Infratil Kent Facilities Limited

Directors' report and financial statements
Registered number SC136162
31 March 2011

Contents

Directors' report

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

Principal activity and business review

The principal activity of the company is that of a property company providing facilities to the operator and users of Kent International Airport. The results for the year are set out on page 4.

Dividend

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

Going concern

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

Directors

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

HRL Morrison
DAR Newman
P Ridley-Smith (resigned 15 April 2011)
S Fitzgerald
I Cochrane
TM Wilson (appointed 1 April 2011)

Financial instruments

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

Disclosure of information to auditors

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

Auditors

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

By order of the board

I Cochrane
Director

Glasgow Prestwick Airport
Prestwick
KA9 2PL

16th December 2011

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

KPMG LLP
191 West George Street
Glasgow
G2 2LJ
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFRATIL KENT FACILITIES LIMITED

We have audited the financial statements of Infratil Kent Facilities Limited for the year ended 31 March 2011 set out on pages 4 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:
• give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended;
• have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
• adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
• the financial statements are not in agreement with the accounting records and returns; or
• certain disclosures of directors' remuneration specified by law are not made; or
• we have not received all the information and explanations we require for our audit.

P Galloway

P Galloway (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
22 December 2011

Profit and loss account
for the year ended 31 March 2011

	Note	**2011**	2010
		£000	£000
Turnover	*1*	**1,234**	1,399
Cost of sales (including impairment of fixed assets of £3,189,000 (2010: £nil))		**(4,247)**	(1,148)
Gross (loss)/profit and Operating (loss)/profit		**(3,013)**	251
Interest payable and similar charges	*4*	**(669)**	(725)
Loss on ordinary activities before taxation	*2*	**(3,682)**	(474)
Tax on loss on ordinary activities	*5*	**109**	(214)
Loss for the financial year	*11*	**(3,573)**	(688)

All activities of the company are continuing.

Balance sheet
at 31 March 2011

	Note	**2011**	2010
		£000	£000
Fixed assets			
Investment property	6	**3,200**	3,100
Tangible assets	7	**15,000**	18,173
		18,200	21,273
Creditors: amounts falling due within one year	8	**(22,679)**	(21,527)
Net current liabilities		**(22,679)**	(21,527)
Total assets less current liabilities		**(4,479)**	(254)
Provision for liabilities and charges	9	**-**	(208)
Net liabilities		**(4,479)**	(462)
Capital and reserves			
Called up share capital	*10*	**-**	-
Revaluation reserve	*11*	**200**	644
Profit and loss account	*11*	**(4,679)**	(1,106)
Shareholders' deficit	*12*	**(4,479)**	(462)

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

I Cochrane
Director

Note of historical cost profits and losses
for the year ended 31 March 2011

	2011	2010
	£000	£000
Reported loss on ordinary activities before taxation	**(3,682)**	(474)
Impairment of assets based on revalued amounts	**3,189**	-
Historical cost loss on ordinary activities before taxation	**(493)**	(474)
Historical cost loss for the year retained after taxation	**(384)**	(688)

Statement of total recognised gains and losses
for the year ended 31 March 2011

	2011	2010
	£000	£000
Loss for the financial year	**(3,573)**	(688)
Revaluation of fixed assets	**(444)**	100
Total recognised gains and losses relating to the financial year	**(4,017)**	(588)

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 modified by the revaluation of fixed assets.

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £22,679,000 and net liabilities of £4,479,000 which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by group companies. The company's immediate parent undertaking, Infratil Airports Europe Limited, has indicated that for at least twelve months from the date of approval of these financial statements or, if shorter, for as long as the company remains a wholly owned subsidiary of the parent company, it will continue to make available such funds as are needed by the company to pay its liabilities as they fall due and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on 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.

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.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives 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
Motor vehicles	-	4 years

No depreciation is provided on freehold land.

The company has adopted a policy of revaluation for fixed assets. Under this policy fixed assets will be subject to a full revaluation at least every five years with an interim valuation carried out in the third year after each revaluation. A valuation may be carried out at an earlier date should events or changes in circumstances indicate that the carrying amount may not be recoverable. In accordance with FRS 15, as the depreciation lives of certain assets exceed 50 years an annual impairment review is also performed.

Investment properties

The investment property is defined as a property held for its investment potential. This property is held in the balance sheet at its open market value at the balance sheet date on the basis of a directors' or external valuation.

In accordance with Statement of Standard Accounting Practice No 19 Accounting for investment properties i) investment properties are revalued annually at open market. Surpluses and deficits arising and the aggregate surplus or deficit is transferred to the revaluation reserve except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year; and ii) no depreciation or amortisation is provided in respect of freehold investment properties.

Notes *(continued)*

1 Accounting policies *(continued)*

Investment properties (continued)

This treatment, as regards certain of the company's investment properties, 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 the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Taxation

The charge for taxation is based on the result 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 that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Classification of financial instruments issued by the company

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Turnover

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

2 Loss on ordinary activities before taxation

	2011	2010
	£000	£000
Loss on ordinary activities before taxation is stated after charging		
Depreciation and other amounts written off tangible fixed assets	**1,058**	1,148
Impairment of fixed assets	**3,189**	-
Audit of these financial statements (borne by the parent undertaking)	**6**	6

Notes *(continued)*

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 year in respect of their services to the company.

4 Interest payable and similar charges

	2011 £000	2010 £000
On inter group loans	**669**	725

5 Taxation

(a) Analysis of taxation

	2011 £000	2010 £000
UK corporation tax		
Current tax on loss for the year (group relief receivable at 28% (2010: 28%))	**99**	88
Deferred tax:		
Origination or reversal of timing differences	**(188)**	(160)
Adjustments in respect of prior periods	**(5)**	286
Adjustment in respect of different tax rates	**(15)**	-
	(208)	126
Total tax (credit) / charge	**(109)**	214

(b) Factors affecting the tax charge

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

	2011 £000	2010 £000
Loss on ordinary activities before tax	**(3,682)**	(474)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 28% (2010: 28%)	**(1,031)**	(132)
Effects of:		
Depreciation in excess of capital allowances	**188**	160
Depreciation/impairment of ineligible assets	**996**	161
Disallowable expenditure and other permanent differences including IBA's	**(194)**	(101)
Difference in tax rates	**24**	-
Deferred tax asset not recognised	**116**	-
	99	88

Notes *(continued)*

5 Taxation *(continued)*

The company has a deferred tax asset of £116,000 (2010: £nil) relating to accelerated capital allowances which has not been recognised due to uncertainty over their recoverability.

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24 % over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 27 July 2010 and is effective from 1 April 2011. The Budget on 25 March 2011 announced an incremental rate reduction from 27% to 26% to apply from 1 April 2011. This will reduce the company's future current tax charge accordingly. The rate change to 26% has been incorporated in these financial statements. If the rate change from 26% to 25% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the unrecognised deferred tax liability at that date by £5,000. It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liabilities accordingly.

6 Investment Properties

	2011	2010
	£000	£000
At beginning of year	**3,100**	3,000
Revaluation during year	**100**	100
At end of year	**3,200**	3,100

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

Notes *(continued)*

7 Tangible Fixed Assets

	Property	Plant and machinery	Assets under construction	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	14,656	4,388	141	136	19,321
Additions	248	284	1,079	7	1,618
Revaluation	(4,058)	(1,781)	-	(100)	(5,939)
At end of year	10,846	2,891	1,220	43	15,000
Depreciation					
At beginning of year	(555)	(528)	-	(65)	(1,148)
Charge for year	(565)	(470)	-	(23)	(1,058)
Revaluation	1,120	998	-	88	2,206
At end of year	-	-	-	-	-
Net book value					
At 31 March 2011	**10,846**	**2,891**	**1,220**	**43**	**15,000**
At 31 March 2010	14,101	3,860	141	71	18,173

Included in property is land, valued at £1,257,000 *(2010: £1,597,000)*, which is not depreciated.

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

Historical cost information

This information relates to both investment properties and tangible fixed assets.

	2011	2010
	£000	£000
Historical cost of revalued assets	**27,537**	25,919
Aggregate depreciation thereon	**(6,153)**	(5,095)
Impairment charge	**(3,384)**	(195)
Historical cost net book value	**18,000**	20,629

Notes *(continued)*

8 Creditors: amounts falling due within one year

	2011	2010
	£000	£000
Amounts due to group undertakings	**22,679**	21,527

9 Provisions for liabilities and charges

Deferred Tax

	2011	2010
	£000	£000
Accelerated capital allowances	**-**	208

Deferred taxation at 26% (*2010: 28%*) is provided as follows:

	2011	2010
	£000	£000
Balance at beginning of the year	**208**	82
(Credit) / Charge for the year	**(208)**	126
Balance at the end of the year	**-**	208

The amount of unprovided deferred tax on capital gains that might arise if the fixed assets were to be sold at their current carrying value is £0.01 million (2010: £0.2 million).

10 Called up share capital

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

Notes *(continued)*

11 Reserves

	Profit and loss account	Revaluation reserve	Total
	£000	**£000**	**£000**
At beginning of year	(1,106)	644	(462)
Revaluation of fixed assets	-	(444)	(444)
Loss for the financial year	(3,573)	-	(3,573)
At end of year	**(4,679)**	**200**	**(4,479)**

12 Reconciliation of movement in shareholders' funds

	2011	2010
	£000	£000
Loss for the financial year	**(3,573)**	(688)
Revaluation (deficit) / surplus	**(444)**	100
Net reduction in shareholders' funds	**(4,017)**	(588)
Opening shareholders' funds	**(462)**	126
Closing shareholders' deficit	**(4,479)**	(462)

13 Related party disclosures

As the company is a wholly owned subsidiary of Infratil Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of that group (or investees of the group qualifying as related parties). The consolidated financial statements of Infratil Limited can be obtained from the address given in note 14.

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

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