Kent Facilities Limited (formerly Infratil Kent Facilities Limited)

Directors' report and financial statements
Registered number SC136162
31 March 2013

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2013.

Change of name

On 29 November 2013, and pursuant to the entire share capital of the company being acquired by Manston Skyport Limited, the company changed its name from Infratil Kent Facilities Limited to Kent Facilities Limited.

Principal activity and business review

The principal activity of the company is in providing facilities to the operator of Manston, Kent's International Airport, which is a fellow subsidiary undertaking, including property, plant, equipment and vehicles. The results for the year are set out on page 5; these continue to be impacted by the impairment of the company's tangible fixed assets.

Given its location and infrastructure quality, the directors believe Manston Airport can play a significant role in satisfying the medium to longer term runway capacity issues in the South East of England and the airport continues to take an active involvement in all discussions relating to this.

The directors appointed following the change in ownership are in the process of conducting a comprehensive review of the business with a view to determining the nature, level and timing of the investment necessary to enable the airport to be developed fully as an international airport venue.

Going concern

The directors have reviewed the company's financial position and, on the basis of a confirmation of support from its immediate parent, Manston Skyport Limited, are satisfied that the company is able to manage its affairs for the foreseeable future.

Financial instruments

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

Dividend

The directors do not propose the payment of a dividend in respect of the current year *(2012: £Nil).*

Share capital

On 14 October 2013 the company issued 22,916,683 fully paid ordinary shares of £1 to its then parent, Infratil Airports Europe Limited, at par, with the consideration being provided from the capitalisation of intra-group loans.

Change of control

On 29 November 2013, the entire issued share capital of the company was acquired by Manston Skyport Limited, a company registered in Scotland.

Directors

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

C Buchanan	(appointed 23 May 2012)
I Cochrane	(resigned 29 November 2013)
S Fitzgerald	(resigned 29 November 2013)
AB Mackinnon	(appointed 29 November 2013)
DAR Newman	(resigned 14 October 2013)
P Walker	(appointed 23 May 2012, resigned 29 November 2013)
TM Wilson	(resigned 29 November 2013)
AJM Welch	(appointed 29 November 2013)

Directors' report *(continued)*

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

AB Mackinnon
Director

50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

20 January 2014

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

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

Independent auditor's report to the members of Kent Facilities Limited (formerly Infratil Kent Facilities Limited)

We have audited the financial statements of Kent Facilities Limited (formerly Infratil Kent Facilities Limited) for the year ended 31 March 2013 set out on pages 5 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 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 3, 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 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 2013 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, 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.

Martin Ross (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

20 February 2014

Profit and Loss Account
for the year ended 31 March 2013

	Note	2013 £000	2012 £000
Turnover	*1*	**1,192**	1,626
Cost of sales (including impairment of fixed assets of £4,095,000 *(2012: £4,045,000)*)		**(4,975)**	(4,914)
Gross loss and operating loss		**(3,783)**	(3,288)
Interest payable and similar charges	*4*	**(726)**	(704)
Loss on ordinary activities before taxation	*2*	**(4,509)**	(3,992)
Tax on loss on ordinary activities	*5*	**47**	(220)
Loss for the financial year	*10*	**(4,462)**	(4,212)

All activities of the company are continuing.

Statement of Total Recognised Gains and Losses
for the year ended 31 March 2013

	2013 £000	2012 £000
Loss for the financial year	**(4,462)**	(4,212)
Revaluation of tangible fixed assets	**(100)**	(100)
Total recognised losses relating to the financial year	**(4,562)**	(4,312)

Balance Sheet
at 31 March 2013

	Note	2013 £000	2012 £000
Fixed assets			
Tangible assets	6	**11,000**	15,100
Creditors: amounts falling due within one year	7	**(22,078)**	(23,891)
Net current liabilities		**(22,078)**	(23,891)
Total assets less current liabilities		**(11,078)**	(8,791)
Creditors: amounts falling due after more than one year	8	**(2,275)**	-
Net liabilities		**(13,353)**	(8,791)
Capital and reserves			
Called up share capital	9	-	-
Revaluation reserve	10	-	100
Profit and loss account	10	**(13,353)**	(8,891)
Shareholders' deficit	11	**(13,353)**	(8,791)

These financial statements were approved by the board of directors on 20 January 2014 and were signed on its behalf by:

AB Mackinnon
Director

Company registered number: Registered number SC136162

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 financial statements, except as noted below.

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 liabilities of £13.4 million, which the directors believe to be appropriate for the following reasons. On 14 October 2013 the company issued 22,916,683 fully paid ordinary shares of £1 to its then parent, Infratil Airports Europe Limited, at par, with the consideration being provided from the capitalisation of intra-group loans and on 29 November 2013 the company's entire share capital was sold to Manston Skyport Limited for a nominal consideration. The company is dependent for its working capital on funds provided to it by Manston Skyport Limited, the company's new immediate parent. Manston Skyport Limited has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of amounts already made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the undertaking from Manston Skyport Limited, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being 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 recoverable amount 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.

Assets under construction are transferred to the relevant asset category when they become operational and are depreciated from that date.

The company has adopted a policy of revaluation for its tangible fixed assets other than investment properties; 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 with an interim valuation carried out in the third year after each full 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. Impairment losses are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost, after which they are recognised in the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

Reversals of impairment

Where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset the resultant reversal of the impairment loss is recognised in the profit and loss account, to the extent it reverses impairment losses recognised previously in the profit and loss account and, thereafter, in the statement of recognised gains and losses.

Investment property

Investment properties are defined as properties held for their investment potential. Such properties are held in the balance sheet at their open market value at the balance sheet date on the basis of an external valuation.

In accordance with SSAP 19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve until the carrying amount reaches the asset's historic cost at which point deficits are recognised in the profit and loss account; and (ii) no depreciation or amortisation is provided in respect of heritable investment properties. 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.

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

Turnover

Turnover represents the charge to a fellow subsidiary undertaking for the exclusive use of the company's property.

2 Loss on ordinary activities before taxation

	2013	2012
	£000	£000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	**932**	869
Impairment of fixed assets	**4,095**	4,045

Auditor's remuneration:

	2013	2012
	£000	£000
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 prior year.

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

4 Interest payable and similar charges

	2013 £000	2012 £000
On intercompany loans	**726**	704

5 Taxation

Analysis of credit/charge in period

	2013 £000	2012 £000
UK corporation tax		
Current tax on loss for the year	**(47)**	220
Total tax (credit)/charge	**(47)**	220

Factors affecting the tax (credit)/charge

The current tax (credit)/charge for the year is lower *(2012: higher)* than the standard rate of corporation tax in the UK (24%, *2012: 26%*). The differences are explained below.

	2013 £000	2012 £000
Loss on ordinary activities before tax	**(4,509)**	(3,992)
Current tax at 24% *(2012: 26%)*	**(1,082)**	(1,038)
Effects of:		
Depreciation in excess of capital allowances	**388**	-
Depreciation/impairment of ineligible assets	**145**	660
Disallowable expenditure	**151**	-
Difference in tax rates	**12**	45
Deferred tax asset not recognised	**385**	553
Other timing differences	**(69)**	-
Impact of tax rate on land remediation credits claimed	**23**	-
Total current tax (credit)/charge	**(47)**	220

Notes *(continued)*

5 Taxation *(continued)*

The company has a deferred tax asset, primarily in respect of losses and other timing differences, of £1,504,000 *(2012: £661,000)* which has not been recognised due to current uncertainty over its recoverability.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly and reduce the unrecognised deferred tax asset at 31 March 2013 (which has been calculated based on the rate of 23% substantively enacted at the balance sheet date).

It has not as yet been possible to quantify the full anticipated effect of the announced further reduction to 20%, although this will further reduce the company's future current tax charge and reduce the company's unrecognised deferred tax asset accordingly.

6 Tangible fixed assets

	Land and buildings (including investment property)	Plant and machinery	Assets under construction	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	10,690	1,929	2,464	17	15,100
Additions	118	891	-	18	1,027
Transfers	-	2,421	(2,421)	-	-
Revaluations	(2,733)	(2,181)	-	(30)	(4,944)
At end of year	8,075	3,060	43	5	11,183
Depreciation					
At beginning of year	-	-	-	-	-
Charge for year	(350)	(567)	-	(15)	(932)
Revaluation	350	384	-	15	749
At end of year	-	(183)	-	-	(183)
Net book value					
At 31 March 2013	**8,075**	**2,877**	**43**	**5**	**11,000**
At 31 March 2012	10,690	1,929	2,464	17	15,100

Land and buildings at 31 March 2012 included land held as investment property at a value of £3,100,000. The valuation of land and buildings at 31 March 2013 includes this land as part of the aggregate valuation figure of £8,075,000.

Notes *(continued)*

6 Tangible fixed assets *(continued)*

As explained in note 13, on 29 November 2013 the ownership of the company changed. The directors appointed following the change in ownership are currently undertaking a comprehensive review of the company's business with a view to determining the required level of investment necessary to enable the company's main operating asset to be developed fully as an international airport. It is likely to be some time before this review is complete and, hence, before the detailed investment plans can be finalised and implemented. Until such time as these investment plans are determined, it is not possible for the directors to make accurate assumptions with regard to prospective freight levels, passenger numbers and/or future capital expenditure levels necessary to accommodate the development of the airport as an international departure and destination location. These assumptions are critical elements of any 'value in use' assessment as at 31 March 2013 and as a result of this, combined with the change in ownership, where the shares of the company changed hands for a nominal amount, the previous value in use assumptions are no longer appropriate.

Accordingly, and in the absence of the aforementioned business review being conducted to enable an up to date 'value in use' based recoverable amount to be determined, following their appointment the current directors of the company commissioned an independent valuation of the company's land and buildings assets, as at 31 March 2013, on an alternative use basis, having regard to potential asset disposal values which the directors believe is likely to represent 'minimum value' attributable to such assets. The directors have therefore used this valuation, undertaken by Savills, chartered surveyors, in determining 'recoverable amount' as at 31 March 2013.

The directors have separately undertaken a review of the company's plant and machinery assets as at 31 March 2013 and have estimated the recoverable amount of those assets as at 31 March 2013. Plant and machinery assets at 31 March 2013 include a new radar installation which has been constructed on the company's existing land and which was finally commissioned in July 2012; this was previously held as an 'asset under construction'. A non-refundable financial contribution was received in relation to the construction of this asset, which is included as part of accruals and deferred income and which is being amortised in line with the depreciation of the relevant asset. As at 31 March 2013 the radar tower is included in the financial statements at a 'recoverable amount' of £2,703,809, this being equivalent to the unamortised carrying value of the non-refundable funding received by the company in relation to the construction of the asset.

Historical cost information

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

	2013	2012
	£000	£000
Historical cost of revalued assets	**30,518**	29,451
Aggregate depreciation thereon	**(7,894)**	(7,022)
Impairment against historical cost	**(11,624)**	(7,429)
Historical cost net book value	**11,000**	15,000

7 Creditors: amounts falling due within one year

	2013	2012
	£000	£000
Amounts due to group undertakings	**20,908**	23,891
Accruals and deferred income	**1,170**	-
	22,078	23,891

Notes *(continued)*

7 Creditors: amounts falling due within one year *(continued)*

As explained in note 13, subsequent to the balance sheet date amounts owed to group undertakings were capitalised as consideration for the issue of new shares in the company.

8 Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Accruals and deferred income	**2,275**	-

9 Called up share capital

	2013 £	2012 £
Allotted, issued and fully paid		
2 ordinary shares of £1 each	**2**	2

As explained in note 13, the share capital of the company was increased subsequent to the year end through the capitalisation of intra group indebtedness.

10 Reserves

	Profit and loss account £000	Revaluation reserve £000
At beginning of year	(8,891)	100
Loss for the financial year	(4,462)	-
Revaluation deficit	-	(100)
At end of year	**(13,353)**	**-**

11 Reconciliation of movement in shareholders' deficit

	2013 £000	2012 £000
Loss for the year	**(4,462)**	(4,212)
Revaluation deficit	**(100)**	(100)
Net increase in shareholders' deficit	**(4,562)**	(4,312)
Opening shareholder's deficit	**(8,791)**	(4,479)
Closing shareholders' deficit	**(13,353)**	(8,791)

The deficit in shareholders' funds was reduced subsequent to the balance sheet date through the issue of new shares the consideration in respect of which was satisfied through the elimination of intra-group indebtedness.

Notes *(continued)*

12 Guarantees and other financial commitments

There were commitments for capital expenditure totalling £Nil at 31 March 2013 *(2012: £857,000).*

13 Post balance sheet events

On 14 October 2013 the company issued 22,916,683 fully paid ordinary shares of £1 to its then parent, Infratil Airports Europe Limited, at par, with the consideration being provided from the capitalisation of intra-group loans.

On 29 November 2013, the entire issued share capital of the company was acquired by Manston Skyport Limited, a company registered in Scotland, for a nominal sum.

14 Related party disclosures

As the company was a wholly owned subsidiary of Infratil Limited at 31 March 2013, 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 group's registered office, 5 Market Lane, PO Box 320, Wellington 6140, New Zealand or from the group's website www.infratil.com.

15 Ultimate parent company

Pursuant to the acquisition of the entire share capital of the company by Manston Skyport Limited on 29 November 2013, the Company is a subsidiary undertaking of Highland Global Transport Limited which is the ultimate parent company incorporated in the United Kingdom.