Prestwick Aviation Holdings Limited

Annual report and consolidated
financial statements
Registered number SC130620
31 March 2014

Contents

Strategic Report

Principal activity and business review

The principal activity of the group is the ownership and operation of Glasgow Prestwick Airport, with Prestwick Aviation Holdings Limited being a holding company of various subsidiary companies as detailed in note 11. On 22 November 2013 Prestwick Aviation Holdings Limited was acquired by TS Prestwick Holdco Limited, an entity wholly owned by the Scottish Ministers, for a cash consideration of £1. The first accounting period of TS Prestwick Holdco Limited is to 31 March 2015 therefore for the year to 31 March 2014 the consolidated accounts for the companies collectively forming Prestwick Airport have been prepared by Prestwick Aviation Holdings Limited.

In the year to 31 March 2014 the consolidated accounts reported an operating loss of £4.2million *(2013: £21.4million).* The underlying trading performance of the group continues to be challenging with changes in commercial contracts mitigating the impact of increased passenger and freight volumes during the year. However as highlighted in note 3 the largest charge to the profit and loss account in recent years has been driven by asset impairments as the directors have considered the value of its tangible fixed assets, based on the estimated cash generating capability of the airport as a whole, in line with the group's accounting policies.

At 31 March 2014 the directors have assessed the carrying value of the tangible fixed assets and an impairment of £2.05 million has been incurred (*2013: £13.21million*). This impairment is significantly lower than previous years which have suffered substantial write-downs with the operational assets impaired to a value of £1million, which is consistent with the 31 March 2013 valuation. The directors have also reviewed the holding value of the grants received in earlier years in relation to the development of a number of these assets and have released a credit of £1.86 million to the profit and loss account in order to align the treatment with impairments of the underlying assets.

Business risks and uncertainties

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

- **Air Passenger Duty (APD):** The current level of taxation has impacted adversely on passenger traffic at the airport. Changes to the UK Aviation policy leading to a reduction in or removal of Air Passenger Duty would facilitate future passenger growth.
- **Passenger demand for air travel:** It continues to be a challenging time for the aviation industry and economic conditions are strongly influencing both passenger and carrier behaviour with a number of aircraft being grounded over the winter periods and route viability critically assessed. The industry has shown that despite major setbacks it can bounce back strongly and passenger demand for low cost air travel is forecast to increase over the long term.
- **Operational disruption:** the airport continues to develop and refine its business continuity plans and has the competitive advantage of being flexible and able to react quickly. This is particularly demonstrated during the winter periods when the airport frequently handles aircraft diverted from other UK airports due to the weather. The airport has strong relationships with all of the major carriers and UK authorities and continues to develop these.
- **Commercial relationships:** the company actively manages all of its customer relationships and partnerships, whilst having regard to the contribution from Ryanair as a member of the airport community with its MRO hangars as well as being the major low cost carrier at the airport. The underlying relationship with Ryanair remains strong despite the challenges presented by the lower volume of flights for the forthcoming financial year.
- **Competition:** the airport competes with other airports but its structure enables it to offer a low cost and flexible option to airlines through its 24 hour operations and available runway capacity. The airport is able to offer competitive pricing along with fast and efficient handling.

Strategic Report *(continued)*

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, amongst others as it strives to attract new business to the airport and grow both passenger and freight volumes. The airport is the only rail connected Scottish airport, with excellent overland access to the whole of Scotland and the North of England, and has a catchment area covering 80% of the Scottish population. The key competitive advantage that the airport has over its competitors is exceptional value, capacity and flexibility of operations combined with a high quality of service and operations supported by a good weather record.
- **Environmental:** the company endeavours to implement best 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 lack of congested airspace at Glasgow Prestwick assists airlines in minimising fuel burn.
- **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 been recognised for its work with employees in improving health and reducing absence. Accident rates are at a very low level due to continued focus on this area.
- **Community:** The airport recognises the critical role it plays in the prosperity of the local community and actively engages with key stakeholders, local businesses, schools, charity and volunteer groups.

Key performance indicators (KPI's) used by the directors 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 KPI's are shown below:

	2014	2013	**Measure**
Financial	**£m**	£m	
Revenue	**11.8**	12.5	Total Revenue
Adjusted EBITDA	**(3.9)**	(3.8)	Earnings before interest, taxation, depreciation, impairment, grants and amortisation
Non-financial			
Passengers (k)	**1,111**	1,087	Total arriving and departing passengers
Freight tonnes	**10,337**	9,612	Total imported and exported freight
Reportable incidents	**4**	1	The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

By order of the board

I Cochrane
Director

Glasgow Prestwick Airport
Prestwick
KA9 2PL
28 November 2014

Directors' report

Proposed dividend

The directors do not propose the payment of a dividend in respect of the current year *(2013: £nil).*

Directors

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

DAR Newman	passed away 14 October 2013
S Fitzgerald	resigned 22 November 2013
PJ Walker	resigned 22 November 2013
T Wilson	resigned 30 June 2014
G McLeod	appointed 26 August 2014
G Sweenie	appointed 26 August 2014
I Cochrane	

Financial instruments

The 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 year 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

Glasgow Prestwick Airport
Prestwick
KA9 2PL

28 November 2014

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 PRESTWICK AVIATION HOLDINGS LIMITED

We have audited the financial statements of Prestwick Aviation Holdings Limited for the year ended 31 March 2014 set out on pages 6 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and 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 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

2 December 2014

Consolidated profit and loss account
for the year ended 31 March 2014

	Note	2014	2013
		£000	£000
Group turnover	*2*	**11,796**	12,544
Cost of sales (including items detailed in note 3)		**(15,051)**	(31,269)
Gross loss		**(3,255)**	(18,725)
Administrative expenses		**(946)**	(2,682)
Group operating loss		**(4,201)**	(21,407)
Interest payable and similar charges	*6*	**(404)**	(674)
Loss on ordinary activities before taxation	*3*	**(4,605)**	(22,081)
Tax on loss on ordinary activities	*7*	**-**	-
Loss for the financial year	*18*	**(4,605)**	(22,081)

All of the company's activities in the current and prior year relate to continuing activities.

The company's loss for the financial year was £nil *(2013: £nil)*.

Balance sheets
at 31 March 2014

	Note	**Group 2014 £000**	Group 2013 £000	**Company 2014 £000**	Company 2013 £000
Fixed assets					
Investment property	*8*	**3,800**	3,760	-	-
Tangible assets	*9*	**1,000**	1,000	-	-
Goodwill	*10*	-	-	-	-
Investments	*11*	-	-	-	-
		4,800	4,760	-	-
Current assets					
Stocks	*12*	**200**	181	-	-
Debtors	*13*	**1,778**	2,056	**413**	413
Cash at bank and in hand		**1,510**	(669)	-	-
		3,488	1,568	**413**	413
Creditors: amounts falling due within one year	*14*	**(8,142)**	(37,978)	-	-
Net current (liabilities) / assets		**(4,654)**	(36,410)	**413**	413
Total assets less current liabilities		**146**	(31,650)	**413**	413
Creditors: amounts falling due after more than one year	*15*	**(40)**	(1,916)	-	-
Net assets /(liabilities)		**106**	(33,566)	**413**	413
Capital and reserves					
Called up share capital	*17*	**59**	59	**59**	59
Share premium		**254**	254	**254**	254
Capital redemption reserve		**100**	100	**100**	100
Capital contribution reserve	*18*	**38,207**	-	-	-
Revaluation reserve	*18*	**70**	-	-	-
Profit and loss account	*18*	**(38,584)**	(33,979)	-	-
Shareholder's funds / (deficit)		**106**	(33,566)	**413**	413

These financial statements were approved by the board of directors on 28 November 2014 and were signed on its behalf by:

I Cochrane
Director

Consolidated cash flow statement
for the year ended 31 March 2014

	Note	**2014**	**2014**	2013	2013
		£000	**£000**	£000	£000
Net cash outflow from operating activities	*23 (a)*		**(3,368)**		(3,609)
Returns on investment and servicing of finance					
Interest paid		**(404)**		(674)	
Net cash outflow from returns on investment and servicing of finance			**(404)**		(674)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(2,096)**		**(2,479)**	
Net cash outflow from capital expenditure and financial investment			**(2,096)**		(2,479)
Cash outflow before financing			**(5,868)**		(6,762)
Financing					
Loans received from former parent entity		**3,547**		7,305	
Loan from Transport Scotland on behalf of Scottish Ministers		**4,500**		-	
Net cash inflow from financing			**8,047**		7,305
Increase in cash in the year	*23 (b)*		**2,179**		543

Note of consolidated historical cost profits and losses
for the year ended 31 March 2014

	2014	2013
	£000	£000
Reported loss on ordinary activities before taxation	**(4,605)**	(22,081)
Difference between historical cost depreciation charge and actual depreciation charge calculated on the revalued amount	**-**	88
Historical cost loss on ordinary activities before taxation	**(4,605)**	(21,993)
Historical cost loss for the year after taxation	**(4,605)**	(21,993)

Consolidated statement of total recognised gains and losses
for the year ended 31 March 2014

	2014	2013
	£000	£000
Loss for the financial year	**(4,605)**	(22,081)
Revaluation of tangible fixed assets	**70**	-
Total recognised losses relating to the financial year	**(4,535)**	(22,081)

Reconciliation of movements in shareholder's funds
for the year ended 31 March 2014

	Group	Group	**Company**	Company
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Loss for the financial year	**(4,605)**	(22,081)	**-**	-
Loan to equity conversion by former parent entity	**38,207**	-	**-**	-
Revaluation on valuation of fixed assets in the year	**70**	-	**-**	-
Net increase / (reduction) in shareholders' funds	**33,672**	(22,081)	**-**	-
Opening shareholders' deficit	**(33,566)**	(11,485)	**(413)**	(413)
Closing shareholders' funds / (deficit)	**106**	(33,566)	**(413)**	(413)

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 £4,654,000, which the directors believe to be appropriate recognising that the company is dependent for its working capital on financial support from Transport Scotland, on behalf of the Scottish Ministers.

Transport Scotland has provided an undertaking that for the foreseeable it will continue to make available such funds as are needed by the company to pay its liabilities as they fall due and in particular will not seek repayment of the amounts currently made available until the company is in a position to do so. 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 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 2014.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Fixed assets and depreciation (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 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

Goodwill represents the excess of the fair value of the consideration given over the fair value of the net assets acquired. Goodwill is capitalised and amortised over a period of 20 years. The carrying value of Goodwill is reviewed annually.

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.

Share based payments

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Notes *(continued)*

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

	2014	2013
	£000	£000
Loss on ordinary activities before taxation is stated after charging/(crediting)		
Exceptional costs/(income):		
Impairment of tangible fixed assets and investment properties	**2,049**	13,213
Impairment of investment	**-**	975
Impairment of goodwill	**-**	2,362
Grant release (note 15)	**(1,857)**	(64)
	192	16,486
Depreciation and other amounts written off tangible fixed assets	**77**	1,082
Hire of plant and machinery - rentals payable under operating leases	**40**	74
Amounts receivable by the auditor in respect of:		
Audit of financial statements	**30**	30
Tax compliance service	**23**	25
Other tax advisory services	**10**	-
Foreign currency loss	**3**	2

Exceptional costs and income are charged/(credited) to cost of sales.

4 Remuneration of directors

	2014	2013
	£000	£000
Directors' emoluments	**292**	383
Amounts receivable under long term incentive schemes	**34**	37
Company contributions to defined contribution pension schemes	**-**	-
	326	420

The remuneration of the highest paid director was £142,000 *(2013: £142,000),* and company pension contributions of £nil *(2013: £nil)* were made on his behalf.

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

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees	
	2014	2013
Administrative and managerial	**23**	25
Operational	**288**	289
	311	314

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£000	£000
Wages and salaries	**7,734**	7,656
Social security costs	**703**	707
Other pension costs	**172**	155
Share based payments (note 19)	**-**	13
Long term incentive scheme	**34**	37
	8,643	8,568

6 Interest payable and similar charges

	2014	2013
	£000	£000
On bank and other loans	**76**	68
Intercompany loans	**328**	606
	404	674

Notes *(continued)*

7 Taxation

(a) Analysis of taxation charge

	2014	2013
	£000	£000
UK corporation tax		
Current tax on loss for the year	**-**	-

(b) Factors affecting the tax charge

The current tax credit is lower (2013: lower) than the standard rate of corporate tax in the UK of 23% (2013: 24%). The differences are explained below:

	2014	2013
	£000	£000
Loss on ordinary activities before taxation	**(4,605)**	(22,081)
Loss on ordinary activities multiplied by standard rate of corporate tax in the UK of 23% (2013: 24%)	**(1,059)**	(5,299)
Effects of:		
Depreciation/impairment of ineligible assets	**472**	2,436
Depreciation in excess of capital allowances	**(13)**	204
Disallowable expenditure	**13**	853
Tax losses not recognised	**1,223**	1,074
Tax losses recognised	**(324)**	-
Other timing differences	**(386)**	(10)
Difference in tax rates	**78**	83
Deferred tax asset not recognised	**(4)**	659
Total corporation tax charge	**-**	-

(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 2014 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

The group has deferred tax assets of £3.7 million (2013: £4.4 million) relating to tax losses, £1.9 million (2013: £1.8million) relating to accelerated capital allowances and £0.1 million (2013: £0.1 million) relating to other timing differences which have not been recognised due to uncertainty over their recoverability.

Notes *(continued)*

8 Investment property

Group	2014 £000	2013 £000
Valuation at beginning of year	**3,760**	7,785
Revaluation	**40**	(4,025)
Valuation at end of year	**3,800**	3,760

The investment property was revalued as at 31 March 2014 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.

9 Tangible fixed assets

Group

	Land and buildings £000	Plant and machinery £000	Assets in the course of construction £000	Total £000
Cost or valuation				
At beginning of year	900	100	-	1,000
Additions	206	27	1,863	2,096
Revaluation	(206)	(27)	(1,863)	(2,096)
At end of year	900	100	-	1,000
Depreciation				
At beginning of year	-	-	-	-
Charge for year	(47)	(30)	-	(77)
Revaluation	47	30	-	77
At end of year	-	-	-	-
Net book value				
At 31 March 2014	**900**	**100**	**-**	**1,000**
At 31 March 2013	900	100	-	1,000

Included in land and buildings is an amount of land valued at £433,000 *(2013: £433,000)* which is not depreciated.

Notes *(continued)*

9 Tangible fixed assets *(continued)*

The tangible fixed assets were revalued as at 31 March 2014 by the Directors as part of a wider consideration of the operational assets of the Prestwick Aviation Holdings Limited group, of which these tangible assets owned by the company form part. Consideration was given to current market conditions, forward forecasts and the external valuation performed by Deloitte LLP for the prior year accounts.

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 significantly impact the carrying value of the tangible assets of the company.

The historical cost of revalued assets is as follows:

	2014	2013
	£000	£000
Historical cost of revalued assets	**50,876**	48,780
Aggregate depreciation thereon	**(21,168)**	(21,091)
Impairment against historical cost	**(27,180)**	(25,161)
Historical cost net book value	**2,528**	2,528

10 Goodwill

	Group	*Group*
	2014	2013
	£000	£000
At beginning of year	**-**	2,362
Charged to profit and loss account	**-**	(2,362)
Capital contribution adjustment	**-**	-
At end of year	**-**	-

The goodwill was generated in the year to 31 March 2013 following the acquisition by Prestwick Aviation Holdings Limited of the entire share capital of Glasgow Prestwick Airport Limited and Prestwick Aviation Holdings Limited for a nominal sum.

Note 18 contains additional information relating to the capital contribution adjustment in the year to 31 March 2014.

Notes *(continued)*

11 Investments

	Company 2014 £000	Company 2013 £000
Investment in subsidiaries	**-**	-

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

Name	**Country of registration**	**Description of shares held**	**Nature of business**
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

12 Stocks

	Group 2014 £000	Group 2013 £000	**Company 2014 £000**	Company 2013 £000
Raw materials and consumables	**200**	181	**-**	-

13 Debtors

	Group 2014 £000	Group 2013 £000	**Company 2014 £000**	Company 2013 £000
Amounts due within one year				
Trade debtors	**1,254**	1,686	**-**	-
Other debtors	**-**	3	**-**	-
Prepayments and accrued income	**524**	367	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**413**	413
	1,778	2,056	**413**	413

Notes *(continued)*

14 Creditors: amounts falling due within one year

	Group 2014 £000	Group 2013 £000	**Company 2014 £000**	Company 2013 £000
Trade creditors	**226**	54	-	-
Social security costs and other taxes	**250**	210	-	-
Accruals and deferred income	**3,148**	3,006	-	-
Amounts owed to former parent entity	**-**	34,661	-	-
Loan from Transport Scotland on behalf of Scottish Ministers	**4,500**	-	-	-
Hire purchase	**18**	47	-	-
	8,142	37,978	-	-

15 Creditors: amounts falling due after more than one year

	Group 2014 £000	Group 2013 £000	**Company 2014 £000**	Company 2013 £000
Accruals and deferred income - Government Grants	**40**	1,897	-	-
Hire purchase (due within second to fifth year inclusive)	**-**	19	-	-
	40	1,916	-	-

Government Grants comprise:	***Group* 2014 £000**	*Group* 2013 £000
At beginning of year	**1,897**	1,961
Released to profit and loss account	**(1,857)**	(64)
At end of year	**40**	1,897

16 Guarantees and other financial commitments

a) There were commitments for capital expenditure totalling £nil at 31 March 2014 *(2013: £nil)*.

b) The company has commitments under operating leases of £19,000 *(2013: £12,000)* relating to the hire of equipment. These commitments expire within 1 year.

Notes *(continued)*

17 Ordinary Share Capital

	2014	2013
	£000	£000
Allotted, called up and fully paid		
59,000 (*2013: 59,000*) ordinary shares of £1 each	59	59

18 Reserves

Group

	Profit and loss account	Revaluation reserve	Capital contribution reserve
	£000	£000	£000
At beginning of year	(33,979)	-	-
Loss for the financial year	(4,605)	-	-
Revaluation of tangible fixed assets	-	70	-
Loan to Equity conversion by former parent entity	-	-	38,207
At end of year	**(38,584)**	**70**	**38,207**

Prior to the acquisition by TS Prestwick Holdco Limited the former parent entity exchanged loans for equity within two of the subsidiary companies within the group. This additional equity was purchased by Prestwick Aviation Holdings Limited for a nominal sum. This has been treated as a capital contribution with share capital and goodwill adjusted accordingly for the consolidated group accounts.

19 Employee Share Schemes

The total charge recognised for the scheme in the year amounted to £nil (*2013: £13,000*).

The share scheme was part of the benefits offered by the former parent entity with eligible senior managers participating in a group Executive Redeemable Share Scheme.

20 Pension Scheme

The pension scheme operated by the company is a defined contribution scheme. The pension cost charge for the year represents contributions payable to the scheme and amounted to £172,000 (*2013: £155,000*). There are outstanding contributions at the end of the year of £41,000 (*2013: £25,000*).

21 Related party disclosures

The ultimate controlling party is TS Prestwick Holdco Limited. There are no related party transactions other than the group funding loans received from Transport Scotland on behalf of Scottish Ministers.

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

The ultimate parent company is TS Prestwick Holdco Limited.

Notes *(continued)*

23 Cash flow statement

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

	2014 £000	2013 £000
Operating loss	**(4,201)**	(21,407)
Depreciation	**77**	1,083
Impairment of fixed assets	**2,049**	13,213
Impairment of goodwill	**-**	2,362
Writedown of investment & other non-cash items	**-**	985
Grant release	**(1,857)**	(64)
(Increase)/ decrease in stocks	**(19)**	55
Decrease /(increase) in debtors	**278**	93
Increase /(decrease) in creditors	**305**	71
Net cash outflow from operating activities	**(3,368)**	(3,609)

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

	2014 £000	2013 £000
Increase in cash	**2,179**	543
Conversion of debt to equity within subsidiaries	**38,208**	-
Loans received from former parent entity	**(3,547)**	(7,305)
Loan from Transport Scotland on behalf of Scottish Ministers	**(4,500)**	-
Movement in net debt in the year	**32,340**	(6,762)
Net debt at start of the year	**(35,330)**	(28,568)
Net debt at end of the year	**(2,990)**	(35,330)

(c) Analysis of net debt

	At beginning of year	**Cash Flow**	**At end of year**
	£000	**£000**	**£000**
Cash at bank	(669)	2,179	**1,510**
Amounts due to former parent undertaking	(34,661)	34,661	**-**
Loan from Transport Scotland on behalf of Scottish Ministers	-	(4,500)	**(4,500)**
Total	**(35,330)**	**32,340**	**(2,990)**