Prestwick Airport Limited

Annual report and financial statements

Registered number SC135365

31 March 2019

Contents

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2019. The company has taken advantage of the exemption available as a small company and has not prepared a separate Strategic Report under section 414b of Companies Act 2006.

Principal activity and business review

The principal activity of the company is that of a property company providing infrastructure and facilities to the operator and users of Glasgow Prestwick Airport.

The significant charges to the profit and loss account in recent years have been driven by asset impairments, as the directors have considered the value of its fixed assets in line with the company's accounting policies. This is dependent upon the estimated cash generating capability of the airport itself, which is operated by a fellow subsidiary undertaking, Glasgow Prestwick Airport Limited.
During the year the directors reviewed the asset base of the business to identify operational land and buildings and land and buildings which are held either to earn rental income or for capital appreciation. A professional valuation was carried out by Ryden LLP and as a result a number of assets that had previously been included operational land and buildings have now been transferred to investment property and the value of investment properties has increased with a revaluation gain of £3.37m has been recognised in the year.

The rental property portfolio enjoyed high levels of occupancy with strong demand for any property that did become vacant. Both Maintenance Refit and Overhaul ("MRO") organisations continued to expand their operations and employ more locally based staff with Ryanair leasing additional land to build another hangar to increase their maintenance capability at Glasgow Prestwick.

Proposed dividend

The directors do not propose the payment of a dividend in respect of the current year *(2018: £nil)*.

Directors

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

• Stewart Adams		
• Ian Forgie	appointed	09/04/18
• Derek Banks	resigned	03/04/18

Financial instruments

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

Directors' Report (continued)

Political contributions

The company made no political donations and incurred no political expenditure during the year (2018: £nil).

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

Ian Forgie
Director
4 December 2019

Glasgow Prestwick Airport
Prestwick
KA9 2PL

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), 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 Prestwick Airport Limited

Opinion

We have audited the financial statements of Prestwick Airport Limited ("the company") for the year ended 31 March 2019 which comprise the Profit and loss account, Balance sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and its profit for the year then ended
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We draw attention to note 1 to the financial statements on page 11 which indicate that the company continues to be supported by its parent which is funded by loans from Transport Scotland and the group would need to effect a significant transformation of its business to be able ultimately repay the loan. Accordingly, the company is reliant on a letter of support from Transport Scotland to fund any future losses and necessary capital expenditure and also not to request repayment of the amounts currently outstanding to Transport Scotland; as with such letters there remains a doubt whether this can be enforced in the event that such a need arises. This, along with other matters explained in note 1, including a potential sale of the company, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

L Niccolls

Lyn Niccolls (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

9 December 2019

Profit and loss account
for the year ended 31 March 2019

	Note	2019 £000	2018 £000
Turnover	2	**2,711**	2,298
Cost of sales		**(3,100)**	(3,248)
Gross loss		**(389)**	(950)
Administrative costs		**(315)**	(475)
Other operating income	4	**1,300**	-
Operating profit/(loss) and profit/(loss) before taxation	4	**596**	(1,425)
Tax on Profit/(loss)	5	**-**	-
Profit/(loss) for the financial year		**596**	(1,425)

Consolidated statement of comprehensive income

	Note	2019 £000	2018 £000
Profit/(loss) for the period		**596**	(1,425)
Gain on revaluation of land and buildings		**3,370**	-
Total comprehensive income/(expenditure) for the year		**3,966**	(1,425)

Balance sheet
at 31 March 2019

	Note	2019	2018
		£000	£000
Fixed assets			
Tangible assets	6	-	850
Investment properties	7	**5,200**	2,520
Investments in subsidiaries	8	-	-
		5,200	3,370
Current assets			
Debtors	9	**491**	482
Cash at bank and in hand		**388**	464
Property held for sale	7	**1,250**	-
		2,129	946
Creditors: amounts falling due within one year	10	**(3,657)**	(4,602)
Net current liabilities		**(1,528)**	(3,656)
Total assets less current liabilities		**3,672**	(286)
Creditors: amounts falling due after more than one year	11	-	(8)
Net assets/(liabilities)		**3,672**	(294)
Capital and reserves			
Called up share capital	12	**23,852**	23,852
Revaluation reserve		**5,642**	2,272
Capital redemption reserve		**870**	870
Profit and loss account		**(26,692)**	(27,288)
Shareholders' funds/(deficit)		**3,672**	(294)

These financial statements were approved by the board of directors on 4 December 2019 and were signed on its behalf by:

Ian Forgie
Director
Company registered number: SC135365

Statement of Changes in Equity

	Called up share capital	Capital redemption reserve	Profit and loss account	Revaluation reserve	Total equity
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2017	23,852	870	(25,863)	2,272	1,131
Total comprehensive income for the period					
Loss for the year	-	-	(1,425)	-	(1,425)
Total comprehensive loss for the period	-	-	**(1,425)**	-	**(1,425)**
Balance at 31 March 2018	**23,852**	**870**	**(27,288)**	**2,272**	**(294)**

	Called up share Capital	Capital redemption reserve	Profit and loss account	Revaluation reserve	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2018	23,852	870	(27,288)	2,272	(294)
Total comprehensive income for the period					
Profit for the year	-	-	596	-	596
Revaluation	-	-	-	3,370	3,370
Total comprehensive Profit for the period	-	-	**596**	**3,370**	**3,966**
Balance at 31 March 2019	**23,852**	**870**	**(26,692)**	**5,642**	**3,672**

Notes
(forming part of the financial statements)

1 Accounting policies

Prestwick Airport Limited (the "Company") is a private limited company incorporated and domiciled in Scotland in the UK. The registered number is SC135365 and its registered address is Glasgow Prestwick Airport, Aviation House, Prestwick, Ayrshire, KA9 2PL.

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").

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, tangible fixed assets, and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

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 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.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property and land. Non-current assets and Assets held for sale are stated at the lower of their previous carrying amount and fair value less costs to sell.

1.2 Going concern

The company is a member of the TS Prestwick Holdco Limited group and as such, the directors have considered forecasts and available facilities for the group as a whole.

Transport Scotland has provided written confirmation to the directors that for at least 12 months and 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 fund further losses and capital expenditure and will not seek repayment of the amounts currently outstanding 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 other than the repayment of the amounts outstanding to Transport Scotland and the interest accruing thereon. 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.

With regards to the amounts due to Transport Scotland the directors are pleased with further progress this year in trading performance and continue to develop the business to reduce the trading losses further and achieving a cash 'break even' position thereby reducing significantly the funding received annually from Transport Scotland. In June 2019 the Scottish Government announced its intention to advertise the business for sale. The sale process in underway and is expected to conclude in the next few months.

Based on the written confirmation of support and additional funding received from Transport Scotland the directors are satisfied the Group will continue to operate and settle it's trading liabilities as they fall due, and also that Transport Scotland will continue to defer repayment of the outstanding loans and interest thereon until a suitable repayment plan or restructure can be agreed and provide further financial support as required, accordingly they have prepared the financial statements on a going concern basis. Nevertheless, the conditions described above represent a material uncertainty that may cast significant doubt over the ability of the Group and Company to continue as a going concern and so to realise their assets and settle their liabilities in the normal course of events. 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 trade and other debtors, cash and cash equivalents, and trade and other creditors.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating credit losses, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.5 Tangible fixed assets

Tangible fixed assets are stated at valuation less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Runway surfaces	-	10 years
Runway bases	-	Up to 80 years
General property	-	Up to 20 years
Terminal offices, warehouses and piers	-	40-60 years
General plant and equipment	-	Up to 20 years

No depreciation is provided on freehold land.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

The company, in line with group policy has adopted a policy of revaluation for its tangible fixed assets; such assets are held in the balance sheet at their current value, this being defined as their recoverable amount. Under this policy such assets are subject to a full revaluation at least every five years. A valuation may be carried out at an earlier date should events or changes in circumstances indicate that the carrying amount may not be recoverable.

1.6 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

1.7 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value.

In applying the fair value model in IAS 40 Investment Property:

i. investment properties are stated at fair value at the balance sheet date on the basis of an external valuation and recognised in the statement of total operating income. A professional valuation is carried out annually and any gain or loss arising from a change in fair value is recognised in profit or loss account ; and

ii. no depreciation is provided in respect of heritable investment properties applying the fair value model.

This may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial

statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot separately be identified or quantified.

Any gain or loss arising from a change in fair value is recognised in profit or loss.

A property interest held under an operating lease may also be accounted for as an investment property. IAS 40 allows the company to make this choice on a property-by-property basis.

1.8 Impairment excluding investment properties 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. 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.

1.8 Impairment excluding investment properties and deferred tax assets(continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property and inventories, 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 continuing use that are 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.

An impairment loss in respect of goodwill is not reversed. 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.

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 continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

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 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. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the company's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

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. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the Group's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

2 Turnover

	2019	2018
	£000	£000
Rendering of services:		
Other property rentals	**1,844**	1,463
Investment property rentals	**867**	835
Total turnover	**2,711**	2,298

	2019	2018
	£'000	£000
By activity		
Rental income	**1,689**	1,467
Recharges for electricity, rates, water, maintenance, and insurance	**1,022**	831
	2,711	2,298

All turnover is generated in the UK.

The Company has applied IFRS 15 using the retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1April 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The impact on equity at 1 April 2018 was £nil as there was no material impact from the application of IFRS 15.

The following revenue recognition criteria apply to the company's main income streams.

Property income:

- Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term. The contracts entered into are both short and long-term lease agreements. Other property income includes electricity, water , telecoms and repairs, all of which are incurred and charged at the point of consumption.

3 Directors and employees

The company did not employ any staff in either the current or previous year.

None of the directors received any remuneration during the current or previous year in respect of their qualifying services to the company.

4 Expenses and auditor's remuneration

	2019	2018
	£'000	£0
Included in Profit/(loss) are the following		
Revaluation of investment property	**(1,410)**	(15)
Impairment of additions to tangible fixed assets		
Building improvements	**2,117**	1,550
Plant & Equipment	**2,262**	1,210
Motor Vehicles	**-**	330
Assets under construction (Radar)	**-**	1,660
Impairment of additions to tangible fixed assets	**4,379**	4,750
Windfarm Radar mitigation income recognised	**(1,300)**	(1,660)
Net charge to Profit and Loss account of capital expenditure on operating assets	**1,669**	**3,075**
Audit of these financial statements (borne by the parent undertaking)	**10**	10

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 Ltd. This cost is borne by Glasgow Prestwick Airport Limited.

5 Taxation

Recognised in the profit and loss account

	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
UK corporation tax				
Current tax on profit/(loss) for the year	-	-	-	-
Total current tax	-	-	-	-
Tax on profit/(loss)	-	-	-	-

Reconciliation of effective tax rate	2019	2018
	£'000	£'000
Profit(loss) for the year	596	(1,425)
Total tax credit	-	-
Profit(loss) excluding taxation	596	(1,425)
Tax using the UK corporation tax rate of 19% (2018: 19%)	113	(271)
Permanent differences	(2)	(325)
Non deductible charges (including impairment)	71	108
Movement in deferred tax asset not recognised	439	488
Group relief for nil consideration	(621)	-
Total tax expense	-	-

Reconciliation of effective tax rate

A reduction in the UK corporation tax rate from 20% 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.

The company has a deferred tax asset which includes £1,535,000 *(2018: £1,053,000)* relating to accelerated capital allowances offset by a deferred tax liability of £nil (2018: £428,000) relating to the revaluation of investment properties. The net deferred tax asset has not been recognised due to uncertainty over its recoverability.

6 Tangible fixed assets

	Land and buildings	Plant and machinery	Total
	£'000	**£'000**	**£'000**
Cost or valuation			
At beginning of year	**750**	**100**	**850**
Transfer from Investment Property	850		850
Additions	517	2,162	2,679
Impairment	(2,117)	(2,262)	(4,379)
At end of year	-	-	-
Depreciation			
At beginning of year	-	-	-
Charge for year	-	-	-
Impairment	-	-	-
At end of year	-	-	-
Net *book value*			
At 31 March 2019	-	-	-
At 31 March 2018	750	100	850

On acquisition by the Scottish Government in 2013 an external valuation was performed by Deloitte LLP for the Prestwick Aviation Holdings Limited (PAHL) group which included an assessment of the value of the operational assets of the business which, given the financial position of the business at that time, were valued at £850k. During the year the board carried out a review of its operational assets and as a result the board have identified assets that it considers to be investment properties and these have been valued and transferred to investment property. The carrying value of the second runway was also transferred from investment property to property, plant and equipment as management consider this to be an operational asset. The fair value was assessed to equal the carrying value of £850k.

IAS 36 requires the directors to continue to assess the carrying value its operational assets annually with reference to the ability of those assets to generate future positive cashflows.

Each year the directors perform their own assessment of carrying value of these assets. Since acquisition any additions to property, plant and equipment have been written off and included as cost of sales in the consolidated profit and loss statement. Although there has been a substantial reduction in the operating losses of the airport in the past 2 years, and the performance of the business continues to improve in the short term, the directors believe that the impairment of operational assets remains appropriate at this time. The directors also believed that that the £850k attributed to the operating assets in 2013 were not clearly identifiable and therefore the impairment charge this year includes the additions in the year plus the balance from 2013.

6 Tangible Fixed Assets (continued)

This accounting treatment will be reviewed as the business performance forecasts continue to improve which would allow the business to consider recognition of the value of operational assets on the balance sheet.

	2019	2018
	£000	£000
Historical cost of revalued assets	**47,721**	44,192
Aggregate depreciation thereon	**(13,903)**	(13,903)
Impairment against historical cost	**(33,818)**	(29,439)
Historical cost net book value	**-**	850

Security

A charge has been granted over the assets of the company in favour of the Scottish Ministers.

7 Investment property

	2019	2018
	£000	£000
Balance at 1st April	**2,520**	2,505
Transfer to property, plant & equipment	**(850)**	-
Fair Value Adjustment	**1,410**	15
Investment property transferred from property, plant & equipment	**3,370**	-
Provisional balance as at 31st March	**6,450**	2,520
Transfer to Assets held for sale	**(1,250)**	-
Balance at 31st March	**5,200**	2,520

During the year the directors carried out a strategic review of its land and building estate. During this review the directors identified property previously held as operational property that could potentially held as investment property. Valuations were performed by CBRE Limited, an accredited independent valuer with a recognised and relevant professional qualification. The valuer has sufficient current local and national knowledge of the particular property markets involved and has the skills and understanding to undertake the valuations competently. Independent valuation advice was sought and external valuations carried out by Ryden LLP and the Valuation Office Agency ("VOA"). The valuations were performed by suitably qualified members of the Royal Institution of Chartered Surveyors (RICS) who have sufficient current local and national knowledge of

7 **Investment property** (continued)

the particular properties and in accordance with the recommendations of the RICS as defined within the RICS Valuation Standards.

The fair value of investment property held to earn rentals is determined using the income capitalisation method. The income capitalisation method is based on capitalising the net income stream at an appropriate yield. In establishing the net income stream the valuer has reflected the current rent payable to lease expiry, at which point the valuer has assumed that each unit will be re-let at their opinion of estimated rental value. The valuer has made allowances for vacancies and rent-free periods where appropriate, as well as deducting non- recoverable costs where applicable. The appropriate yield is selected on the basis of the location of the building, its quality, tenant credit quality and lease terms amongst other factors.

The fair value of investment property that is non-operational and is readily available for investment purposes and also assets held for sale is determined by reference to recent market data and known abnormal costs. It is assumed that planning permission, where relevant, would be granted for change of use. All properties are deemed Level 3 for the purposes of fair value measurement and the key unobservable inputs are annual rent ranging from £1.11–£11.90 per sq ft (buildings) or £31,920-£84,615 per acre (land), yields ranging from 4½%- 23½%, capital values ranging from £15-£110 per sq ft and net land values from £10,000-£209,500 per acre.

The results were as follows:

Potential Investment Property Identified	**No of Assets**	**Approx Acres**	**Current Use**	**Valuation £**
land that is non-operational and was readily available for investment purposes.	6	-	Landside/ Non-Aviation related	£2,600,000
held to earn rentals and generates cash flows largely independently of the operating assets	11	3	Landside/ Non-Aviation related	£2,600,000
	11	14	Airside/Aviation related	£8,110,000
Assets held for sale	1	35		£1,250,000

7 Investment property (continued)

As a result of this review and the subsequent valuation the board have:

- recognised the value of non-operational land - £2,600,000 which could be held for investment purposes or sold.
- considered the value of property held to earn rentals and concluded that:
    - the operational cashflows from the non-aviation/landside property portfolio could be identified separately from that of the rest of the operational business and recognised the fair value of the investment property of £2,600,000
    - the operational cashflows from the aviation/airside property portfolio could not be identified separately from that of the rest of the operational business because the current use of the assets are linked to the operational business and whilst this remained loss making these properties could not be recognised and held as investment property
- recognised Assets held for Sale - £1,250,000. One of the assets identified and valued as held to earn rentals was reclassified during the year by the board as available for sale in accordance with IFRS 5 and held at carrying value at the year end.
- transferred the carrying value of the second runway previously classified as investment property to property plant and equipment as it is an operational asset. The carrying value was £850k. This was impaired at the year end.

	2019	2018
	£'000	£'000
Assets held for sale		
Balance held at 1st April	-	-
Transfer from investment property	**1,250**	-
Balance held at 31 March	**1,250**	-

An asset was identified by the board as available for sale and was reclassified as an asset held for sale at carrying value during the year to March 2019.

8 Investments

	Investment in subsidiaries £000
At 31 March 2018 and 31 March 2019	-

The Company holds the following investments in subsidiaries (directly or indirectly):

Name	**Registration Number**	**Country of registration**	**Description of ordinary shares held**	**Nature of business**
Prestwick Airport Infrastructure Ltd	SC340772	Scotland	100% of share capital	Landowner
Aviation House, Glasgow Prestwick Intnl Airport, Prestwick, Ayrshire, KA9 2PL				
Prestwick Airport Property Limited	SC356862	Scotland	100% of share capital	Dormant
Aviation House, Glasgow Prestwick Intnl Airport, Prestwick, Ayrshire, KA9 2PL				

9 Debtors

	2019 £000	2018 £000
Trade debtors	**491**	482
	491	482

10 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Amounts owed to group undertakings	**2,104**	2,156
Accruals and deferred income	**1,330**	2,373
Other taxes and social security	**223**	73
	3,657	4,602

11 Creditors: amounts falling after more than one year

Deferred government grants

	2019	2018
	£000	£000
At beginning of year	**8**	16
Released to profit and loss account	**(8)**	(8)
At end of year	**-**	8

12 Capital and reserves

Share capital

	Ordinary shares	
	2019	2018
	£000	£000
Allotted, issued and fully paid		
£23,852,035 *(2018: 23,852,035)* ordinary shares of £1 each	**23,852**	23,852

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.

13 Commitments

Capital commitments

During the year ended 31 March 2019, the Company entered no contracts to purchase property, plant and equipment.

Operating leases –lessor

The investment properties are let under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2019	2018
	£000	£000
Less than one year	**938**	1,271
Between one and five years	**1,910**	1,660
More than five years	**-**	-
	2,848	2,931

During the year £1,689,000 *(2018: £1,467,000)* was recognised as rental income by the Company.

14 Related Parties

As the company was a wholly owned subsidiary of TS Prestwick Holdco Ltd at 31 March 2019, 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 15.

15 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 and only 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.

16 Securitisation

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

17 Subsequent Events

There are no subsequent events which require to be disclosed.