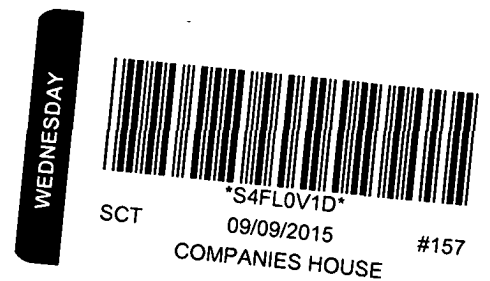


Glasgow Prestwick Airport Limited

Annual report and financial statements

Registered number SC135362

31 March 2015



Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements	4
Independent auditor's report to the members of Glasgow Prestwick Airport Limited	5
Profit and loss account	6
Balance sheet	7
Notes	8

Strategic report

The directors present their Strategic Report for the year ended 31 March 2015.

Principal activity and business review

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

For the year to 31 March 15 the company has seen a performance broadly the same as the previous year across all aspects of the profit and loss account. Turnover has increased slightly to £9.3 million whilst the cost base has increased by a compensatory amount, resulting in an operating loss of £5.8 million which is consistent with the previous year. These results exclude the income generated from the property portfolio of the airport group which is reported separately within the accounts of Prestwick Airport Limited.

The airport has a broad revenue base and has seen positive signs in a number of areas including freight (with volume increased to 12,379 tonnes), tech stops and military activity though the largest driver of revenue is linked to passenger volumes and the associated passenger spend. The load factors on the routes flown have increased over the period though the number of flights serving these routes has seen an overall decline as total capacity has been reduced, with total passengers falling from 1.11 million to 0.83 million. Commercial revenues have been strong and spend per passenger has increased over the period though ultimately the volume reductions have mitigated the impact of this. The operating cost base has remained broadly consistent with labour costs over 50% of the total expenditure and 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.

Looking forward the airport continues to work to turn around the financial performance and there are promising signs in a number of areas, though growing the passenger business remains a challenge. The airport is a front runner in the process to become the first designated UK Spaceport and is continually looking for opportunities to maximise both income and the broad scope and opportunity offered as a strategic national asset. The recent appointment of four high calibre non-executive directors to the airport group brings considerable new knowledge and experience to help drive the business forward.

Business risks and uncertainties

The principal risks and uncertainties affecting the business and the directors' assessment of the company's position in relation to each include the following:

- **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 UK Aviation policy leading to a reduction in or removal of Air Passenger Duty would facilitate future passenger growth and the airport welcomes the proposals contained within the Scotland Bill currently being debated within the UK Parliament.
- **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.
- **Commercial relationships:** the company actively manages all of its customer relationships and partnerships, whilst having regard to the contribution from Ryanair as a wider member of the airport community with its MRO hangars as well as being the principal passenger carrier at the airport. The relationship with Ryanair remains strong and work is on-going to deliver a growth in offering from Prestwick, though the directors are aware that their strategic direction is evolving and needs careful monitoring.
- **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.

Strategic report (continued)

Business risks and uncertainties (continued)

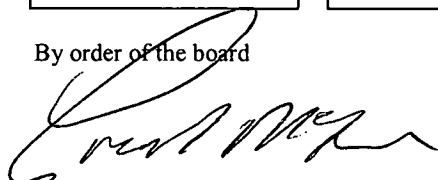
Key areas relating to strategic development and performance of the business include:

- **Business development:** 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 and the North of England. 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 of service and operations supported by a good weather record.
- **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 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.
- **Health and Safety:** the airport 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 focused for a number of years on working with employees in improving health and reducing absence. Accident rates are at a very low level due to continued focus on this area.
- **Community:** the airport recognises the critical role it plays in the prosperity of the local community and actively engages with key stakeholders, local businesses, schools, charity and volunteer groups.

Key metrics used by the directors in assessing the performance of the business include the monitoring and management of profitability and contribution across key business lines, along with non-financial performance indicators including the monitoring of passenger volumes, freight tonnage and a range of safety performance indicators. Customer service feedback is reviewed monthly to ensure service levels remain as high as possible. Selected metrics are shown in the following table:

	12 months to 31 March 15	12 months to 31 March 14	Measure
Financial			
Turnover (£m)	9.3	9.2	Total Revenue
Adjusted EBITDA (£m)	(5.8)	(5.8)	Earnings before interest, taxation, depreciation, amortisation, grant income and exceptional items
Non - Financial			
Passengers ('000)	827	1,111	Total arriving and departing passengers
Freight tonnes	12,379	10,337	Total imported and exported freight
Reportable incidents	5	4	The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

By order of the board


G McLeod
Director

Glasgow Prestwick Airport
Prestwick
KA9 2PL
25 August 2015

Directors' report

The directors present their directors' report for the year ended 31 March 2015.

Proposed dividend

The directors do not propose the payment of a dividend in respect of the current year (2014: £nil).

Directors

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

I Cochrane	
T Wilson	resigned 30 June 2014
G Sweeney	appointed 26 August 2014
G McLeod	appointed 26 August 2014

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.

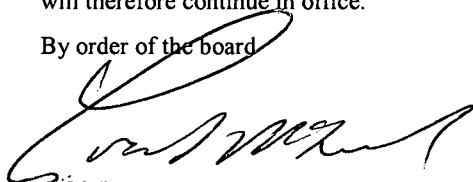
Disclosure of information to auditor

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 himself 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



G McLeod
Director

Glasgow Prestwick Airport
Prestwick
KA9 2PL
25 August 2015

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

The directors are responsible for preparing the Strategic Report, 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 2015 set out on pages 6 to 14. 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 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 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 2015 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 Strategic Report and 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, 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

1 September 2015

Profit and loss account
for the year ended 31 March 2015

	<i>Note</i>	2015 £000	2014 £000
Turnover	<i>1</i>	9,262	9,159
Cost of sales		(13,915)	(13,971)
Gross loss		(4,653)	(4,812)
Administrative expenses		(1,107)	(937)
Other operating expense		-	(3)
Operating loss		(5,760)	(5,752)
Interest payable and similar charges	<i>5</i>	(270)	(110)
Loss on ordinary activities before taxation	<i>2</i>	(6,030)	(5,862)
Tax on loss on ordinary activities	<i>6</i>	-	-
Loss for the financial year	<i>13</i>	(6,030)	(5,862)

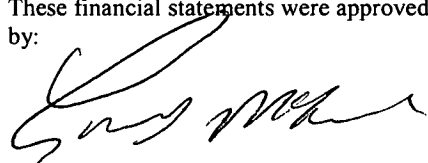
All of the activities of the company are continuing.

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

Balance sheet
at 31 March 2015

	<i>Note</i>	2015 £000	2015 £000	2014 £000	2014 £000
Fixed assets					
Investments	7		-		-
			-		-
Current assets					
Stocks	8	176		200	
Debtors	9	3,084		3,051	
Cash at bank and in hand		1,447		1,384	
		<u>4,707</u>		<u>4,635</u>	
Creditors: amounts falling due within one year	10	(19,243)		(13,141)	
Net current liabilities			(14,536)		(8,506)
Net liabilities			(14,536)		(8,506)
Capital and reserves					
Called up share capital	11	14,371		14,371	
Capital contribution reserve	12	15,000		15,000	
Profit and loss account	13	(43,907)		(37,877)	
Shareholder's deficit	14	(14,536)		(8,506)	

These financial statements were approved by the board of directors on 25 August 2015 and were signed on its behalf by:



G McLeod
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 and net liabilities of £14,536,000, which the directors believe to be appropriate recognising that the company 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 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 in appropriate.

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.

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.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Taxation

The charge for taxation is based on the loss 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.

Notes (continued)

1 Accounting policies (continued)

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 provision for impairment.

Leases

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

Assets acquired under hire purchase agreements are capitalised and the outstanding future lease obligations are shown in creditors.

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.

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.

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

	2015 £000	2014 £000
<i>Loss on ordinary activities before taxation is stated after charging/(crediting):</i>		
Hire of plant and machinery - rentals payable under operating leases	35	40
Auditor's remuneration in respect of the audit of these financial statements	20	20
Government grant release	-	(19)
Foreign currency loss	-	3

Notes (continued)

3 Remuneration of directors

	2015 £000	2014 £000
Directors' emoluments	394	292
Amounts receivable under long term incentive schemes	-	34
Company contributions to defined contribution pension schemes	2	-
	<u>396</u>	<u>326</u>

The remuneration of the highest paid director, including compensation for loss of office, was £200,000 (2014: £142,000), and company pension contributions of £nil (2014: £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	
	2015	2014
Administrative and managerial	21	23
Operational	277	288
	<u>298</u>	<u>311</u>

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	7,858	7,734
Social security costs	675	703
Other pension costs	216	172
Long term incentive scheme	-	34
	<u>8,749</u>	<u>8,643</u>

Notes (continued)

5 Interest payable and similar charges

	2015 £000	2014 £000
On bank and other loans	44	76
Loan from Transport Scotland on behalf of Scottish Ministers	226	34
	<u>270</u>	<u>110</u>

6 Taxation

Analysis of taxation in period

	2015 £000	2014 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Tax charge on loss on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting the tax for the period

The current tax charge for the year is higher (2014: higher) than the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below:

	2015 £000	2014 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	<u>(6,030)</u>	<u>(5,862)</u>
Current tax at 21% (2014: 23%)	(1,266)	(1,348)
Effects of:		
Tax losses not recognised	1,271	1,223
Permanent differences	(5)	13
Deferred tax asset not recognised	-	(4)
Difference in tax rates	-	116
Total corporation tax charge	<u>-</u>	<u>-</u>

The company has a deferred tax asset of £5,576,000 (2014: £4,625,000) relating to tax losses, £1,256,000 (2014: £1,321,000) relating to accelerated capital allowances and £6,000 (2014: £9,000) relating to other timing differences which have not been recognised due to uncertainty over their recoverability.

Reductions in the UK Corporation Tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The unrecognised deferred tax asset at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes (continued)

7 Fixed asset investments

	Shares in subsidiary undertakings £000
Cost	
At beginning and end of year	<u>2,706</u>
Provisions	
At beginning and end of year	<u>(2,706)</u>
Net book value	
At 31 March 2015 and 31 March 2014	<u>-</u>

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%

8 Stocks

	2015 £000	2014 £000
Consumables	<u>176</u>	<u>200</u>

9 Debtors

	2015 £000	2014 £000
Amounts due within one year		
Trade debtors	1,073	898
Amounts owed by group undertakings	1,194	1,615
Other debtors	1	1
Other taxes and social security	401	13
Prepayments and accrued income	415	524
	<u>3,084</u>	<u>3,051</u>

Notes (continued)

10 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	557	226
Amounts owed to group undertakings	3,731	5,489
Taxation and social security	180	181
Accruals and deferred income	3,975	2,727
Loan from Transport Scotland on behalf of Scottish Ministers	10,800	4,500
Hire purchase	-	18
	<u>19,243</u>	<u>13,141</u>

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

11 Called up share capital

	2015 £000	2014 £000
<i>Allotted, issued and fully paid</i>		
14,371,147 (2014: 14,371,147) Ordinary shares of £1 each	<u>14,371</u>	<u>14,371</u>

12 Capital contribution reserve

	Capital contribution reserve £000
At beginning and end of year	<u>15,000</u>

13 Profit and loss account

	2015 £000	2014 £000
Balance at beginning of year	(37,877)	(32,015)
Loss for the financial year	<u>(6,030)</u>	<u>(5,862)</u>
Balance at end of year	<u>(43,907)</u>	<u>(37,877)</u>

Notes (continued)

14 Reconciliation of movement in shareholder's deficit

	2015 £000	2014 £000
Loss for the financial year	(6,030)	(5,862)
New share issue	-	14,371
Net (increase)/reduction in shareholder's deficit	(6,030)	8,509
Opening shareholder's deficit	(8,506)	(17,015)
Closing shareholder's deficit	<u>(14,536)</u>	<u>(8,506)</u>

15 Guarantees and other financial commitments

- There were commitments for capital expenditure totalling £nil at 31 March 2015 (2014: £nil).
- The company has commitments under operating leases of £nil (2014: £12,000) relating to the hire of equipment.

16 Pensions

The pension scheme operated by the company is a defined contribution scheme. The pension cost charge for the year represents contributions payable to the scheme and amounted to £216,000 (2014: £172,000). There are outstanding contributions at the end of the year of £31,000 (2014: £41,000).

17 Related party disclosures

As the company was a wholly owned subsidiary of TS Prestwick Holdco Ltd at 31 March 2015, 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. The consolidated financial statements of TS Prestwick Holdco Ltd can be obtained from the address given in note 18.

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

At 31 March 2015 the company was a subsidiary undertaking of TS Prestwick Holdco Ltd which is the largest group in which the results of the company are consolidated. The immediate parent company is Prestwick Aviation Holdings Limited. The consolidated accounts of TS Prestwick Holdco Ltd are available to the public from the group's registered office: Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF.

The ultimate parent company is TS Prestwick Holdco Ltd.

The ultimate controlling party is the Scottish Ministers.

The related undertakings of the company are as noted in note 7.