(Purchase) of Goods/ Services £'000	Balances Receivable/ (payable) £'000
Durham Tees Valley Airport Limited	130	-	112
Vantage Airport Group (Cyprus) Limited	285	(1,376)	(229)
Vantage Airport Group Limited	50	(6,390)	(10,588)
Peel Investments (PAH) Limited	-	(3,456)	(5,713)
Peel Advertising Limited	-	(28)	-
Peel Electricity Services Limited	-	(446)	(105)
Peel Utilities Services Limited	11	(98)	(63)
Peel Leisure Operations No 1 Limited	221	(3)	15
Peel Management Limited	-	(49)	(184)
Peel Communications Limited	-	(45)	(15)
RHADS Hotels Limited	-	(2)	(1)
Peel Holdings (Land & Properties) Limited	-	(6)	(3)
Peel Land & Property Investments Limited	-	-	17
Peel Land & Property Ports No3 Limited	-	(4)	(5)
Peel Water Services Limited	-	(2)	-
Peel Investments (North) Limited	-	(25)	(30)

Notes to the Financial Statements *(continued)*

28. Ultimate Holding Company

The largest group of companies, of which the company is a member, which produces consolidated accounts is Vantage Airport Group Limited (formerly YVR Airports Services Limited) (registered number 0819480), a company incorporated in Canada, whose registered office is 2900 – 550 Burrard Street, Vancouver, BC V6C 0A3

The smallest group of companies, of which the company is a member, that produces consolidated accounts, is Peel Airports Limited, a company incorporated in England. Its Group accounts are available from the Company Secretary, Liverpool Airport, Liverpool, L24 1YD

Subsidiary Undertakings

The principal trading subsidiary undertakings as at 31 March 2012, all of which were wholly owned unless otherwise stated were as follows

Incorporated	Company	Principal activities
England & Wales	Liverpool Airport Limited*	Operator of a regional airport
England & Wales	Doncaster Sheffield Airport Limited*	Operator of a regional airport and property investment
England & Wales	Liverpool Airport Hotel Limited**	Property investment

* 100% owned by Peel Airports Limited

** 100% owned by Liverpool Airport Limited

A full list of subsidiary undertakings will accompany the next Annual Return to be filed with the Registrar of Companies