TS Prestwick Holdco Ltd

Annual Accounts
Financial Year 2015-16

Glasgow Prestwick Airport

TS Prestwick Holdco Limited

Annual report and financial statements

Registered number SC462050

31 March 2016

Contents

Strategic report

1 Strategic Report

The directors present their Strategic Report for the year ended 31 March 2016.

Principal activity and business review

The principal activity of the Company is the ownership and operation of Glasgow Prestwick Airport ("GPA").

Whilst TS Prestwick Holdco only acquired the airport group in November 2013, references to prior periods relate to the entities acquired.

Performance

For the year to 31 March 2016 the Company has seen a performance in line with the Corporate Plan.

Turnover has reduced to £11.5m (equivalent 12 month period in 15/16: £12.4m) as a result of reduced passenger numbers, resulting in an operating loss of £8.7m. Focusing on the underlying trading performance, measured by adjusted EBITDA, for the 12 month period ended 31 March 2016 and comparing this to the preceding 12 month period performance as reported in the consolidated management accounts of Prestwick Aviation Holdings Limited there is a small deterioration in the loss from £4.1 million to £4.6 million.

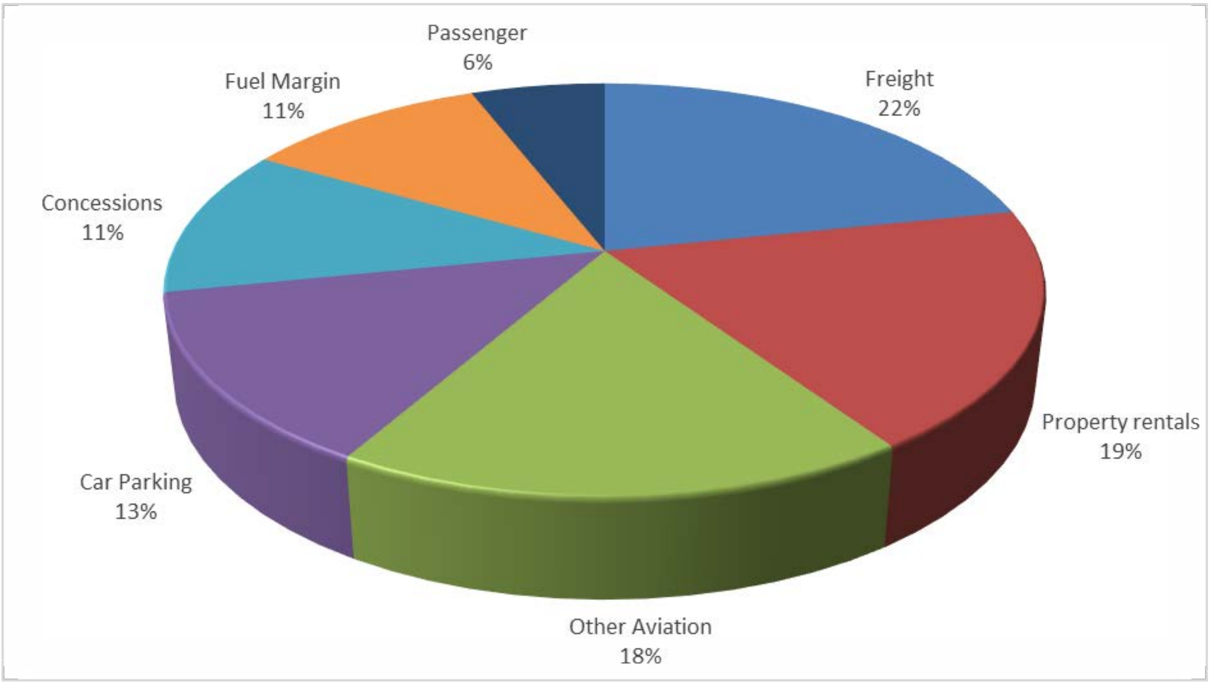
Key metrics

	12 months to 31 March 16	Unaudited 12 months to 31 March 15	**Measure**
Financial	£m	£m	
Turnover	11.5	12.4	Total Revenue
Adjusted EBITDA	(3.9)	(4.1)	Earnings before interest, taxation, depreciation, amortisation, grant income and exceptional items
Non - Financial			
Passengers ('000)	624	827	Total arriving and departing passengers
Freight tonnes	11,409	12,379	Total imported and exported freight

The group sets itself high standards and aims to achieve these with all airlines partners and agencies. GPA's objective is to become the airport of choice for its customers, be they passenger, air cargo, charter, military or VIP. The company offers a seamless service as most services are in-house, giving the flexibility and control that is essential to excellent customer care. The group is proud to be located on the West Coast of Scotland with its many tourist attractions, excellent road and rail infrastructure, and, dynamic and vibrant aerospace cluster of businesses and expertise.

Income

The Airport has a diverse and challenging revenue base in a highly competitive market. The graph below indicates the levels to which the group relies upon each income stream.



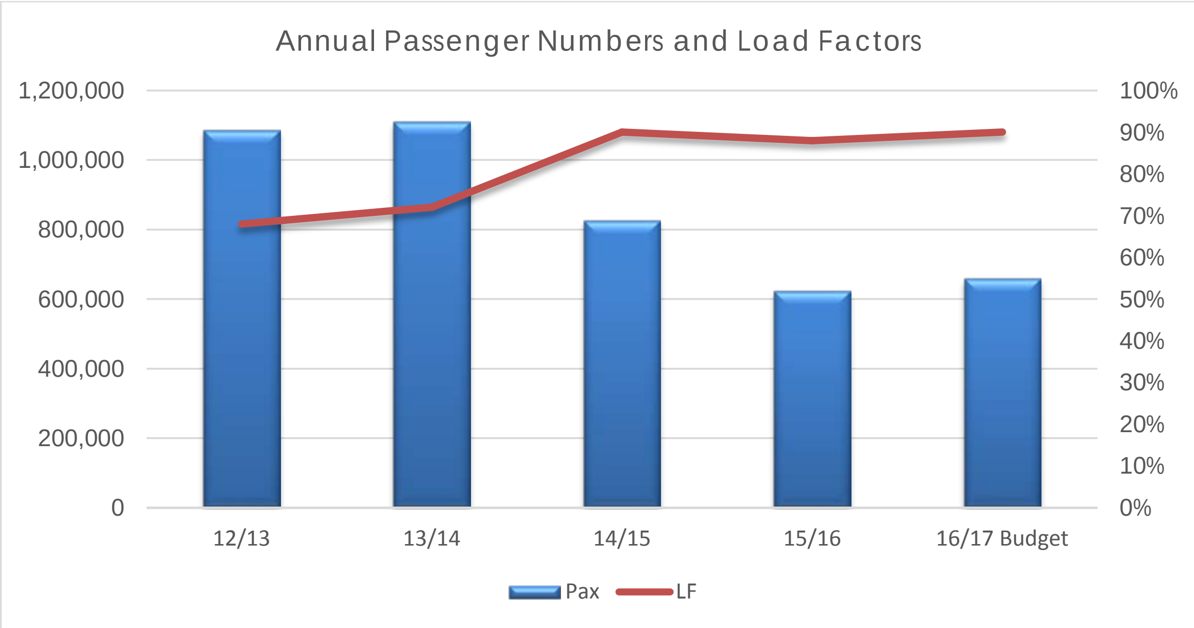
The group has seen positive increases in the total non-passenger related income streams in comparison to financial year 14/15. However there remains significant challenges in returning the group to a sustainable and profitable operation. The group has seen a substantial drop in passenger numbers over the last 5 years however indications are that there will be an increase in numbers over the next three years.

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.

Passenger Growth

The group continues to work closely with its current passenger airline customer, Ryanair, on the support of existing routes and the development of potential new routes.

In addition, work on understanding and analysing the best potential fit of new customer airlines has been ongoing throughout the early part of 2016 and one or two key potential opportunities have emerged. Those specific airline customers have been engaged and work is now ongoing to involve a range of key partners including Transport Scotland, Visit Scotland and local authorities to develop an attractive route development package that secures the new business. Although the early signs are very positive, the directors understand that the securing of new passenger airline business is not a short term process and any associated additional revenues will not likely be realised until late 2017. With any increase in new passenger routes, there is a possibility of corresponding increase in air cargo business through the availability of belly hold space. The potential impact of additional belly hold cargo capacity will always be analysed when evaluating any new potential passenger routes, as this additional revenue might be the factor that secures a new route. For this reason, it is essential that the company maintains an up to date and detailed knowledge of the local air cargo business.



The load factors on the routes flown have increased over the period though the number of flights serving these routes has seen an overall decline, capacity reducing from 0.83 million to 0.62 million tonnes.

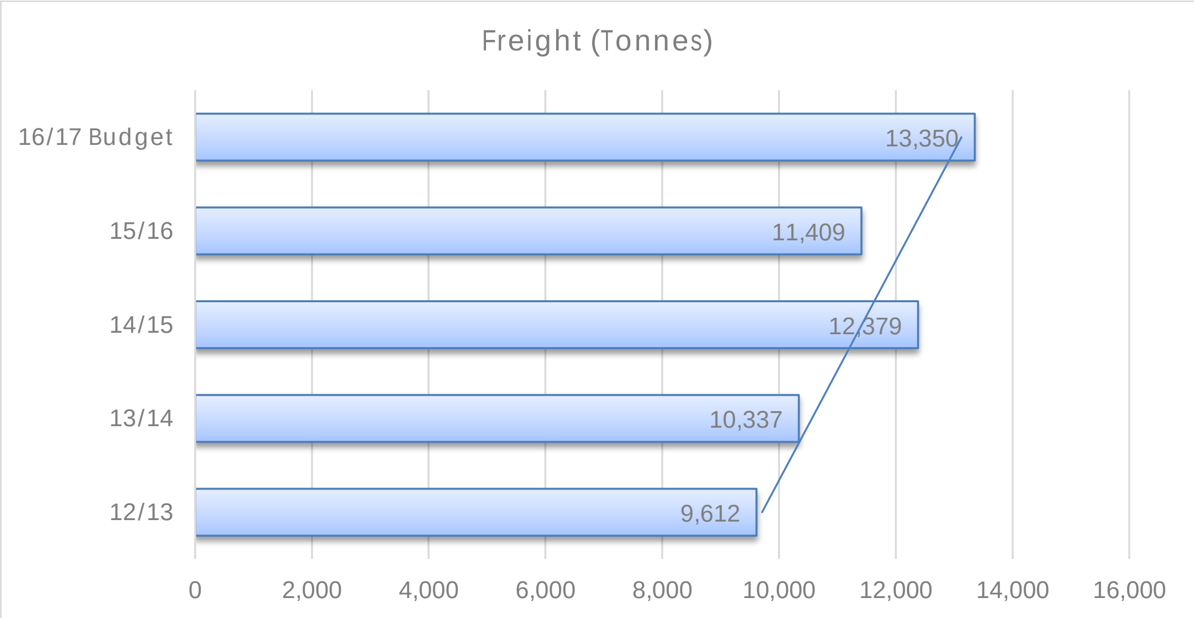
Commercial revenues have been strong and spend per passenger has increased over the period though ultimately the volume reductions have removed the impact of this.

Freight

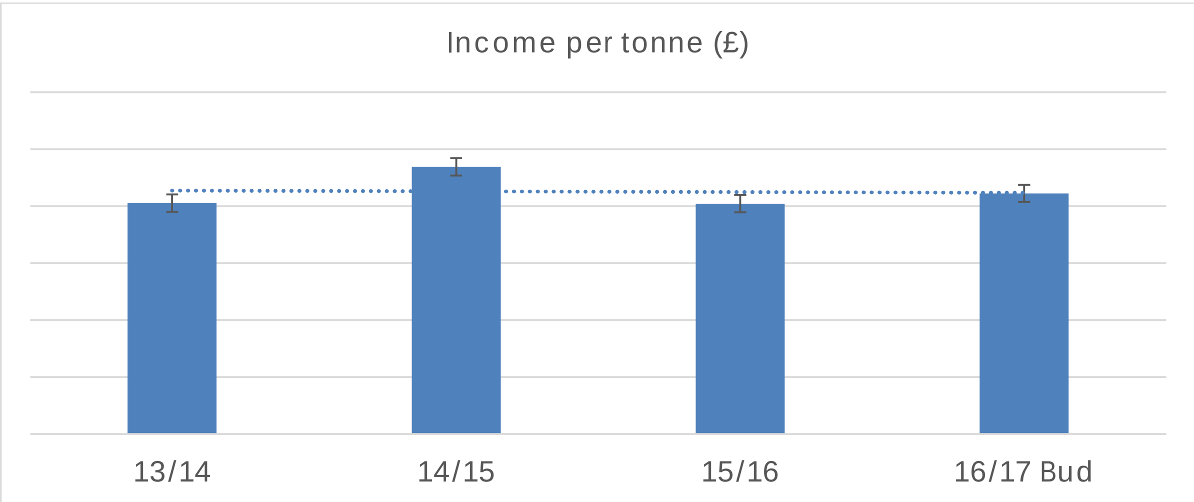
The group can process cargo from any source whether that be in belly hold or main deck dedicated cargo freighter aircraft. The group is unique amongst Scottish airports in its ability to handle large pieces of specialist air cargo such as complete aero engines, oil industry equipment and large concert sound and stage movements.

The group provides approximately 25% of the overall Scottish market for air cargo by weight. Air Cargo movements UK wide have remained relatively stable over the last 10 years although the dedicated freighter only aircraft market that the group has specialised in has been in global decline. The group has for this reason established a dedicated sales team to gain a greater share of the overall market, targeting high yielding and specialist areas, whilst still delivering a high quality and cost effective service to routine loads.

The graph on the next page indicates how successful the airport group has been at developing business in a static market showing an increase of 19% from 12/13 to 15/16.



However income per tonne has remained static over the last 3 years primarily because of the static market, increasing belly hold capacity and the overall competitive nature of the business. As oil prices rise we would expect there to be an uplift in activity in the oil and gas sector and this will have a general positive impact across cargo activity.



GPA is also seeing the benefit of the investment in the latest security screening technology which ensures even long and heavy pieces of air cargo can be processed quickly and securely.

The management team also continues to promote the airport as a major UK cargo hub at key global events and trade shows and is doing significant work on evaluating the potential for the airport to become a handling consolidation point for Scotland's perishable export industry and the local aerospace industry.

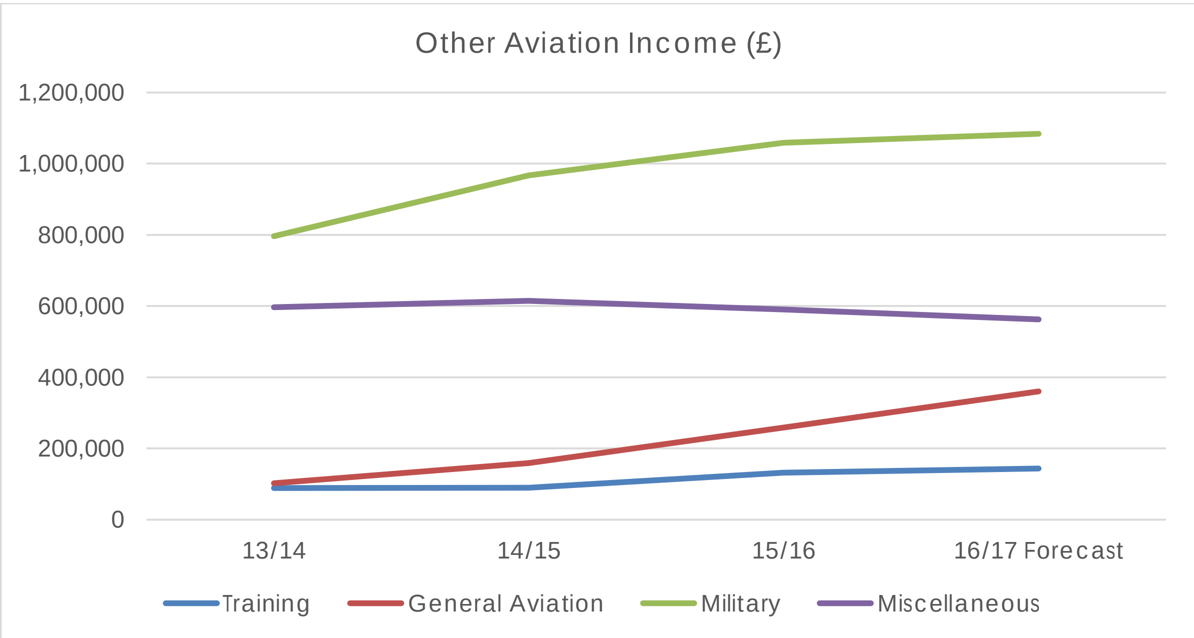
Other Aviation

The Group has served the UK, US and Commonwealth military forces since the late 1930s, and continues to provide high quality aviation services to many military forces from around the world.

The Group is well placed both geographically and commercially to serve a multitude of aviation needs from large military aircraft to private business jets and the local flying clubs.

The Group has increased military aircraft handling by 33% (£262k) between 13/14 and 15/16 and now delivers a sustainable level of activity. The group is specifically targeting new military business as a key component of its future development activities. Significant successes have already been achieved with the MOD Joint Warrior exercises and focus is now being placed on building stronger links with the US Air Force, Canadian Air Force and the RAF in particular.

The volume of military movements flying across the Atlantic each and every day is vast, and the ongoing trend for closures of military airfields across Europe is pushing more and more of this business into those commercial airports approved to handle military aircraft. Therefore the opportunities for growth in the handling of military flights at GPA are significant. The Business Development team are heavily focussed on building on and establishing new key relationships with the MOD, USAF, RCAF and other air forces worldwide to ensure the Airport is firmly at the top of their preferred operational airport lists.



The Group has invested in Remote Immigration facilities to allow the speedy clearance of international VIP visitors, be that military or business/private jets. This offering is unique in Scotland and provides an outstanding service to military and VIP customers.

Costs

The operating cost base has remained broadly consistent with labour costs over 56% (2015: 58%) of the total expenditure. There continues to be a focus on cost mitigation, minimising discretionary spend and reviewing current practices and contracts to ensure they deliver best value to the organisation. The Group will be creating a Procurement Manager post to deliver greater savings in a cost effective and supportive manner, allowing staff to fully engage in their services whilst minimising cost.

Safe Hands

The Group treats the Safety and Security of its customers and staff as its number one priority. The Group has invested in Security equipment to maintain the highest standards of compliance and this investment will continue over the next five years ensuring the airport stays at the forefront of security compliance. The management team will continuously search out methods to improve performance and react to feedback from industry, customers and more importantly the staff. The Group has successfully transitioned across to EASA regulations and the Safety team continues to excel in setting high standards for the Airport to follow. Investment in capital programmes to improve Terminal facilities, runways and the provision of mitigation to local windfarms are examples of the company's commitments.

Safety on the ground and in the air remain the top priorities.

Economic Impact

In August 2012, Scottish Enterprise commissioned an economic impact study of the Airport Group in order to provide an update on the current role that the Airport plays in the Ayrshire and Scottish economies, building on previous research undertaken in 2008. The biggest driver of change from 2008 has been reductions in the impact the Airport has on inbound tourism.

In 2012, it was estimated that the Airport Group contributed to the Ayrshire region a net additional economic impact of 1,350 jobs and £47.6 million in Gross Value Added (GVA). In Scotland as a whole, these impacts are increased to a total of 1,810 jobs and £61.6 million in GVA.

The Company supports 70 SMEs that occupy 301,000 sq ft of space at the Airport. They employ over 300 staff in a variety of businesses ranging from window manufacturer to graphic designers.

Clearly the Group is a key strategic asset for the Ayrshire and Scottish economy and will proactively work with the local and national governments to ensure that the Airport continues to grow and develop.

Our people
Our staffing levels fluctuate between 280 and 320 throughout the year depending on the business seasonality. Recruitment can be challenging because of the nature of the working hours and intense busy periods during the summer.

The Group committed to an annual pay increase for all employees in April 2016, which was in line with Government pay policies: £400 to those earning less than £22,000 and 1% to those earning more than £22,000.

Freedom of Information
Freedom of information is a legally enforceable right of access to information under the Scottish Information Commissioner and requires all public bodies to have a 'Publication Scheme' in place which the Group established in 2015.

Corporate Social Responsibility
The Group works with stakeholders to find innovative solutions that address our economic, environmental and social objectives, and takes an active role in engaging with businesses which contribute to the local communities where we operate.

We have provided the following activities:

- Work experience programme where students join our company for one week.
- School visits to the airport, providing a tour of the facilities, information on how the airport operates, the travel industry, safety and security services and job opportunities.
- School Visits – offering advice and training on CV writing and interview skills.
- Delivered a very successful STEM week where approximately 700 students, from schools across west and central Scotland covering 13 local authority areas, attended the Airport to discuss opportunities with a variety of business partners.

Providing UK Resilience
Our strategic importance in supporting the UK is best demonstrated in our Tier 1 status as a Divisionary Airport that can effectively and efficiently deal with Aircraft with a security related risk. We have tried and tested plans and an infrastructure that supports this operation so from UK resilience, we are prepared.

Our excellent weather record and micro climate at Prestwick gives many airlines an excellent diversionary Airport, such as British Airways, Virgin, and Air France KLM. This option does not only provide support to Scottish Airports but to the UK when bad weather strikes.

The Rail station and fuel depot, which can be supplied by road and rail gives excellent support during crisis periods, with all our staff well versed in their response across these events.

Business risks and uncertainties
The Group routinely assesses its position in the sector and the key risks and uncertainties that it needs to plan for. The keys issues that the Group are developing plans for are:

- 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

Scottish Government policy leading to a reduction in, or removal of, Air Passenger Duty would facilitate future passenger growth.
- 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.
- Competition: the Airport competes with other airports and 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.
- 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 Airport 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.

Leadership

We have now finalized our new Executive team, with the appointment of a new Chief Executive Officer in May 2016. The Airport now has a permanent and focused team which will drive forward the business in a sustainable way.

We are passionate about engaging with our employees, retaining the best workforce and attracting the best people for new posts as the business grows.

Power of the Team

Multiskilling our workforce and empowering them to be accountable is a journey we have embarked on. Streamlining our departments and getting them to think and act like one large team is the benefit of having many of our services insourced. We directly control the delivery and the standards leading to swift resolution to any issue. Teamwork is our attribute and our values determine our success.

Looking Forward

The Airport continues to work to turn around its financial performance and there are promising signs in a number of areas, though growing the passenger business remains a challenge. 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. The recent appointment of four high calibre non-executive directors to the Airport group brings considerable new knowledge and experience to help drive the business forward.

Our future is in our hands and through our strategic plans we aim to deliver success through new business opportunities in freight, passenger, other aviation and property.

The business is committed to a sustainable future and to improving the social, economic and environmental well-being of our environment through the investment in and development of renewable energy schemes and reductions in energy usage and waste across the Airport. Investment in our terminal and the redesigning of our passenger space will allow us to deliver a high quality service to our customers and maximise our financial performance across all our business sectors.

By order of the board

Ron J Smith

Ron Smith
Director

Buchanan House
58 Port Dundas Road
Glasgow G4 0HF
22 December 2016

Directors' Report

The directors present their directors' report for the year ended 31 March 2016.

Proposed dividend

The directors do not propose the payment of a dividend in respect of the current year *(2015: £nil)*.

Directors

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

• Andrew Miller		
• Ian Cochrane	resigned	29/09/2015
• John Nicholls		
• Roy Brannen		
• Ron Smith	appointed	30/05/2016
• Derek Banks (company secretary)	appointed	28/09/2016

Financial instruments

The Group'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 Group will retain existing employees who become disabled and at the same time provide fair opportunities for the career development of disabled people.

The Airport continues to engage fully with its employees, regularly exchanging information concerning the operation and providing them 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.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1-9.

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

Ron Smith
Director

Buchanan House
58 Port Dundas Road
Glasgow
G4 0HF
22 December 2016

Statement of directors' responsibilities in respect of the annual report, strategic report, the directors' report and the financial statements

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, 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 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.

Independent auditor's report to the members of TS Prestwick Holdco Ltd

We have audited the financial statements of TS Prestwick Holdco Ltd for the year ended 31 March 2016 set out on pages 15 to 49. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 12, 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 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements 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

KPMG LLP

319 St Vincent Street

Glasgow

G2 5AS

United Kingdom

22 December 2016

Consolidated Statement of Profit and Loss
for year ended 31 March 2016

	Note	**For the 12 month period ended 31 March 2016 £000**	For the 17 month period ended 31 March 2015 £000
Revenue	*1,3*	**11,516**	15,620
Cost of sales		**(18,714)**	(25,695)
Gross loss		**(7,198)**	(10,075)
Administrative expenses		**(1,483)**	(1,215)
Other income		**-**	2,847
Group operating loss		**(8,681)**	(8,443)
Financial expenses	*7*	**(531)**	(270)
Loss before tax		**(9,212)**	(8,713)
Taxation	*8*	**-**	-
Loss for the year/(period)		**(9,212)**	(8,713)

All of the activities of the company are classed as continuing. The group has no items of other comprehensive income other than the results for the current and prior financial years as set out above.

Consolidated Balance Sheet
at 31 March 2016

	Note	2016	2015
		£000	**£000**
Non-current assets			
Investment property	*10*	**2,670**	3,010
Property, plant and equipment	*9*	**1,000**	1,000
Investments in subsidiaries	*11*	**-**	-
		3,670	4,010
Current assets			
Inventories	*12*	**218**	176
Trade and other receivables	*13*	**2,225**	2,348
Cash and cash equivalents		**2,807**	1,731
		5,250	4,255
Total assets		**8,920**	8,265
Current liabilities	*16*	**(26,821)**	(16,946)
Non-current liabilities	*16*	**(24)**	(32)
Total liabilities		**(26,845)**	(16,978)
Net liabilities		**(17,925)**	(8,713)
Equity			
Share capital	*18*	**-**	-
Retained earnings		**(17,925)**	(8,713)
Total equity		**(17,925)**	**(8,713)**

These financial statements were approved by the board of directors on 22 December 2016 and were signed on its behalf by:

Ron Smith
Director

Company registered number: Registered number SC462050

Consolidated Statement of Changes in Equity

	Called up share capital	Revaluation Reserve	Retained Earnings	Total equity
	£000	£000	£000	£000
Balance at 22 October 2013	-	-	-	-
Total comprehensive income for the period				
Loss	-	-	(8,713)	(8,713)
Total comprehensive income for the period	-	-	(8,713)	(8,713)
Balance at 31 March 2015	-	-	**(8,713)**	**(8,713)**

	Called up share capital	Revaluation Reserve	Retained Earnings	Total equity
	£000	£000	£000	£000
Balance at 1 April 2015	-	-	**(8,713)**	**(8,713)**
Total comprehensive income for the year				
Loss	-	-	(9,212)	(9,212)
Total comprehensive income for the year	-	-	(9,212)	(9,212)
Balance at 31 March 2016	-	-	**(17,925)**	**(17,925)**

Consolidated Cash Flow Statement
for year ended 31 March 2016

	Note	2016	2015
		£000	£000
Cash flows from operating activities		**(9,212)**	(8,713)
Loss for the year/(period)			
Adjustments for:			
Depreciation and impairment		**3,996**	4,823
Negative goodwill release		**-**	(2,847)
Change in value of investment property		**340**	350
Gain on sale of property, plant and equipment		**-**	(228)
Financing expense		**531**	270
Deferred government grant		**(8)**	(8)
		(4,353)	(6,353)
Decrease/(increase) in trade and other receivables		**123**	(570)
(Increase)/decrease in inventories		**(42)**	24
(Decrease)/increase in trade and other payables		**(615)**	2,029
		(4,887)	(4,870)
Interest paid		**(41)**	(44)
Net cash from operating activities		**(4,928)**	(4,914)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**-**	-
Proceeds from disposal of investment properties		**-**	668
Acquisition of property, plant and equipment	*9*	**(3,996)**	(4,823)
Net cash from investing activities		**(3,996)**	(4,155)
Cash flows from financing activities			
Loan from Transport Scotland on behalf of Scottish Ministers	*16*	**10,000**	10,800
Net cash from financing activities		**10,000**	10,800
Net increase in cash and cash equivalents		**1,076**	1,731
Cash and cash equivalents at beginning of period		**1,731**	-
Cash and cash equivalents at end of period	*14*	**2,807**	1,731

Notes
(forming part of the financial statements)

1 Accounting policies

TS Prestwick Holdco Ltd (the "Company") is a company incorporated and domiciled in the UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 46 to 49 (company only).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements and in preparing an opening IFRS balance sheet at 1 April 2014 for the purposes of the transition to Adopted IFRSs.

1.1 Transition to Adopted IFRSs

The Group is preparing their financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 25.

1.2 Measurement convention

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

1.3 Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the net current liabilities within the group of £21,571,000 and net liabilities of £17,925,000, which the directors believe to be appropriate recognising that the group is dependent for its working capital and continuing 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.

1.3 Going concern (continued)

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.

1.4 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Separate parent company financial statements

In the parent company financial statements, all investments in subsidiaries, joint ventures, and associates are carried at cost less impairment.

1.5 Foreign currency

Transactions in foreign currencies are translated to sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.6 Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group); and

1.6 Classification of financial instruments issued by the Group (continued)

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

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

1.7 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.8 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.9 Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

1.9 Property, plant and equipment (continued)

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. Assets under construction are transferred to the relevant asset category when they become operational and are depreciated from that date.

The estimated useful lives are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each balance sheet 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. A valuation may be carried out at an earlier date should events or changes in circumstances indicate that the carrying amount may not be recoverable.

1.10 Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

1.11 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value at the balance sheet date on the basis of an external valuation.

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

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

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.

1.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

1.13 Impairment excluding inventories and investment properties

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group’s non-financial assets, other than investment property and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

1.14 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

1.15 Revenue

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

1.16 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

1.16 Expenses (continued)

Financing expenses

Financing expenses comprise interest payable and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.17 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the Group's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

1.18 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.

1.19 Adopted IFRS not yet applied

At the date of authorisation of these financial statements, there are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial year ended 31 March 2016 that have had a material impact on the Group. The Group has not early adopted any standard, interpretation or amendments that have been issued but are not yet effective.

IFRS 15 'Revenue from contracts with customers' is effective from 1 January 2017 at the earliest, subject to European Union (EU) endorsement; IFRS 9 'Financial instruments' which will be effective on 1 January 2018, subject to EU endorsement; IFRS 16 'Leases' which will be effective on 1 January 2019 (1 April 2019 for the Group), subject to EU endorsement, and a number of disclosure and requirement changes, including recommendations from the IASB's Annual Improvement Projects.

1.19 Adopted IFRS not yet applied (continued)

The Group has not fully assessed the impact of adopting IFRS 9 and IFRS 15 and it is not practicable to provide a quantified assessment of the effect of these standards in these financial statements. The Group will provide this impact assessment in future financial statements.

2 Acquisition of subsidiaries

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 11, collectively form Glasgow Prestwick Airport. The assets and liabilities acquired are outlined below and result in negative goodwill.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date	
Property plant and equipment	1,000
Investment property	3,800
Inventories	1,978
Trade and other receivables	(3,931)
Net identifiable assets and liabilities	(2,847)
Consideration paid:	
Initial cash price paid	-
	(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 IFRS 3 is credited to the profit and loss account on acquisition.

3 Revenue

	Year ended 2016 £'000	17 month period 2015 £'000
Freight	**2,502**	3,161
Property rentals	**2,164**	4,038
Other Aviation	**2,050**	2,286
Car Parking	**1,555**	1,694
Concessions	**1,333**	2,680
Fuel	**1,232**	637
Passenger	**680**	1,124
Total Revenues	**11,516**	15,620

All revenue is generated in the UK

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016	17 month period 2015
	£000	£000
Hire of plant and machinery – rentals payable under operating leases	**41**	51
Depreciation and other amounts written off tangible fixed assets	**4,188**	4,907

Auditor's remuneration:

Amounts receivable by the company's auditor and its associates in respect of:	**2016**	17 month period 2015
	£000	£000
Audit of financial statements of subsidiaries of the company	**5**	4
Audit of financial statements of the company	**33**	33
Total Audit Services	**38**	37
Taxation compliance services	**14**	23
Total	**52**	60

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	
	2016	2015
Administrative and managerial	**20**	21
Operational	**273**	273
	293	294

5 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2016	17 month period 2015
	£000	£000
Wages and salaries	**7,986**	10,436
Social security costs	**698**	909
Contributions to defined contribution plans	**220**	273
	8,904	11,618

6 Directors' remuneration

	2016	17 month period 2015
	£000	£000
Directors' emoluments	**100**	16
Company contributions to defined contribution pension schemes	**-**	-
Compensation for loss of office	**111**	-
	216	16

The aggregate of remuneration of the highest paid director was £164,000 *(2015: £16,000)*, and Company pension contributions of £nil (*2015: £ nil)* were made to a money purchase scheme on his behalf.

7 Finance expense

Recognised in profit or loss

	For the 12 month period ended 31 March 2016	For the 17 month period ended 31 March 2015
	£000	£000
Bank and other charges	**41**	44
Loan from Transport Scotland on behalf of Scottish Ministers	**490**	226
	531	270

8 Taxation

Recognised in the income statement

	For the 12 month period ended 31 March 2016 £000	For the 17 month period ended 31 March 2015 £000
Current tax expense		
Current year	**-**	-
Current tax expense	**-**	-
Deferred tax expense	**-**	-
Total tax expense	**-**	-

8 Taxation (continued)

Reconciliation of effective tax rate

	For the 12 month period ended 31 March 2016 £000	For the 17 month period ended 31 March 2015 £000
Loss for the year/period	**(9,212)**	(8,713)
Total tax expense	**-**	-
Profit excluding taxation	**(9,212)**	(8,713)
Tax using the UK corporation tax rate of 20% (2015: 21.5%)	**(1,842)**	(1,873)
Non-deductible expenses	**8**	-
Permanent differences	**(36)**	(4)
Current year losses for which no deferred tax asset was recognised	**1,421**	1,771
Non deductible charges/(credits) (including impairment)	**328**	(239)
Movement in deferred tax asset not recognised	**121**	345
Total tax expense	**-**	-

The company has a deferred tax asset which includes of £6.4m *(2015: £5.6m)* relating to tax losses and £1.7m *(2015: £1.7m)* relating to accelerated capital allowances offset by a deferred tax liability relating to the revaluation of investment properties. The net deferred tax asset has not been recognised due to uncertainty over its recoverability.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The unrecognised deferred tax asset at 31 March 2016 has been calculated based on these rates.

Notes (continued)

9 Property, plant and equipment

	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 at 22 October 2013	-	-	-	-	-
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)
Balance at 01 April 2015	900	100	-	-	1,000
Additions	2,383	655	23	935	3,996
Impairment	(2,383)	(655)	(23)	(935)	(3,996)
Balance at 31 March 2016	900	100	-	-	1,000
Depreciation					
On incorporation at 22 October 2013	-	-	-	-	-
Acquired in business combination	-	-	-	-	-
Charge of period	(34)	(45)	(5)	-	(84)
Impairment	34	45	5	-	84
Balance at 01 April 2015	-	-	-	-	-
Charge of period	(53)	(43)	-	-	(96)
Impairment	53	43	-	-	96
Balance at 31 March 2016	-	-	-	-	-
Net book value					
On incorporation at 22 October 2013	-	-	-	-	-
At 31 March 2015	900	100	-	-	1,000
At 31 March 2016	**900**	**100**	**-**	**-**	**1,000**

Included in land and buildings is an amount of land valued at £433,000 (2015: £433,000) which is not depreciated.

The tangible fixed assets were valued as at 31 March 2016 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.

9 **Property, plant and equipment** (continued)

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.

An external valuation was performed by Deloitte for the Prestwick Aviation Holdings Limited (PAHL) group in 2013. The directors perform their own assessment of carrying value in the intervening years and there has been limited change in the profitability of the airport, and therefore the directors believe that the 2013 valuation remains appropriate.

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

10 Investment property

	2016	2015
	£000	£000
Opening balance	**3,010**	-
Acquired in business combinations	**-**	3,800
Disposals	**-**	(440)
Fair value adjustments (unrealised)	**(340)**	(350)
	2,670	3,010

The investment property portfolio was valued as at 31 March 2016 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.

11 Investments and subsidiary undertakings

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

Name	Country of registration	Description of ordinary 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

All subsidiary undertakings are included in the consolidated financial statements.

12 Inventories

	Group	
	2016	2015
	£000	£000
Raw materials and consumables	**218**	176

13 Trade and other receivables

	Group	
	2016	2015
	£000	£000
Amounts due within one year		
Trade receivables	**1,425**	1,605
VAT and other taxes	**150**	328
Prepayments and accrued income	**650**	415
	2,225	2,348

14 Cash and cash equivalents

	2016	2015
	£000	£000
Cash and cash equivalents per balance sheet	**2,807**	1,731
Cash and cash equivalents per cash flow statements	**2,807**	1,731

15 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 19.

	2016	2015
	£000	£000
Current liabilities		
Loan from Transport Scotland on behalf of Scottish Ministers	**20,800**	10,800

15 Other interest-bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2016 £000	Carrying amount 2016 £000	Face value 2015 £000	Carrying amount 2015 £000
Transport Scotland loan on behalf of Scottish Ministers	**GBP**	**3.24%**	**Ongoing**	**20,800**	**20,800**	10,800	10,800

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

16 Trade and other payables

	Group 2016 £000	2015 £000
Current		
Trade payables	**10**	557
Social security costs and other taxes	**191**	180
Accruals and deferred income	**5,820**	5,409
Loan from Transport Scotland on behalf of Scottish Ministers	**20,800**	10,800
	26,821	16,946
Non-current		
Deferred Government Grants	**24**	32

Included within trade and other payables is £24,000 *(2015: £32,000)* for the Group expected to be settled in more than 12 months.

Government Grants comprise:

	31 March 2016 £000
At beginning of period	32
Released to profit and loss account	(8)
At end of period	**24**

17 Employee benefits

Defined contribution pension plan

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £215,000 (2015: £216,000) and there are outstanding contributions at the end of the year of £36,000(2015: £31,000).

18 Capital and reserves

Share capital

	Ordinary shares	
	2016	2015
On issue at 1 April 2015/ 22 October 2013	**1**	1
Issued for cash		
On issue at 31 March – fully paid	**1**	1

	2016	2015
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	**-**	-

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the company.

19 Financial instruments

(a) Fair values of financial instruments

Fair values

The carrying amount of financial instruments are all equal to their fair value. These have been defined as level 2 instruments in line with the following definitions:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

19 Financial instruments *(continued)*

	Carrying amount 2016 £000	**Fair Value 2016 £000**	Carrying amount 2015 £000	Fair Value 2015 £000
Loans and receivables				
Cash and cash equivalents (note 14)	2,807	2,807	1,731	1,731
Trade and other receivables (note 13)	2,225	2,085	2,348	2,265
Total loans and receivables	5,032	4,892	4,079	3,996
Total financial assets	5,032	4,892	4,079	3,996

	Carrying amount 2016 £'000	**Fair Value 2016 £'000**	Carrying amount 2015 £'000	Fair Value 2015 £'000
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 15)	20,800	20,800	10,800	10,800
Trade and other payables (note 16)	6,021	6,021	6,146	6,146
Total financial liabilities measured at amortised cost	26,821	26,821	16,946	16,946
Total financial liabilities	26,821	26,821	16,946	16,946
Total financial instruments	(21,789)	(21,929)	(12,867)	(12,950)

(a) Estimation of fair values

The following methods and assumptions were used to estimate the fair values shown above:

Trade and other receivables/payables

The fair value of receivables and payables is deemed to be the same as the book value.

19 Financial instruments *(continued)*

Cash and cash equivalents

The fair value is deemed to be the same as the carrying amount due to the short maturity of these instruments.

Other loans

The fair value is based on the book value as the interest rate charged reflects the fair value of the borrowings.

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Exposure to credit risk

The maximum exposure to credit risk at the balance sheet date by class of financial instrument was;

	2016	2015
	£000	£000
Trade receivables	**1,533**	1,688

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:

	2016	2015
	£000	£000
UK	**1,330**	1,440
Europe	**178**	161
Middle East	**10**	14
North America	**10**	72
Other	**5**	1
	1,533	1,688

The concentration of credit risk for trade receivables at the balance sheet date by type of counterparty was:

	2016	2015
	£000	£000
Aviation	**794**	596
Property	**472**	619
Other	**267**	473
	1,533	1,688

19 Financial instruments *(continued)*

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross 2016 £'000	**Impairment 2016 £'000**	Gross 2015 £'000	Impairment 2015 £'000
Not past due	**754**	**1**	878	(4)
Past due (0-30 days)	**81**	**-**	210	(11)
Past due (31-120 days)	**416**	**8**	391	22
More than 120 days	**282**	**99**	209	76
	1,533	**108**	1,688	83

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group 2016 £000	2015 £000
Opening balance	**83**	-
Impairment loss recognised	**91**	83
Impairment loss reversed	**(66)**	-
Balance at 31 March	**108**	83

The allowance account for trade receivables is used to record impairment losses unless the Group or Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

19 Financial instruments *(continued)*

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

		2016		2015	
	Carrying amount	**Contractual cash flows**	**1 Year or less**	Contractual cash flows	1 Year or less
	£'000	**£'000**	**£'000**	£'000	£'000
Non-derivative financial liabilities					
Transport Scotland Loan from Scottish Minsters	**20,800**	**20,800**	**20,800**	10,800	10,800
Trade and other payables	**6,021**	**6,021**	**2,193**	2,348	2,348
		26,821	**22,993**	13,148	13,148

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments

Market risk - Foreign currency risk

Group

The Group's exposure to foreign currency risk is only on ad hoc purchases posing no material risk.

Market risk – Interest rate risk

Profile and sensitivity analysis

At the balance sheet date the Group has one fixed rate interest bearing loan which is not sensitive to interest rate changes.

(e) Capital management

Group

The Group manages capital through a number of policies to ensure that it can meet its commitments consistent with its corporate plan. A major source of capital is the Transport Scotland loan which is managed on an annual and monthly basis.

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2016 £000	2015 £000
Less than one year	**8**	-
Between one and five years	**32**	-
More than five years	**0**	-
	40	-

At 31 March 2015, there were no non-cancellable operating leases in place.

During the year £41,000 was recognised as an expense in the income statement in respect of operating leases *(2015: £30,365)*.

Leases as lessor

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

	Group 2016 £'000	2015 £'000
Less than one year	**1,135**	1,233
Between one and five years	**2,618**	3,417
More than five years	**91**	141
	3,844	4,791

During the year £1,500,000 *(2015: £1,670,000)* was recognised as rental income by the Group.

21 Commitments

Capital commitments

Group

During the year ended 31 March 2016, the Company entered no contracts to purchase property, plant and equipment which are expected to be settled in the following financial year.

22 Related parties

Transactions with key management personnel

Directors of the Company and their immediate relatives control zero per cent of the voting shares of the Company.

The compensation of key management personnel (including the directors) is as follows:

	Group 2016 £000	2015 £000
Key management remuneration including social security costs	**456**	338
Company contributions to money purchase pension plans	**13**	2
Compensation for loss of office	**230**	165
	699	505

As disclosed in note 16, the group has interest bearing loans from Scottish Government, its shareholder. The balance outstanding at the year end is £20,800,000 (2015: £10,800,000) with unpaid interest totalling £750,000 (2015: £260,000).

23 Subsequent events

There are no subsequent events which require to be disclosed.

24 Accounting estimates and judgements

Impairment of property, plant and equipment

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.

An external valuation was performed by Deloitte for the Prestwick Aviation Holdings Limited (PAHL) group in 2013. The directors perform their own assessment of carrying value in the intervening years and there has been limited change in the profitability of the airport, and therefore the directors believe that the 2013 valuation remains appropriate.

Valuation of investment property

The group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The group engages independent valuation specialists to determine the valuation as outlined in note 1.11. The valuer uses recognised valuations techniques.

25 Explanation of transition to Adopted IFRSs – Group

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the period ended 31 March 2015 and in the preparation of an opening IFRS balance sheet at 22 November 2013 (the Group's date of acquisition and transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of loss for comparative period

	Notes	**Old UK GAAP**	**17 months ended 31 March 2015 Effect of transition to IFRS**	**IFRS**
		£'000s	£'000s	£'000s
Turnover		15,620	-	15,620
Cost of sales		(20,606)	-	(20,606)
Cost of sales - exceptional	a	(5,259)	170	(5,089)
Other income	c	-	2,847	2,847
Administrative costs	b,d	(1,109)	(106)	(1,215)
Interest		(270)	-	(270)
Tax		-		-
Loss for the period		(11,624)	2,911	(8,713)

25 Explanation of transition to Adopted IFRSs – Group *(continued)*

Reconciliation of equity for comparative period

	Notes	Old UK GAAP	17 months ended 31 March 2015 Effect of transition to IFRS	IFRS
		£'000s	£'000s	£'000s
Investment property		3,010	-	3,010
Property, Plant and Equipment		1,000	-	1,000
Negative goodwill	c, d	(2,847)	2,847	-
Investments		-	-	-
				-
Stock		176	-	176
Trade receivables		1,605	-	1,605
VAT and other taxes		328	-	328
Prepayments and accrued income		415	-	415
Cash		1,731	-	1,731
			-	-
Trade payables		(557)	-	(557)
Other taxes and social security		(180)	-	(180)
Accruals and deferred income	b, d	(5,303)	(106)	(5,409)
				-
Loan from Transport Scotland		(10,800)	-	(10,800)
				-
Deferred government grants		(32)	-	(32)
Net liabilities		(11,454)	2,741	(8,713)
Share capital		-	-	-
Retained losses		-	-	-
Loss for the period	a, b, c	(11,624)	2,911	(8,713)
Revaluation reserve	a	170	(170)	-
Total equity		(11,454)	2,741	(8,713)

25 Explanation of transition to Adopted IFRSs – Group *(continued)*

Notes to the reconciliation of loss

a) As disclosed in the investment properties accounting policy, any gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss in the period that they arise. Under its old basis of accounting (UK GAAP), changes in the market value of investment properties were not taken to profit and loss and were instead taken to the statement of total recognised gains and losses (being a movement in the revaluation reserve), unless a deficit (or its reversal) on an individual investment property was expected to be permanent, in which case a charge (or credit) was made to the profit and loss account of the period. As a result, the revaluation uplift of £170,000 recognised in the revaluation reserve in the prior period requires to be reversed resulting in a credit to the income statement.

b) In accordance with IFRS, an entity shall recognise the short term accumulating compensated absences (i.e. accrued holiday pay) at the additional amount an entity expects to pay as a result of the unused entitlement that has accumulated as at the reporting date. This was not a requirement under old UK GAAP and has therefore resulted in an increase in accruals of £106,000 with a corresponding increase in the loss for the period in order to account for the movement in the accrual post-acquisition.

c) In accordance with IFRS, a bargain purchase (negative goodwill) is recognised immediately in profit or loss, however under old UK GAAP negative goodwill should be recognised in the profit or loss when the non-monetary assets of the acquired company are recovered or written off. As a result, the goodwill previously recognised on the balance sheet requires to be credited to the income statement, however the value of negative goodwill will be adjusted as described further in note d below.

d) The business combination was previously accounted for under old UK GAAP, hence the fair value of net assets acquired require to be restated in accordance with IFRS. This results in a reduction in the fair value of net assets acquired as IFRS requires the recognition of a holiday pay accrual of £106,000 which will also reduce the value of negative goodwill per note c above, albeit this will be credited to the income statement on transition to IFRS.

26 Explanation of material adjustments to the cash flow statement for 16 months ended 31 March 2015

There are no other material differences between the cash flow statement presented under adopted IFRS and the cash flow statement presented under UK GAAP.

27 Company Balance Sheet

at 31 March 2016

	Note	**2016**	2015
		£	£
Current assets			
Cash at bank and in hand		**1**	1
Net current assets		**1**	1
Net assets		**1**	1
Capital and reserves			
Called up share capital	*32*	**1**	1
Shareholders' funds		**1**	1

These financial statements were approved by the board of directors on 22 December 2016 and were signed on its behalf by:

Ron Smith
Director

Company registered number: SC462050

Company Statement of Changes in Equity

	Called up Share capital	Total equity
	£'000	£'000
Balance at 22 October 2013 and 31 March 2015	**1**	1
Balance at 1 April 2015 and 31 March 2016	**1**	1

Notes
(forming part of the financial statements)

28 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

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").* The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. The transition to FRS 101 has not affected the reported financial position and financial performance of the Company period ended 31 March 2015.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

27 Accounting policies *(continued)*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

29 Measurement convention

The financial statements are prepared on the historical cost basis.

30 Remuneration of directors

The directors received no remuneration in respect of qualifying services to the company.

31 Staff costs

The parent company has no employees.

32 Expenses and auditors' remuneration - company

The auditor's remuneration is borne by Glasgow Prestwick Airport Limited and has been included within the group disclosure at note 4.

33 Called up share capital

Share capital

	Ordinary shares
On issue at 22 October 2013	
Issued for cash	**1**
On issue at 31 March 2015 and 31 March 2016 – fully paid	**1**

	2016	2015
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	**1**	1

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

34 Subsequent events

There are no subsequent events which require to be disclosed.

35 Related party disclosures

The Company is controlled by its shareholder, Scottish Government. The ultimate controlling party is Scottish Government. The Scottish Government provides interest bearing loans to the company's subsidiaries. It has no transactions directly with the company.

36 Ultimate parent company

The company is wholly-owned by the Scottish Government, who are regulated as the ultimate controlling party. The only group in which the results of the company are consolidated, is this set of financial statements. The company's related undertakings are its subsidiaries disclosed in note 11.

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