Glasgow Prestwick Airport Limited

Directors' report and financial statements
Registered number SC135362
31 March 2011

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2011.

Principal activity and business review

The principal activity of the company continues to be the operation of Glasgow Prestwick Airport.

In the year to 31 March 2011 the company reported an operating loss of £6.77 million *(2010: £5.02million)*. At the year end, the company revalued its fixed assets and investments. The changes in the business and current market conditions resulted in a downward revaluation of £1.07 million in fixed assets and £1.27 million in the carrying value of investments. These impairments are included in the operating loss referred to above.

The airport suffered from a reduction in aviation revenue as capacity was reduced to reflect the lower demand. Total passengers handled reduced by 11% to just over 1.5million, with freight tonnage increasing by 5% to 13,077 tonnes. Commercial revenues were impacted by the reduction in passenger volumes though there was a growth in average passenger spends which partially mitigated the impact.

The largest reductions in passenger volumes were felt within the UK & Eire sectors, reflecting the impact on demand of the economic conditions and the impact of Air Passenger Duty. The expectation is that these services will continue to be challenging though there are opportunities for growth identified in the traditional Summer Sun destinations. The summer schedule months of April to October now account for 77% of the total passenger volume, an increase from 68% for the previous year. Freight tonnages showed a 5% increase year on year with 13,077 tonnes handled.

The company continues to have a strong focus on all controllable costs and undertook a reorganisation process during the financial year to better align departmental structures and headcounts to the underlying core volumes of passenger and freight traffic currently operating at the airport. The growth of the Summer Sun destinations aligned with the reduction in domestic and Irish routes has created a highly seasonal profile on current passenger volumes.

The principle risks, strengths and uncertainties which affect the business include the following:

- **Air Passenger Duty (APD):** The current level of charges have impacted adversely on passenger traffic, particularly on domestic UK sectors where the duty is paid in both directions of travel. Airlines and the Airport Operators Association, along with individual airports such as Glasgow Prestwick continue to lobby Government on the issue.

- **Passenger demand for air travel:** Current economic conditions are strongly influencing both passenger and carrier behaviour with a number of aircraft being grounded over the winter periods and route viability critically assessed. The industry has shown that despite major setbacks it can bounce back strongly and passenger demand for low cost air travel is forecast to increase over the long term.

- **Rising fuel costs:** This has placed pressure on all airlines and in some cases has contributed to the demise of some. Thankfully prices have stabilised and those airlines that currently remain are more likely to be prepared for future increases should they occur
- **Operational disruption:** the airport continues to develop and refine its business continuity plans and has the competitive advantage of being flexible and able to quickly react. This is particularly demonstrated during the winter periods when the airport frequently handles aircraft diverted from other UK airports due to the weather. The airport has strong relationships with all of the major carriers and UK authorities.

- **Operational costs:** like all businesses Glasgow Prestwick Airport experiences cost pressures and this area has had significant focus over the past 24 months in particular. Management actively manages the Airport's cost base whilst ensuring a safe, secure and legislative compliant operation.

- **Environmental:** the company endeavours to implement best practice in respect of its surrounding environment, this is reviewed and assessed regularly in conjunction with the relevant authorities. Aviation continues to receive significant media and Government focus in regard to carbon footprint. Airlines using Glasgow Prestwick have some of the newest and most efficient aircraft in the world and the lack of congested airspace at Glasgow Prestwick assists airlines in minimising fuel burn.

Directors' report *(continued)*

- **Commercial relationships:** the company actively manages its customer relationships particularly having regard to the significant contribution from the main low cost carrier at the airport.
- **Competition:** the airport competes with other airports but its structure enables it to offer a low cost and flexible option to airlines through its 24 hour operations and available runway capacity. The Airport is able to offer competitive pricing along with fast and efficient handling; a key imperative of budget airlines and freight operators.
- **Litigation:** the company is subject to litigation from time to time. The outcome of legal action is always uncertain and there is always a risk that it may prove more costly and time consuming than expected.

Key areas relating to strategic development and performance of the business include:

- **Business development:** this is essential to drive the business forward, particularly in building passenger numbers and freight during and following the economic decline. The key competitive advantage that the airport has over its competitors is capacity and flexibility of operations combined with excellent transport links and good weather record. Quality of service is a focus that is maintained.
- **Health and Safety:** the company endeavours to have leading health and safety compliance and works closely with its employees and external agencies to implement best practice policies and guidelines. The airport has been recognised for its work with employees in improving health and reducing absence. Accident rates are at a very low level due to continued focus on this area.
- **Community:** Infratil is noted for its willingness in the corporate environment to commit resources, and credibility, to projects with a community orientation. The company appreciates and recognises the critical role it plays in the prosperity of the local community as well as providing special work programmes for deprived and challenged people in the surrounding area. The airport works with and supports local school, charity and volunteer groups.

Key financial performance indicators include the monitoring and management of profitability and contribution across key business lines.

Glasgow Prestwick	**2011**	2010	**Measure**
Financial	**£m**	£m	
Total aero income	**6.9**	7.6	Total aeronautical revenue (including fuel)
Passenger services contribution	**5.0**	5.3	Retail/commercial turnover net of cost of sales
Aeronautical costs	**10.1**	11.8	Total aeronautical costs
EBITDA	**(3.7)**	(3.3)	Earnings before interest, taxation, impairment, foreign currency, depreciation and amortisation

Key non-financial performance indicators include the monitoring of passenger numbers, freight tonnage, employees' health and safety, environmental impact and perception in the community.

Glasgow Prestwick	**2011**	2010	**Measure**
Non-financial			
Passengers	**1,524,196**	1,713,885	Total arriving and departing passengers
Freight tonnes	**13,077**	12,498	Total imported and exported freight
Reportable incidents	**6**	8	The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

Directors' report *(continued)*

Going concern

The directors have reviewed the company's financial position and on the basis of the letter of support from the company's immediate holding company are satisfied that the company is well positioned to manage its financial position for the foreseeable future.

Dividend

The directors do not propose the payment of a dividend in respect of the current year *(2010: £Nil)*.

Directors

The directors who held office during the year and at the date of this report were as follows:

HRL Morrison
P Ridley-Smith (resigned 14 April 2011)
S Fitzgerald
I Cochrane
T Wilson (appointed 1 April 2011)

Financial instruments

The company's policy is to minimise the use of complex financial instruments.

Disclosure of information to auditors

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

Employees

The company recognises its obligations to give disabled people full and fair consideration for all vacancies subject to the statutory medical requirements which have to be met for certain grades of staff. Wherever reasonable and practicable, the company will retain existing employees who become disabled and at the same time provide fair opportunities for the career development of disabled people.

During the year under review, arrangements have been maintained whereby employees of the company are systematically provided with information on matters of concern to them as employees. Consultation with representatives of staff has also continued to take place on a regular basis, so that the views of employees can be taken fully into account in making decisions which are likely to affect their interests. This has particularly been the case during the consultation period with employees during the business re-engineering process.

Auditors

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.

By order of the board

I Cochrane
Director

Glasgow Prestwick Airport
Prestwick
KA9 2PL
16th December 2011

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

KPMG LLP

191 West George Street
Glasgow
G2 2LJ
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLASGOW PRESTWICK AIRPORT LIMITED

We have audited the financial statements of Glasgow Prestwick Airport Limited for the year ended 31 March 2011 set out on pages 6 to 18. 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 schedule 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 4, 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 web-site 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 company's affairs as at 31 March 2011 and of its 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.

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

P Galloway

P Galloway (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

22 December 2011

Profit and loss account
for the year ended 31 March 2011

	Note	**2011**	2010
		£000	£000
Turnover	*1*	**13,011**	14,185
Cost of sales (including impairment of fixed assets of £1,066,000 *(2010: £nil)*)		**(16,717)**	(18,194)
Gross loss		**(3,706)**	(4,009)
Administrative expenses (including impairment of investment of £1,271,000 (2010: £nil))		**(2,980)**	(12)
Other operating expense		**(85)**	(998)
Operating loss		**(6,771)**	(5,019)
Interest receivable	5	**-**	627
Interest payable and similar charges	*6*	**(58)**	(74)
Loss on ordinary activities before taxation	*2*	**(6,829)**	(4,466)
Tax on loss on ordinary activities	*7*	**-**	9
Loss for the financial year	*15*	**(6,829)**	(4,457)

All of the activities of the company are continuing.

The company had no recognised gains or losses other than the above loss for the financial year.

Balance sheet
at 31 March 2011

	Note	2011 £000	2010 £000
Fixed assets			
Tangible assets	*8*	**2,737**	3,761
Investments	*9*	**1,435**	2,706
		4,172	6,467
Current assets			
Stocks	*10*	**204**	166
Debtors (including £19,884,000 due after more than one year (2010: £15,204,000))	*11*	**23,654**	17,658
Cash at bank and in hand		**257**	1,349
		24,115	19,173
Creditors: amounts falling due within one year	*12*	**(43,626)**	(34,081)
Net current liabilities		**(19,511)**	(14,908)
Total assets less current liabilities		**(15,339)**	(8,441)
Creditors: amounts falling due after more than one year	*13*	**(597)**	(683)
Net liabilities		**(15,936)**	(9,124)
Capital and reserves			
Called up share capital	*14*	**-**	-
Profit and loss account	*15*	**(15,936)**	(9,124)
Shareholders' deficit	*16*	**(15,936)**	(9,124)

These financial statements were approved by the board of directors on 16th December 2011 and were signed on its behalf by:

I Cochrane
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified by the revaluation of fixed assets.

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £19,511,000 and net liabilities of £15,936,000 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 group companies. The company's immediate parent undertaking, Infratil Airports Europe Limited, has indicated that for at least twelve months from the date of approval of these financial statements or, if shorter, for as long as the company remains a wholly owned subsidiary of the parent company, it will continue to make available such funds as are needed by the company to pay its liabilities as they fall due and in particular will not seek repayment of the amounts currently made available. The directors consider that 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 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 the undertakings from Infratil Airports Europe Limited, 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 in appropriate.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

General plant and equipment	-	Up to 20 years
Motor vehicles	-	4 years

The company has adopted a policy of revaluation for all fixed assets. Under this policy, fixed assets are subject to a full revaluation at least every five years with an interim valuation carried out in the third year after each revaluation. A valuation may be carried out at an earlier date should events or circumstances indicate that the carrying amount may not be recoverable.

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.

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.

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 there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Government grants

Capital based government grants are included within deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Investments

Investments in subsidiary undertakings are stated at cost less amounts written off.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

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

Pension costs

The Company operates a defined contribution stakeholder scheme. The assets of the scheme are held separately from those of the company in independently administered funds.

The pension charge represents the amounts payable by the company to these funds in respect of the accounting period.

Share based payments

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Where the Company's parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company accounts for these share-based payments as equity-settled.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Loss on ordinary activities before taxation

	2011	2010
	£000	£000
Loss on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation and other amounts written off tangible fixed assets	**695**	689
Impairment of tangible fixed assets	**1,066**	-
Impairment of investment	**1,271**	-
Hire of plant and machinery - rentals payable under operating leases	**56**	81
Auditor's remuneration in respect of the audit of these financial statements	**15**	15
Grant release (note 13)	**(38)**	(50)
Foreign currency loss	**85**	998

Notes *(continued)*

3 Remuneration of directors

	2011 £000	2010 £000
Directors' emoluments	**286**	383
Amounts receivable under long term incentive schemes	**7**	7
Company contributions to defined contribution pension schemes	**-**	1
	293	391

The remuneration of the highest paid director was £115,000 *(2010: £204,000)*, and Company pension contributions of £nil *(2010: £nil)* were made on his behalf.

The directors received no other emoluments arising from their activities in connection with the business of the company or its subsidiary undertakings.

4 Staff numbers and costs

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

	Number of employees 2011	2010
Administrative and managerial	**28**	40
Operational	**313**	327
	341	367

The aggregate payroll costs of these persons were as follows:

	2011 £000	2010 £000
Wages and salaries	**8,246**	8,725
Social security costs	**757**	834
Other pension costs	**163**	174
Share based payments	**17**	13
Long term incentive scheme	**21**	15
	9,204	9,761

Notes *(continued)*

5 Interest receivable and similar income

	2011	2010
	£000	£000
Interest received from group companies	**-**	627

6 Interest payable and similar charges

	2011	2010
	£000	£000
Other interest	**58**	74

7 Taxation

	2011	2010
	£000	£000
(a) Analysis of taxation credit		
UK corporation tax		
Group relief payable at 28% (2010: 28%)	-	-
Deferred tax:		
Reversal or origination of timing differences	-	-
Adjustment in respect of prior periods	-	(9)
	-	(9)
Total tax credit	-	(9)

Notes *(continued)*

(b) Factors affecting the tax charge

The current tax charge for the year is higher (2010: higher) than the standard rate of corporation tax in the UK of 28% (2010: 28%.) The differences are explained below:

	2011	2010
	£000	£000
Loss on ordinary activities before tax	**(6,829)**	(4,466)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010: 28%)	**(1,912)**	(1,250)
Effects of:		
Tax losses not recognised	**989**	1,049
Disallowable expenditure	**2**	22
Depreciation/impairment of ineligible assets	**669**	4
Deferred tax asset not recognised	**164**	175
Difference in tax rates	**88**	-
Total corporation tax charge	**-**	-

The company has a deferred tax asset of £1,992,000 (2010: £1054,000) relating to tax losses, £410,000 (2010: £264,000) relating to accelerated capital allowances and £122,000 (2010: £143,000) relating to other timing differences which have not been recognised due to uncertainty over their recoverability.

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 27 July 2010 and will be effective from 1 April 2011. The budget on 25 March 2011 announced an incremental rate reduction from 27% to 26% to apply from 1 April 2011. This will reduce the company's future current tax charge accordingly. The rate change to 26% has been incorporated within these financial statements. If the rate change from 26% to 25% had been substantively enacted on or before the balance sheet date it would have reduced the amount of the total unrecognised deferred tax assets at that date by £93,000. It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax assets accordingly.

Notes *(continued)*

8 Tangible fixed assets

	Plant and machinery	Motor vehicles	Assets in the course of construction	Total
	£000	£000	£000	£000
Cost				
At beginning of year	3,554	15	192	3,761
Additions	567	42	230	839
Transfer	90	-	(90)	-
Transfer to other group undertakings	-	-	(102)	(102)
Revaluation	(1,738)	(23)	-	(1,761)
At end of year	2,473	34	230	2,737
Depreciation				
At beginning of year	-	-	-	-
Charge for year	(688)	(7)	-	(695)
Revaluation	688	7	-	695
At end of year	-	-	-	-
Net book value				
At 31 March 2011	**2,473**	**34**	**230**	**2,737**
At 31 March 2010	3,554	15	192	3,761

Fixed assets were revalued as at 31 March 2011 based on an external valuation performed by Drivers Jonas Deloitte. This valuation was performed by a fellow of the Royal Institution of Chartered Surveyors in accordance with the recommendations of the RICS as defined within the RICS Valuation Standards.

The historical cost of revalued assets is as follows:

	2011	2010
	£000	£000
Historical cost of revalued assets	**10,444**	9,707
Aggregate depreciation thereon	**(6,641)**	(5,946)
Asset impairment	**(1,066)**	-
Historical cost net book value	**2,737**	3,761

Notes *(continued)*

9 Fixed asset investments

	Shares in subsidiary undertakings
	£000
At beginning of year	2,706
Impairment of investment	(1,271)
At end of year	1,435

Detail of the company's subsidiary undertakings are as follows:

Name	**Country of registration**	**Principle activity**	**Percentage of shares held**
Airport Driving Range Company Ltd	Scotland	Landowner	100%

10 Stocks

	2011	2010
	£000	£000
Consumables	**204**	166

11 Debtors

	2011	2010
	£000	£000
Amounts due within one year		
Trade debtors	**1,381**	1,807
Amounts owed by group undertakings	**1,615**	136
Other debtors	**1**	9
Other taxes and social security	**374**	81
Prepayments and accrued income	**399**	421
	3,770	2,454
Amounts due after one year		
Amounts owed by group undertakings	**19,884**	15,204
	23,654	17,658

The Company has provided a subsidiary undertaking with funds which it intends to be made available for at least the next 12 months. The directors have therefore considered it appropriate to disclose this debt as due after one year.

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2011	2010
	£000	£000
Trade creditors	**241**	564
Amounts owed to group undertakings	**40,828**	30,262
Taxation and social security	**199**	223
Accruals and deferred income	**2,358**	3,032
	43,626	34,081

13 Creditors: amounts falling due after more than one year

	2011	2010
	£000	£000
Deferred grant income	**436**	474
Hire purchase	**161**	209
	597	683

Deferred grants comprise

	2011	2010
	£000	£000
At beginning of year	**474**	524
Released to profit and loss account	**(38)**	(50)
At end of year	**436**	474

Notes *(continued)*

14 Called up share capital

	2011	2010
	£	£
Allotted, issued and fully paid		
2 ordinary shares of £1 each	2	2

15 Profit and loss account

	2011	2010
	£000	£000
Balance at beginning of year	(9,124)	(4,680)
Loss for the financial year	(6,829)	(4,457)
Credit in relation to share based payments	17	13
Balance at end of year	**(15,936)**	(9,124)

16 Reconciliation of movement in shareholders' deficit

	2011	2010
	£000	£000
Loss for the year	(6,829)	(4,457)
Credit in relation to share based payments	17	13
Net reduction to shareholders' funds	(6,812)	(4,444)
Opening shareholders' deficit	(9,124)	(4,680)
Closing shareholders' deficit	(15,936)	(9,124)

17 Guarantees and other financial commitments

a) There were commitments for capital expenditure totalling £nil at 31 March 2011 *(2010: £79,000)*.

b) The company has commitments under operating leases of £25,000 *(2010: £25,000)* relating to the hire of plant and machinery. These commitments expire within 2-5 years.

Notes *(continued)*

18 Employee Share Schemes

The total charge recognised for the scheme in the year amounted to £17,000 *(2010: £13,000)*.

Key eligible executives and senior managers of the Infratil Group elected to participate in the Infratil Executive Redeemable Share Scheme to acquire Executive Redeemable Shares. These Shares have certain rights and conditions and cannot be traded until those conditions have been met. The Shares confer no rights to receive dividends or other distributions or vote. Up to 3 million Executive Shares will be issued which will convert to ordinary shares after three years (other than in defined circumstances) provided that the issue price has been fully paid and vesting conditions have been met. The vesting conditions include Share Performance Hurdles with minimum future share price targets which need to be achieved over the specified period. The number of shares that "vest" (or LTI bonus paid) is based on the share price performance over the relevant period to the Infratil ordinary shares. If the executive is still employed by the Group at the end of the specified period, provided the share performance hurdles are met the employee receives a long term incentive bonus (LTI) which must be used to repay the outstanding balance of the Executive Shares and the Executive Shares are then converted to fully paid ordinary shares of Infratil.

90,000 Infratil Executive Redeemable Shares were granted at a price of NZ$1.8732 on 6 December 2010, at the volume weighted average market price over the 20 business days immediately preceding the date on which the shares were issued to each executive. One cent per Executive Share was paid up in cash by the executive with the balance of the issue price payable when the executive becomes eligible to receive the long term incentive bonus.

The fair value of Executive Shares at the grant date was estimated using the following weighted average assumptions:

	2011	2010
Risk-free interest rate	**6%**	6%
Cost of equity	**14%**	14%
Expected stock price volatility	**25-30%**	25-30%
Present value of expected dividends	**0.174**	0.174
Adjustment for lack of transferability	**35%**	35%
Forecast returns to shareholders	**12%**	12%
Shares expected to be issued	**42%**	42%

Executive Shares are valued based on the market price at date of grant adjusted for dividends that are not received. Volatility is based on historic volatility in Infratil's share price. The performance hurdles noted above are included in the valuation model used in determining the fair value of options issued during the year.

In the event that there is a consolidation or subdivision of the ordinary shares, then the number of Executive Shares offered will increased (or decrease as the case may be) and the issue price will decrease (or increase respectively) in the same proportion. In the event of an offer for the ordinary shares of the company, the LTI bonus determination date will be accelerated to the date the offer becomes unconditional.

19 Pensions

The pension scheme operated by the group is a defined contribution scheme. The pension cost charge for the year represents contributions payable to the scheme and amounted to £163,000 *(2010: £174,000)*. There are outstanding contributions at the end of the year of £25,000 *(2010: £27,000)*.

Notes *(continued)*

20 Related party disclosures

As the company is a wholly owned subsidiary of Infratil Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of that group (or investees of the group qualifying as related parties). The consolidated financial statements of Infratil Limited can be obtained from the address given in note 22.

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Infratil Limited incorporated in New Zealand which is the largest group in which the results of the company are consolidated. The smallest group in which they are consolidated is that headed by Infratil Airports Europe Ltd. The consolidated accounts of Infratil Airports Europe Limited are available to the public from the group's registered office Glasgow Prestwick Airport, Prestwick, KA9 2PL, Scotland. The consolidated accounts of Infratil Limited are available to the public from the group's registered office, 97 The Terrace, PO Box 320, Wellington, New Zealand or from the group's website www.infratil.com.