Glasgow Prestwick Airport Ltd

Annual Accounts Financial Year 2016-17

Glasgow Prestwick Airport

Glasgow Prestwick Airport Limited

Annual report and financial statements

Registered number SC135362

31 March 2017

Contents

Strategic Report

The directors present their Strategic Report for the year ended 31 March 2017.

Principal activity and business review

The principal activity of the company is the operation of Glasgow Prestwick Airport (GPA).

Performance

For the year to 31 March 2017 the company has seen an improvement in performance against the Corporate Plan.

Turnover has increased significantly over the prior year from £9.3m to £11.4m, an increase of 22.5%, although there has been a commensurate increase in costs largely due to the increased fuel for military aircraft. As the airport develops services and puts in place the appropriate governance and compliance structure, the fixed costs as a percentage of turnover will reduce, improving the financial position.

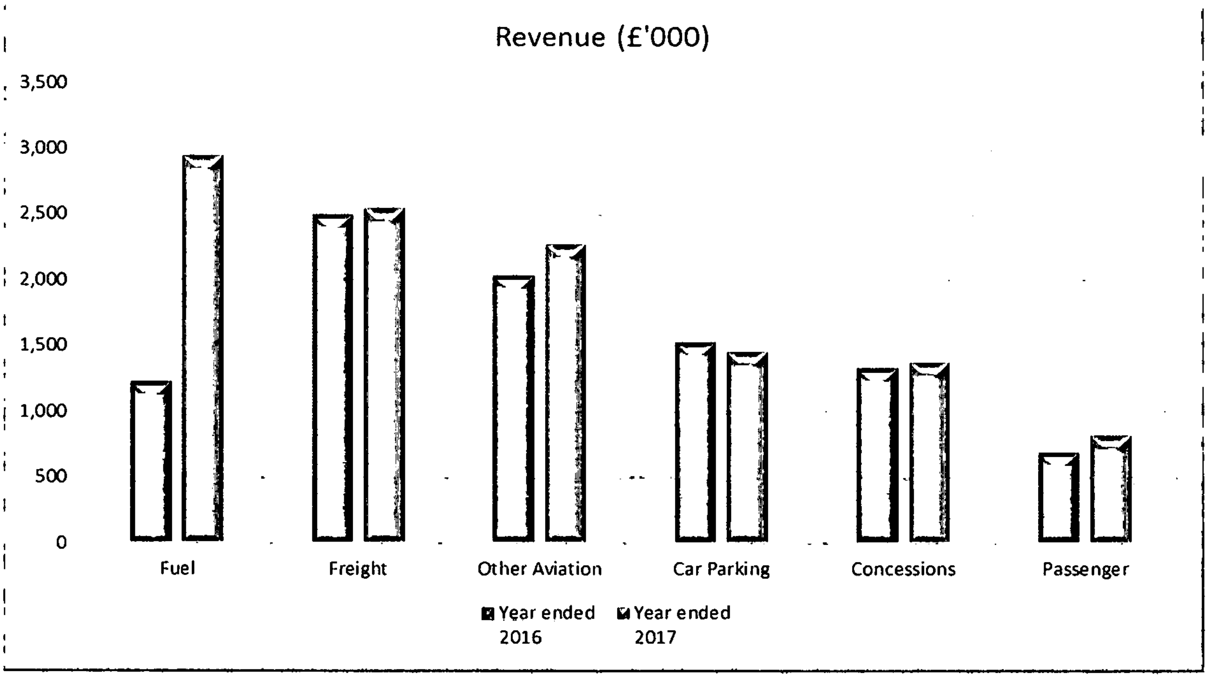
Key metrics

	12 months to 31 March 17	12 months to 31 March 16	**Measure**
Financial	£m	£m	
Turnover	**11.4**	9.3	Total Revenue
Costs	**(16.5)**	(15.8)	
Company operating loss	**(5.1)**	(6.5)	
Adjusted for:			
Non-recurring	**(1.3)**	-	Release of historic provisions
Company operating loss before non-recurring items	**(6.4)**	(6.5)	
Non - Financial			
Passengers ('000)	678	624	*Total arriving and departing passengers*
Freight tonnes	11,413	11,469	Total imported and exported freight

The company sets itself high standards and aims to achieve these with all airlines, partners and agencies. GPA's objective is to become the airport of choice for its customers, be they passenger, air cargo, charter, military or VIP. The company offers a seamless service as most services are in-house, giving the flexibility and control that is essential to excellent customer care. The company is proud to be located on the West Coast of Scotland with its many tourist attractions, excellent road and rail infrastructure, and dynamic and vibrant aerospace cluster of businesses and expertise.

Income

The airport has a diverse and challenging revenue base and operates in highly competitive markets. The graph below indicates the performance of each of its major income streams against the prior year.



The company has seen positive increases in almost all income streams. In particular, the income derived from fuelling aircraft, primarily due to military activities on the back of being awarded a contract in October 2016 with the Defense Logistics Agency (US)(DLA). However, there remains a significant challenge in returning the company to a sustainable and profitable operation.

The airport is in regular communication with a variety of airlines and operators, as well as the military and other commercial partners as it strives to attract new business. The airport is the only rail connected Scottish airport, with excellent overland access to the whole of Scotland. It has passenger growth opportunity within its core catchment area as well as the potential to double the current throughput from its wider catchment area. The airport offers exceptional value, capacity and flexibility combined with a recognised high quality service and operations supported by a good weather record.

Glasgow Prestwick Airport has bolstered business development across its full product and service offering.

A centralised Business Development team has been created, increasing from one to three employees in the financial year. This essential investment allows Glasgow Prestwick Airport to have dedicated resource to develop each service area. The team work closely together to ensure that there is a coordinated approach and to identify opportunities, build relationships and bring in new business. The results of this approach are evident from the improvement in all income streams apart from car parking, although the market for each stream is different in ability to penetrate and secure increased business with different timescales to close, particularly passenger services which can take between 18 and 36 months to conclude a contract.

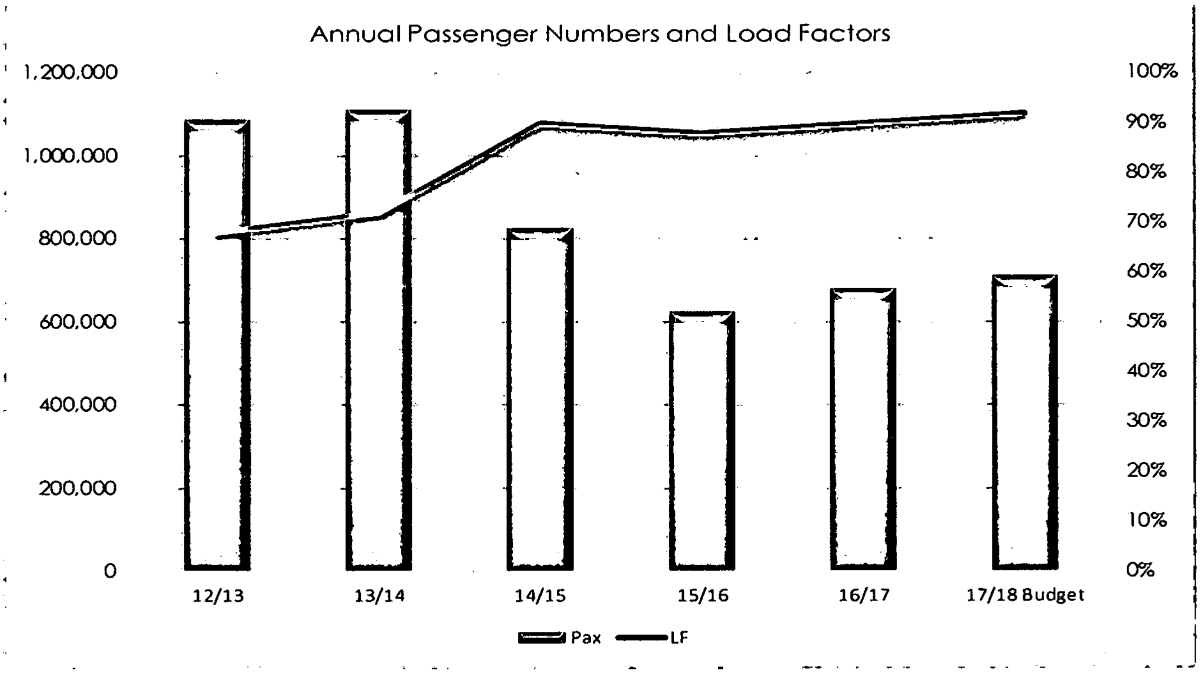
The team is working together to share knowledge, experience and learning and to identify where there could be potential for overlap across different business areas that could enable the airport to sell itself more effectively and be more efficient.

Passenger Growth

Glasgow Prestwick Airport currently serves in excess of 2.1 million people who live within 60 minutes' drive of the airport. The Directors have carefully considered the external environment in development of its five-year strategy 2017-22. However, the environment does not stand still and the airport is working to be ready for and reactive to any changes to take advantage of opportunities, and minimise or mitigate any threats that these changes may pose to its plans for the future. Understanding and continually monitoring the external environment will be fundamental to the airport's future success.

The company continues to work closely with its current passenger airline customer, Ryanair, securing additional routes and frequencies for both 2016/17 and 2017/18, a forecast increase of 14% over the two years.

Work on understanding and analysing the market continues with a targeted approach to developing passenger growth, in partnership with key stakeholders including Transport Scotland, Visit Scotland and the local authority to develop an attractive route development package that secures the new business. Securing new passenger airline business is not a short-term process, typically taking between 18 and 36 months to implement. With any increase in new passenger routes, there is a possibility of corresponding increase in air cargo business through the availability of belly hold space.

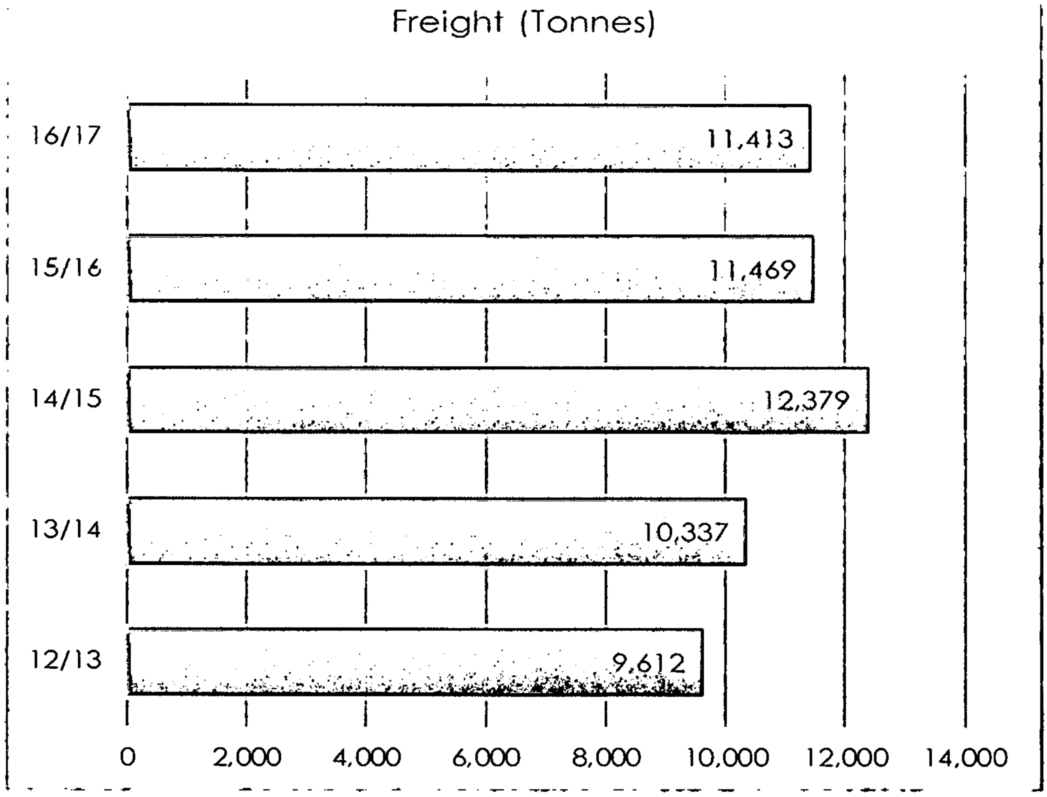


Freight

The company can process cargo from any source, whether that be in belly hold or main deck dedicated cargo freighter aircraft. The company is unique amongst Scottish airports in its ability to handle large pieces of specialist air cargo such as complete aero engines, oil industry equipment and large volumes of concert sound and stage movements.

Air cargo movements UK wide have remained relatively stable over the last few years and this is reflected in this year's performance with no change in the volume of cargo moved, although there has been a 2% rise in revenues as a result of the mix of cargo and services provided.

The graph below indicates how challenging the cargo market has been recently. However, the new dedicated team is engaging with brokers and airlines to gain a larger share of the market.



The management team also continues to promote the airport as a major UK cargo hub at key global events and trade shows and is doing significant work on evaluating the potential for the airport to become a handling consolidation point for Scotland's perishable export industry, the local aerospace industry and the expansion of Heathrow Airport.

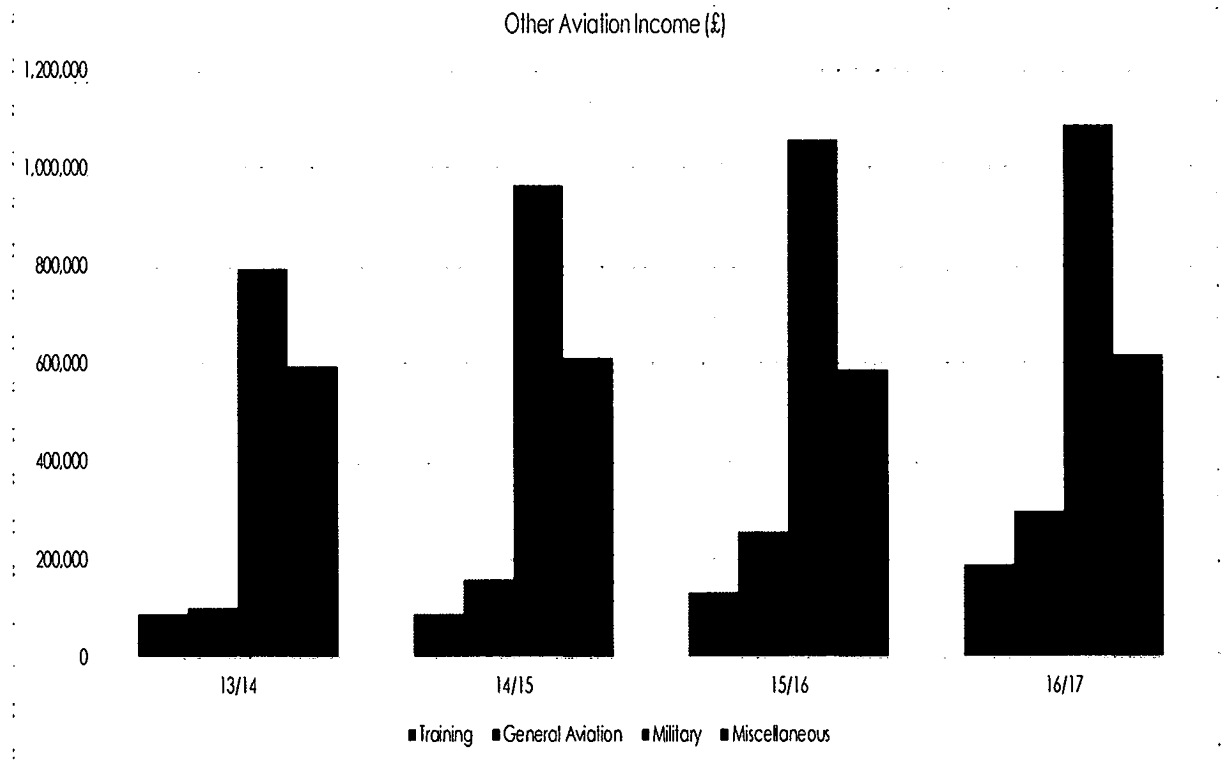
Other Aviation

The company has served the UK, US and Commonwealth military forces since the late 1930s and continues to provide high quality aviation services to many military forces from around the world.

The company is well placed both geographically and commercially to serve a multitude of aviation needs from large military aircraft to private business jets and the local flying clubs.

The company has increased military aircraft handling by 37% (£292k) between 2013/14 and 2016/17 and now delivers a sustainable level of activity. The company is specifically targeting new military business as a key component of its future development activities.

The ongoing trend for closures of military airfields across Europe is pushing more and more of this business into those commercial airports approved to handle military aircraft. The Business Development team is heavily focussed on building on and establishing new key relationships with the MOD, USAF, RCAF and other air forces worldwide to ensure the airport is firmly at the top of their preferred operational airport lists.



The company has invested in a dedicated immigration facility, to allow the speedy clearance of international VIP visitors, be that military or business/private jets.

Costs

The operating cost base has increased due to the increase in fuel requirements to service the DLA contract mentioned above. This is more than offset by the revenue generated from the sales. Salary costs have risen by 1.6%, which represents the implementation of the national living wage and the Government's recommended increase for public bodies of 1%, or £400 if salary is below £22,000.

There continues to be a focus on cost mitigation, minimising discretionary spend and reviewing current practices and contracts to ensure they deliver best value to the organisation. The company appointed a Procurement Manager, which has already seen savings and an improvement in contract management.

Operations

Successful airports are built on a foundation of safe and compliant operations. As operational requirements change and business plans accelerate, capital planning becomes important to future success. The company's capital investment plans include improvements to the railway station, terminal building, security, the runway and apron areas and car parks.

Investment in infrastructure to improve efficiency and reduce our carbon footprint is also a key element within the planning horizon. The company will use its capital plan to not only improve the facilities for all customers and passengers, but to change its approach on how business is undertaken at the airport. New and forward thinking solutions for meeting and exceeding customer requirements will remain at the forefront of the airport's outlook and planning.

Terminal – Landside

Landside facilities are changing with the advent of new technology and the changes to airline business models, products and operating procedures. Our strategy is to simplify the passenger experience and make the first impressions of the airport as a modern facility that is easy to navigate.

As part of the wider property master planning, we are reviewing passenger flows and looking to locate amenities in the most appropriate position for the long term. This would include looking at entry and exit points, concession locations and where we have facilities like outsized baggage and car parking pay points.

Terminal - Airside

The reshaping of the terminal facility continues into the airside area. The majority of the airport's terminal building floor area is landside. The proportion of this split does not work with developing travel trends, where more passengers proceed directly through to departures. As such, we will reclaim some of this landside space for the airside areas – expanding and redeveloping security, commercial areas and departure gates.

The strategy is to return all departure gates to full operating status, including appropriate facilities for Passengers with Reduced Mobility (PRM), departing and arriving. Making travel easier for those who require support and assistance remains a prime focus for the airport and a 'step free' operation is the target.

Given the strategic plans to attract UK hub connectivity through domestic flight connections, the refurbishment of the former domestic channel, outbound and inbound, will be undertaken and investment in facilities to support this approach will be made. The objective is to ensure the airport puts in place a proactive operational improvement programme within the departures and arrivals facilities.

Economic Impact

The UK Brexit vote and the recent US Presidential election have resulted in major changes to currency values and in turn the price of goods and services.

This has the potential to impact on economic growth within the UK. However, the lower value of the pound may present increased value for international investment.

Corporate Social Responsibility

The company works with stakeholders to find innovative solutions that address our economic, environmental and social objectives, and takes an active role in engaging with and contributing to the local communities where we operate.

Providing UK Resilience

Our strategic importance in supporting the UK is best demonstrated in our Tier 1 status as a diversionary airport that can effectively and efficiently deal with aircraft with a security related risk. We have tried and tested plans and an infrastructure that supports this operation, so from UK resilience prospective, we are prepared.

Our excellent weather record and micro climate at Prestwick gives many airlines, which we have agreements with, such as British Airways, Virgin and KLM – Air France an excellent diversionary airport. This option does not only provide support to Scottish airports but to the UK when bad weather strikes.

The rail station and fuel depot, which can be supplied by road and rail, gives excellent support during crisis periods, with all our staff well versed in their response across these events.

Business Risks and Uncertainties

The company routinely assesses its position in the sector and the key risks and uncertainties that it needs to plan for. The keys issues that the company are developing plans for are:

- Air Passenger Duty: the current level of taxation has impacted adversely on passenger traffic at the airport and in Scotland in general. Changes to the Scottish Government policy leading to a reduction in, or removal of, Air Passenger Duty would facilitate future passenger growth.
- Operational disruption: the airport continues to develop and refine its business continuity plans and has the competitive advantage of being flexible and able to react quickly. 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 and continues to develop these.
- Competition: the airport competes with other airports and its structure enables it to offer an excellent value 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.
- Environmental: the company endeavours to implement good practice in respect of its surrounding environment, which is reviewed and assessed regularly in conjunction with the relevant authorities. Aviation continues to receive significant focus in regard to carbon footprint with the airlines using Glasgow Prestwick Airport having some of the newest and most efficient aircraft in the world. The airport is directly investing in measures such as LED lighting to deliver future benefits.

Looking Forward

The airport continues to work to turn around its financial performance and there are promising signs in a number of areas, though growing the passenger business remains a challenge. The airport is well positioned in the process to become a spaceport and is continually looking for opportunities to maximise both income and the broad scope and opportunity offered as a strategic national asset.

Investment in the terminal and the redesigning of our passenger space will allow us to deliver a high quality service to customers and maximise financial performance across all of our business sectors. The airport will make investment in line with best value principles, recognising the support of the shareholder, whilst ensuring a safe and compliant environment for our customers and staff.

Our strategic plan outlines the key strategic objectives as follows:

Bringing in business – Grow all of our revenue streams to deliver a sustainable business resilient to market changes, including securing the licence to become the first spaceport in the UK and Europe.

Continually compliant & staying safe, secure & sustainable – To deliver sustainable, safe, and top quality services to all of our customers, whilst continually looking for ways in which we can improve our efficiency, effectiveness and customer experience.

Making people a priority – Have the right people, with the right skills, in the right roles at the right time to give our business a competitive advantage.

Financially fit – Ensuring that financial services are fit to support the business to develop, grow, always offer our customers best value and ensure that we make every penny count.

Attracting investment – Seek external investment to accelerate the pace at which we return the business to a sustainable and profitable future.

Building networks & relationships – Work with partners and stakeholders to further our business objectives and to play a positive role in the communities that we are part of.

By order of the board

Derek Banks
Director

Glasgow Prestwick Airport
Prestwick
KA9 2PL
27 September 2017

Directors' Report

The directors present their directors' report for the year ended 31 March 2017.

Proposed dividend

The directors do not propose the payment of a dividend in respect of the current year *(2016: £nil)*.

Directors

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

Andrew Miller	resigned	01/09/2017
Richard Jenner	resigned	30/06/2016
Derek Banks	appointed	02/05/2016
Ron Smith	appointed	30/05/2016

Financial instruments

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

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.

The airport continues to engage fully with its employees, regularly exchanging information concerning the operation and providing them 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.

Political contributions

The company has not made any political donations or incurred any political expenditure during the year.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 1-8.

Disclosure of information to auditor

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 auditor is unaware; and each director has taken all steps that he 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.

Auditor

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

By order of the board

Derek Banks
Director

Glasgow Prestwick Airport
Prestwick
KA9 2PL
27 September 2017

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, 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), including FRS 101 *Reduced Disclosure Framework*.

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 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; 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.

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 2017 set out on pages 14 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 11, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2017 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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:

Independent auditor's report to the members of Glasgow Prestwick Airport Limited *(continued)*

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

Philip Charles (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS
United Kingdom

Date: 6 October 2017

Profit and loss account

for the year ended 31 March 2017

	Note	2017	2016
		£000	£000
Turnover	2	**11,422**	9,323
Cost of sales		**(14,974)**	(14,324)
Gross loss		**(3,552)**	(5,001)
Administrative expenses		**(1,501)**	(1,482)
Other operating expenses		**(43)**	(1)
Operating loss		**(5,096)**	(6,484)
Interest payable and similar charges	6	**(789)**	(531)
Loss on ordinary activities before taxation	3	**(5,885)**	(7,015)
Tax on loss on ordinary activities	7	-	-
Loss for the financial year		**(5,885)**	(7,015)

All of the activities of the company are continuing. The company has no other items of comprehensive income other than the results for the current and prior financial year as set out above.

Balance sheet
at 31 March 2017

	Note	2017	2016
		£000	£000
Fixed assets			
Investments	8	-	-
		-	-
Current assets			
Stocks	9	**213**	218
Debtors	*10*	**3,823**	2,587
Cash at bank and in hand		**3,876**	2,497
		7,912	5,302
Creditors: amounts falling due within one year	*11*	**(35,454)**	(26,959)
Net current liabilities		**(27,542)**	(21,657)
Total assets less current liabilities		**(27,542)**	(21,657)
Net liabilities		**(27,542)**	(21,657)
Capital and reserves			
Called up share capital	*14*	**14,371**	14,371
Capital contribution reserve		**15,000**	15,000
Profit and loss account		**(56,913)**	(51,028)
Shareholder's deficit		**(27,542)**	(21,657)

These financial statements were approved by the board of directors on 27 September 2017 and were signed on its behalf by:

Derek Banks

Derek Banks
Director

Company registered number: SC135362

Statement of Changes in Equity

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 April 2015	14,371	15,000	(44,013)	(14,642)
Total comprehensive income for the period				
Loss for the year	-	-	(7,015)	(7,015)
Total comprehensive income for the period	-	-	(7,015)	(7,015)
Balance at 31 March 2016	**14,371**	**15,000**	**(51,028)**	**(21,657)**

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 April 2016	14,371	15,000	(51,028)	(21,657)
Total comprehensive income for the period				
Loss for the year	**-**	**-**	**(5,885)**	**(5,885)**
Total comprehensive income for the period	-	-	(5,885)	(5,885)
Balance at 31 March 2017	**14,731**	**15,000**	**(56,913)**	**(27,542)**

Notes

(forming part of the financial statements)

1. Accounting policies

Glasgow Prestwick Airport Limited (the "company") is a company incorporated and domiciled in the UK.

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.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2016 and effective immediately have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's ultimate parent undertaking, TS Prestwick Holdco Ltd includes the company in its consolidated financial statements. The consolidated financial statements of TS Prestwick Holdco Ltd are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of TS Prestwick Holdco Ltd include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the company; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1. Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities and net liabilities of £27,946,000 *(2016: £21,657,000)*, which the directors believe to be appropriate for the following reason. The company is part of the TS Prestwick Holdco Ltd group. The group is dependent for its working capital on financial support from Transport Scotland on behalf of the Scottish Ministers.

Transport Scotland has provided an undertaking that for the foreseeable future it will continue to make available such funds as are needed by the group to pay its liabilities as they fall due and in particular will not seek repayment of the amounts currently made available until the group is in a position to do so. The directors consider that this should enable the group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any group placing reliance on other 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.

1.3 Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1. Accounting policies *(continued)*

1.4 Non-derivative financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5 Government grants

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

1.6 Stocks

JetA1 aviation fuel stocks are stated at the lower of cost and net realisable value. Non JetA1 aviation fuel stocks are stated at cost less provision for impairment.

1.7 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than stocks and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from

1. Accounting policies *(continued)*

1.7 *Impairment excluding stocks and deferred tax assets* (continued)

continuing use that is largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" (CGU)).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.9 Turnover

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

1.10 Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

1.11 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is

1 Accounting policies *(continued)*

1.11 Expenses (continued)

recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2. Turnover

	2017	2016
	£000	£000
Rendering of services	**11,422**	9,323
Total turnover	**11,422**	9,323

	2017	2016
By activity	**£000**	£000
Concessions	**1,377**	1,333
Car Parking	**1,457**	1,528
Freight	**2,547**	2,503
Fuel	**2,949**	1,232
Passenger	**823**	689
Other Aviation	**2,269**	2,038
	11,422	9,323

All turnover is generated in the UK.

3. Expenses and auditor's remuneration

Included in loss are the following:

	2017	2016
	£000	£000
Hire of plant and machinery - rentals payable under operating leases	29	40
Non-recurring – historic provision releases	(1,313)	-
Auditor's remuneration in respect of the audit of these financial statements	20	20
Foreign currency loss	43	1

Amounts receivable by the company's auditor and its associates in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's parent, TS Prestwick Holdco Limited.

Non-recurring credits represent the release of historic provisions which the Board is of the opinion will not require settlement.

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	
	2017	2016
Administrative and managerial	29	20
Operational	274	273
	303	293

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	8,183	7,986
Social security costs	739	698
Other pension costs	237	220
	9,159	8,904

5. Directors' remuneration

	2017	2016
	£000	£000
Directors' emoluments	**141**	199
Company contributions to defined contribution pension schemes	**5**	5
Compensation for loss of office	**-**	230
	146	434

The aggregate of remuneration of the highest paid director was £65,000 *(2016: £164,000)*, and company pension contributions of £3,000 *(2016: £nil)* were made to a money purchase scheme on his behalf.

Retirement benefits are also accruing to three directors *(2016: three)* under money purchase schemes).

6. Interest payable and similar charges

	2017	2016
	£000	£000
On bank and other charges	**44**	41
Loan from Transport Scotland on behalf of Scottish Ministers	**745**	490
Total other interest payable and similar charges	**789**	531

7. Taxation

Recognised in the profit and loss account

	2017		2016	
	£000	£000	£000	£000
UK corporation tax				
Current tax on loss for the period	-		-	
Total current tax		-		-
Tax on loss on ordinary activities		-		-

7. Taxation *(continued)*

Reconciliation of effective tax rate	**2017**	2016
	£000	£000
Loss for the year	**(5,885)**	(7,015)
Total tax credit	**-**	-
Profit excluding taxation	**(5,885)**	(7,015)
Tax using the UK corporation tax rate of 20 % (2016: 20%)	**(1,177)**	(1,403)
Permanent differences	**4**	(18)
Current year losses for which no deferred tax asset was recognised	**1,173**	1,421
Total tax expense	**-**	-

The company has a deferred tax asset of £6,933,000 *(2016: £6,285,000)* relating to tax losses, £1,068,000 *(2016: £1,131,000)* relating to accelerated capital allowances and £7,000 *(2016: £6,000)* relating to other timing differences which has not been recognised due to uncertainty over its recoverability.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly.

8. Investment

	Shares in subsidiary undertakings £000
Cost	
At beginning and end of year	2,706
Provisions	
At beginning and end of year	(2,706)
Net book value	
At 31 March 2017 and 31 March 2016	-

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

Name	**Country of registration**	**Percentage of ordinary shares held**	**Principle activity**	**Registered Address**
Airport Driving Range Company Ltd	Scotland	100%	Landowner	Aviation House, Glasgow Prestwick Airport, Prestwick, KA9 2PL

9. Stocks

	2017	2016
	£000	£000
Raw materials and consumables	**213**	218

10. Debtors

	2017	2016
	£000	£000
Trade debtors	**1,620**	1,054
Amounts owed by group undertakings	**962**	664
Other debtors	**-**	1
Other taxes and social security	**516**	218
Prepayments and accrued income	**725**	650
	3,823	2,587

11. Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	**38**	10
Amounts owed to group undertakings	**414**	2,193
Taxation and social security	**204**	191
Accruals and deferred income	**2,903**	3,015
Loan from Transport Scotland on behalf of Scottish Ministers	**30,400**	20,800
Interest payable	**1,495**	750
	35,454	26,959

12. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings, which are measured at amortised cost.

Terms and debt repayment schedule

	Currency	**Nominal interest rate**	**Year of maturity**	**Face value 2017 £000**	**Carrying amount 2017 £000**	**Face value** 2016 £000	**Carrying amount** 2016 £000
Transport Scotland loan on behalf of Scottish Ministers	GBP	3.24%	On Demand	**30,400**	**30,400**	20,800	20,800

13. Employee benefits

Defined contribution plans

The company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £237,000 *(2016: £220,000)* and there are outstanding contributions at the end of the year of £44,000 *(2016: £36,000)*.

14. Capital and reserves

Share capital

In thousands of shares	**Ordinary shares 2017**
On issue at 1 April 2016 and 31 March 2017 – fully paid	**14,371**

	2017 £000	2016 £000
Allotted, issued and fully paid		
Ordinary shares of £1 each	**14,371**	14,371

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

15. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	**8**	8
Between one and five years	**24**	32
More than five years		-
	32	40

During the year £23,000 was recognised as an expense in the income statement in respect of operating leases *(2016: £41,000)*.

16. Commitments

Capital commitments

During the year ended 31 March 2017, the company entered no contracts to purchase property, plant and equipment which are expected to be settled in the following financial year.

17. Related parties

As the company was a wholly owned subsidiary of TS Prestwick Holdco Ltd at 31 March 2017, the company has taken advantage of the exemption contained in FRS 101 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 TS Prestwick Holdco Ltd can be obtained from the address given in note 18.

As disclosed in note 12, the company has interest bearing loans from Scottish Government, its shareholder. The balance outstanding at the year end is £30,400,000 *(£2016: £20,800,000)* with unpaid interest totalling £1,495,000 *(2016: £750,000)*.

18. Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of TS Prestwick Holdco Ltd which is the ultimate parent company incorporated in the UK. The immediate parent company is Prestwick Aviation Holdings Limited. The ultimate controlling party is the Scottish Ministers.

The largest group in which the results of the company are consolidated is that headed by TS Prestwick Holdco Ltd incorporated in the UK. No other group financial statements include the results of the company. The consolidated financial statements of the group are available to the public from the group's registered office: Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF.

19. Securitisation

There is a bond/floating charge over the company's assets in favour of Scottish Ministers.

20. Subsequent events

There are no subsequent events which require to be disclosed.

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