TS Prestwick Holdco Ltd (formerly Macrocom (1033) Limited)

Annual report and consolidated financial statements

Registered number SC462050

31 March 2015

Contents

Strategic Report

The directors present their strategic report for the 17 month period from incorporation on 22 October 2013 to 31 March 2015.

Principal activity and business review

The principal activity of the group is the ownership and operation of Glasgow Prestwick Airport.

The company was formed on 22 October 2013 and changed its name from Macrocom (1033) Limited to TS Prestwick Holdco Ltd on 14 November 2013. The company is an entity wholly owned by Scottish Ministers and commenced trading on 22 November 2013 when it acquired Prestwick Aviation Holdings Limited for a cash consideration of £1. Prestwick Aviation Holdings Limited and its subsidiary companies, as detailed in note 12, collectively form Glasgow Prestwick Airport.

The consolidated accounts cover the 17 month reporting period from incorporation, though the trading period is the 16 months from 22 November 2013 to 31 March 2015. The key results from this period are summarised in the following table:

	Key results of the 16 month trading period			Comparative (2)
	4 months to 31 March 14	12 months to 31 March 15	**16 months to 31 March 15**	*12 months to 31 March 14 (2)*
	£m	£m	**£m**	*£m*
Turnover	3.2	12.4	**15.6**	11.8
Costs	(5.9)	(21.3)	**(27.2)**	(16.4)
Loss before Tax	(2.7)	(8.9)	**(11.6)**	*(4.6)*
Costs include:				
Exceptional items	(0.8)	(4.5)	**(5.3)**	(0.2)
Interest & other cost	-	(0.3)	**(0.3)**	(0.5)
Adjusted EBITDA (1)	(1.9)	(4.1)	**(6.0)**	*(3.9)*

(1) Adjusted EBITDA is the best indicator of underlying trading performance and is calculated as earnings before interest, taxation, depreciation, amortisation, grant income and exceptional items
(2) The comparative figures for the 12 months to 31 March 14 are taken from the consolidated financial statements of Prestwick Aviation Holdings Limited and are for comparative purposes only.

For the 16 month trading period the consolidated accounts report a loss before tax of £11.6million, though it should be noted this period covers 2 winter seasons when the airport trading losses are at their greatest due to the lower passenger volumes. Whilst the group has a broad revenue base and has seen positive signs in a number of areas including freight, tech stops, military activity and property the largest driver of revenue is linked to passenger volumes and the associated passenger spend. The load factors on the routes flown have increased over the period though unfortunately the number of flights serving these routes has seen an overall decline as total capacity has been reduced. This will be more severely felt in the next financial year to 31 March 2016 following Ryanair's decision to open a base at Glasgow Airport from October 2014 and transfer some activity from Prestwick. Actual spend per passenger has increased over the period though ultimately the volume reductions have impacted on the overall contribution. The operating cost base has remained broadly consistent with labour costs over 50% of the total expenditure.

Aside from the trading activity there are other exceptional non-trading factors which have a material impact on the profit and loss account, the largest of which is asset impairments as outlined in Note 6. In line with the current accounting policies the directors are required to consider the holding value of the fixed assets of the group. Deloitte LLP were engaged to provide an external valuation of the investment properties, whilst the directors have considered the estimated cash generating capability of the airport as a whole, together with earlier valuations, in order to assess the value of the tangible fixed assets. These considerations have resulted in the fixed assets being impaired to a value of £1 million, with investment properties valued at £3 million. A total impairment charge of £5.3 million has been recognised in the profit and loss account for the period.

Strategic Report *(continued)*

Principal activity and business review *(continued)*

Focusing on the underlying trading performance, measured by adjusted EBITDA, for the 12 month period ended 31 March 2015 and comparing this to the preceding 12 month period performance as reported in the consolidated financial statements of Prestwick Aviation Holdings Limited there is a small deterioration in the loss from £3.9 million to £4.1 million.

Looking forward the group has recently announced the appointment of 4 Non-Executive Directors to the Prestwick Aviation Holdings Limited Board to complement the Non-Executive Chairman, appointed in December 2014, and the airport Executive Directors and wider team. The airport is a front runner in the process to become the first designated UK Spaceport and is continually looking for opportunities to maximise both income and the broad scope and opportunity offered as a strategic national asset. It is anticipated that these positive steps will be the first of many for the airport on a journey that will ultimately lead to a return to private sector ownership.

Business risks and uncertainties

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

- **Air Passenger Duty:** the current level of taxation has impacted adversely on passenger traffic at the airport and in Scotland in general. Changes to the UK Aviation policy leading to a reduction in or removal of Air Passenger Duty would facilitate future passenger growth and the airport welcomes the proposals contained within the Scotland Bill currently being debated within the UK Parliament.
- **Operational disruption:** the airport continues to develop and refine its business continuity plans and has the competitive advantage of being flexible and able to react quickly. This is particularly demonstrated during the winter periods when the airport frequently handles aircraft diverted from other UK airports due to the weather. The airport has strong relationships with all of the major carriers and UK authorities and continues to develop these.
- **Commercial relationships:** the group actively manages all of its customer relationships and partnerships, whilst having regard to the contribution from Ryanair as a wider member of the airport community with its MRO hangars as well as being the principal passenger carrier at the airport. The relationship with Ryanair remains strong and work is on-going to deliver a growth in offering from Prestwick, though the directors are aware that their strategic direction is evolving and needs careful monitoring.
- **Competition:** the airport competes with other airports but its structure enables it to offer an excellent value and flexible option to airlines through its 24 hour operations and available runway capacity. The airport is able to offer competitive pricing along with fast and efficient handling.

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

- **Business development:** the airport is in regular communication with a variety of airlines and operators, as well as the military and other commercial partners as it strives to attract new business. The airport is the only rail connected Scottish airport, with excellent overland access to the whole of Scotland and the North of England. It has passenger growth opportunity within its core catchment area as well as the potential to double the current throughput from its wider catchment area. The airport offers exceptional value, capacity and flexibility combined with a recognised high quality of service and operations supported by a good weather record.
- **Environmental:** the group endeavours to implement good practice in respect of its surrounding environment, which is reviewed and assessed regularly in conjunction with the relevant authorities. Aviation continues to receive significant focus in regard to carbon footprint with the airlines using Glasgow Prestwick having some of the newest and most efficient aircraft in the world. The airport is directly investing in measures such as LED lighting to deliver future benefits.
- **Health and Safety:** the airport endeavours to have leading health and safety compliance and works closely with its employees and external agencies to implement best practice policies and guidelines. The airport has focused for a number of years on working with employees in improving health and reducing absence. Accident rates are at a very low level due to continued focus on this area.

Strategic Report *(continued)*

Business risks and uncertainties *(continued)*

- **Community:** the airport recognises the critical role it plays in the prosperity of the local community and actively engages with key stakeholders, local businesses, schools, charity and volunteer groups.

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

Key metrics of the 16 month trading period

	4 months to 31 March 14	12 months to 31 March 15	**16 months to 31 March 15**	**Measure**
Financial	£m	£m	**£m**	
Turnover	3.2	12.4	**15.6**	Total Revenue
Adjusted EBITDA	(1.9)	(4.1)	**(6.0)**	Earnings before interest, taxation, depreciation, amortisation, grant income and exceptional items
Non - Financial				
Passengers ('000)	192	827	**1,019**	Total arriving and departing passengers
Freight tonnes	3,769	12,379	**16,148**	Total imported and exported freight
Reportable incidents	1	5	**6**	The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

By order of the board

I Cochrane
Director

Buchanan House
58 Port Dundas Road
Glasgow
G4 0HF
6 July 2015

Directors' report

Proposed dividend

The directors do not propose the payment of a dividend in respect of the current period.

Directors

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

J Nicholls	appointed 15 November 2013
I Cochrane	appointed 26 August 2014
A Miller	appointed 1 December 2014
R Brannen	appointed 1 December 2014
S Fairweather	appointed 15 November 2013; resigned 1 December 2014
D Middleton	appointed 15 November 2013; resigned 1 December 2014
A Kelly	appointed 22 October 2013; resigned 15 November 2013

Financial instruments

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

Employees

The group recognises its obligations to give disabled people full and fair consideration for all vacancies subject to the statutory medical requirements which have to be met for certain grades of staff. Wherever reasonable and practicable, the company will retain existing employees who become disabled and at the same time provide fair opportunities for the career development of disabled people.

During the period under review, arrangements have been maintained whereby employees of the group are systematically provided with information on matters of concern to them as employees. Consultation with representatives of staff has also continued to take place on a regular basis, so that the views of employees can be taken fully into account in making decisions which are likely to affect their interests.

Disclosure of information to auditor

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

Auditor

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

By order of the board

I Cochrane
Director

Buchanan House
58 Port Dundas Road
Glasgow
G4 0HF
6 July 2015

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TS PRESTWICK HOLDCO LTD (formerly MACROCOM (1033) LIMITED)

We have audited the financial statements of TS Prestwick Holdco Ltd (formerly Macrocom (1033) Limited) for the 17 month period ended 31 March 2015 set out on pages 7 to 21. 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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2015 and of the group's loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

8 July 2015

Consolidated profit and loss account
for the 17 month period ended 31 March 2015

	Note	Before exceptional items for the 17 month period ended 31 March 2015 £000	Exceptional items (note 6) for the 17 month period ended 31 March 2015 £000	**Total for the 17 month period ended 31 March 2015 £000**
Group turnover	2	15,620	-	**15,620**
Cost of sales		(20,606)	(5,259)	**(25,865)**
Gross loss		(4,986)	(5,259)	**(10,245)**
Administrative expenses		(1,109)	-	**(1,109)**
Group operating loss		(6,095)	(5,259)	**(11,354)**
Interest payable and similar charges	7	(270)	-	**(270)**
Loss on ordinary activities before taxation	3	(6,365)	(5,259)	**(11,624)**
Tax on loss on ordinary activities	8	-	-	**-**
Loss for the period	19	(6,365)	(5,259)	**(11,624)**

All of the group's activities in the period relate to activities as a result of acquisition and are continuing.

The company's result for the period was £nil.

Balance sheets
at 31 March 2015

	Note	Group 2015 £000	Company 2015 £000
Fixed assets			
Investment property	9	3,010	-
Tangible assets	10	1,000	-
Negative goodwill	11	(2,847)	-
Investments	12	-	-
		1,163	-
Current assets			
Stocks	13	176	-
Debtors	14	2,348	-
Cash at bank and in hand		1,731	-
		4,255	-
Creditors: amounts falling due within one year	15	(16,840)	-
Net current (liabilities) / assets		(12,585)	-
Total assets less current liabilities		(11,422)	-
Creditors: amounts falling due after more than one year	16	(32)	-
Net (liabilities) / assets		(11,454)	-
Capital and reserves			
Called up share capital	18	-	-
Revaluation reserve	19	170	-
Profit and loss account	19	(11,624)	-
Shareholder's (deficit) / funds		(11,454)	-

These financial statements were approved by the board of directors on 6 July 2015 and were signed on its behalf by:

I Cochrane
Director

Consolidated cash flow statement
for the 17 month period ended 31 March 2015

	Note	**For the 17 month period ended 31 March 2015 £000**	**For the 17 month period ended 31 March 2015 £000**
Net cash outflow from operating activities	*22 (a)*		**(4,644)**
Returns on investment and servicing of finance			
Interest paid		**(270)**	
Net cash outflow from returns on investment and servicing of finance			**(270)**
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(4,823)**	
Proceeds from disposal of investment properties		**668**	
Net cash outflow from capital expenditure and financial investment			**(4,155)**
Cash outflow before financing			**(9,069)**
Financing			
Loan from Transport Scotland on behalf of Scottish Ministers		**10,800**	
Net cash inflow from financing			**10,800**
Increase in cash in the period	*22 (b)*		**1,731**

Consolidated statement of total recognised gains and losses
for the 17 month period ended 31 March 2015

	For the 17 month period ended 31 March 2015 £000
Loss for the period	(11,624)
Revaluation of tangible fixed assets	170
Total recognised losses relating to the period	(11,454)

Reconciliation of movements in shareholder's funds
for the 17 month period ended 31 March 2015

	Group For the 17 month period ended 31 March 2015 £000	Company For the 17 month period ended 31 March 2015 £000
Loss for the financial period	(11,624)	-
Revaluation on fixed assets in the period	170	-
Net (reduction in) / addition to shareholder's funds	(11,454)	-
Shareholder's funds on incorporation	-	-
Closing shareholder's (deficit) / funds	(11,454)	-

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 group and 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 to include the revaluation of land and buildings.

The financial statements have been prepared on the going concern basis, notwithstanding the net current liabilities within the group of £12,585,000 and net liabilities of £11,454,000, which the directors believe to be appropriate recognising that the group is dependent for its working capital on financial support from Transport Scotland, on behalf of the Scottish Ministers.

Transport Scotland has provided an undertaking that for the foreseeable it will continue to make available such funds as are needed by the group to pay its liabilities as they fall due and in particular will not seek repayment of the amounts currently made available until the group is in a position to do so. The directors consider that this should enable the group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any group placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2015.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Fixed assets and depreciation *(continued)*

The group 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. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

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 than the resultant reversal of the impairment loss is recognised in the current period.

Investment property

Investment properties are defined as properties held for their investment potential; most of which are occupied. 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.

Goodwill

Negative goodwill arising on business combinations is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on acquisition are recovered, whether through depreciation or sale.

Government grants

Capital based government grants are included within creditors in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate. Other grants are credited to the profit and loss account when received.

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost less any provisions for impairments.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Foreign currencies

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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 recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Pension costs

The group operates a defined contribution stakeholder pension scheme which is available to all employees. The pension charge represents the amounts payable by the group to these funds in respect of the year. Any timing difference between amounts charged in the profit and loss account and paid to the pension funds is shown in the balance sheet as an asset or liability.

Turnover

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

Stocks

Stocks are stated at the lower of cost and net realisable value.

2 Segmental analysis and other information

Turnover is generated from the group's principal activity which is carried out in the UK.

3 Loss on ordinary activities before taxation

	For the 17 month period ended 31 March 2015 £000
Loss on ordinary activities before taxation is stated after charging/(crediting)	
Depreciation and other amounts written off tangible fixed assets	84
Hire of plant and machinery - rentals payable under operating leases	47
Amounts receivable by the auditor in respect of:	
Audit of financial statements	37
Tax compliance service	23
Grant release (note 16)	(8)

Notes *(continued)*

4 Remuneration of directors

	For the 17 month period ended 31 March 2015
	£000
Director's emoluments	16
Company contributions to defined contribution pension schemes	-
	16

The total remuneration of the highest paid director was £16,000, and company pension contributions of £100 were made on his behalf.

The directors received no other emoluments arising from their activities in connection with the business of the company.

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	For the 17 month period ended 31 March 2015
Administrative and managerial	21
Operational	273
	294

The aggregate payroll costs of these persons were as follows:

	For the 17 month period ended 31 March 2015
	£000
Wages and salaries	10,436
Social security costs	909
Other pension costs	273
	11,618

6 Exceptional items

	For the 17 month period ended 31 March 2015
	£000
Exceptional items comprise:	
Impairment of tangible fixed assets	4,739
Impairment of investment properties	520
	5,259

Notes *(continued)*

7 Interest payable and similar charges

	For the 17 month period ended 31 March 2015 £000
On bank and other loans	44
Loan from Transport Scotland on behalf of Scottish Ministers	226
	270

8 Taxation

(a) Analysis of taxation credit

	For the 17 month period ended 31 March 2015 £000
UK corporation tax	
Current tax on loss for the year	-

(b) Factors affecting the tax credit

The current tax credit is lower than the standard rate of corporate tax in the UK of 21.5%. The differences are explained below:

	For the 17 month period ended 31 March 2015 £000
Loss on ordinary activities before taxation	(11,624)
Loss on ordinary activities multiplied by standard rate of corporate tax in the UK of 21.5% *(2014: 23%)*	(2,499)
Effects of:	
Depreciation/impairment of ineligible assets	411
Depreciation in excess of capital allowances	250
Disallowable expenditure	(4)
Tax losses not recognised	1,771
Other timing differences	(3)
Differences in tax rates	74
Total corporation tax credit	-

(c) Factors that may affect future current and total tax charges

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. The unrecognised deferred tax asset at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

The group has deferred tax assets of £5.6 million relating to tax losses and £1.7 million relating to accelerated capital allowances which have not been recognised due to uncertainty over their recoverability.

Notes *(continued)*

9 Investment property

Group	**31 March 2015 £000**
On incorporation	-
Acquired in business combination	**3,800**
Revaluation	**(350)**
Disposals	**(440)**
At 31 March 2015	**3,010**

The investment property was valued as at 31 March 2015 with reference to an external valuation performed by Deloitte LLP. The Deloitte LLP 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.

10 Tangible fixed assets

Group	**Land and buildings £000**	**Plant and machinery £000**	**Motor vehicles £000**	**Assets in the course of construction £000**	**Total £000**
Cost or valuation					
On incorporation	-	-	-	-	-
Acquired in business combination	900	100	-	-	1,000
Additions	1,225	1,508	77	2,013	4,823
Impairment	(1,225)	(1,508)	(77)	(2,013)	(4,823)
At end of period	900	100	-	-	1,000
Depreciation					
On incorporation	-	-	-	-	-
Acquired in business combination	-	-	-	-	-
Charge for period	(34)	(45)	(5)	-	(84)
Impairment	34	45	5	-	84
At end of period	-	-	-	-	-
Net book value					
At 31 March 2015	**900**	**100**	**-**	**-**	**1,000**

Included in land and buildings is an amount of land valued at £433,000 which is not depreciated.

The tangible fixed assets were valued as at 31 March 2015 by the directors as part of a wider consideration of the operational assets of the TS Prestwick Holdco Ltd group, of which these tangible assets form part. Consideration was given to current market conditions, forward forecasts and previous valuations of the assets in recent years.

The valuation of assets is a key area of judgement and any changes in the directors' estimate of the present value of future cash flows, in the relevant discount rate, and/or in relevant external market data, could impact the carrying value of the tangible assets of the company.

Notes *(continued)*

10 Tangible fixed assets *(continued)*

The historical cost of revalued assets is as follows:

	31 March 2015
	£000
Historical cost of revalued assets	5,823
Aggregate depreciation thereon	(84)
Impairment against historical cost	(4,739)
Historical cost net book value	(1,000)

11 Negative goodwill

	Group
	31 March 2015
	£000
On incorporation	-
Acquired in business combination	(2,847)
At end of period	(2,847)

On 22 November 2013 TS Prestwick Holdco Ltd acquired the entire share capital of Prestwick Aviation Holdings Limited for a cash consideration of £1. Prestwick Aviation Holdings Limited and subsidiary companies, as detailed in note 12, collectively form Glasgow Prestwick Airport.

The assets and liabilities acquired are outlined below and result in negative goodwill.

Cash consideration (£1)	-
Fixed assets	4,800
Current assets	1,978
Current liabilities	(3,931)
Negative goodwill	(2,847)

The negative goodwill primarily arises as a result of the investment properties acquired upon the acquisition of Prestwick Aviation Holdings Limited and in accordance with FRS 10 will be released to the profit and loss account upon the sale of these properties.

Notes *(continued)*

12 Investments

Company	Investment in subsidiaries 31 March 2015 £000
On incorporation	-
Investment in subsidiaries	-
At 31 March 2015	-

Details of significant subsidiary undertakings (held directly or indirectly) are as follows:

Name	Country of registration	Description of shares held	Nature of business
Prestwick Aviation Holdings Ltd	Scotland	100% of share capital	Holding Company
Glasgow Prestwick Airport Ltd	Scotland	100% of share capital	Airport operation
Prestwick Airport Ltd	Scotland	100% of share capital	Property management
Prestwick Airport Infrastructure Ltd	Scotland	100% of share capital	Landowner
Prestwick Airport Property Limited	Scotland	100% of share capital	Dormant
Airport Driving Range Company Limited	Scotland	100% of share capital	Landowner

13 Stocks

	Group 31 March 2015 £000	Company 31 March 2015 £000
Raw materials and consumables	176	-

14 Debtors

	Group 31 March 2015 £000	Company 31 March 2015 £000
Amounts due within one year		
Trade debtors	1,605	-
VAT and other taxes	328	-
Prepayments and accrued income	415	-
	2,348	-

Notes *(continued)*

15 Creditors: amounts falling due within one year

	Group 31 March 2015 £000	Company 31 March 2015 £000
Trade creditors	557	-
Other taxes and social security	180	-
Accruals and deferred income	5,303	-
Loan from Transport Scotland on behalf of Scottish Ministers	10,800	-
	16,840	-

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

16 Creditors: amounts falling due after more than one year

	Group 31 March 2015 £000	Company 31 March 2015 £000
Accruals and deferred income - Government Grants	32	-

Government Grants comprise:

	31 March 2015 £000
On incorporation	-
Acquired in business combination	40
Released to profit and loss account	(8)
At end of period	32

17 Guarantees and other financial commitments

a) There were no commitments for capital expenditure at 31 March 2015.

b) The group and company has no commitments under operating leases.

Notes *(continued)*

18 Ordinary Share Capital

	31 March 2015 £000
Allotted, called up and fully paid	
1 ordinary share of £1 each	-

19 Reserves

Group	**Profit and loss account £000**	**Revaluation reserve £000**
On incorporation	-	-
Loss for the period	(11,624)	-
Revaluation of tangible fixed assets	-	170
At end of period	**(11,624)**	**170**

20 Pension Scheme

The pension scheme operated by the group is a defined contribution scheme. The pension cost charge for the period represents contributions payable to the scheme and amounted to £273,000. There are outstanding contributions at the end of the period of £31,000.

21 Related party disclosures

There are no related party transactions other than the group funding loans received from Transport Scotland on behalf of Scottish Ministers.

Notes *(continued)*

22 Cash flow statement

(a) Reconciliation of operating loss to net cash outflow from operating activities

	31 March 2015 £000
Operating loss	(11,354)
Depreciation	84
Impairment of fixed assets	4,739
Impairment of investment properties	520
Gain on sale of fixed assets	(228)
Grant release	(8)
Increase in stocks	24
Increase in debtors	(570)
Increase in creditors	2,149
Net cash outflow from operating activities	(4,644)

(b) Reconciliation of net cash flow to movement in net debt

	31 March 2015 £000
Increase in cash	1,731
Loan from Transport Scotland on behalf of Scottish Ministers	(10,800)
Movement in net debt in the period	(9,069)
Net debt on incorporation	-
Net debt at end of the period	(9,069)

(c) Analysis of net debt

	On incorporation £000	Cash Flow £000	At end of period £000
Cash at bank	-	1,731	1,731
Loan from Transport Scotland on behalf of Scottish Ministers	-	(10,800)	(10,800)
Total	-	(9,069)	(9,069)