

TS Prestwick Holdco Ltd

Annual report and financial statements

Registered number SC462050

31 March 2019

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Strategic Report

The directors present their strategic report for the year ended 31 March 2019.

Performance

The group has seen a significant improvement in performance this year compared to the previous year with revenue up 35% from £18.2m to £24.6m and an underlying operating loss of £1m, which is a 66% reduction on the previous year and continues the year on year improvement trend. The business has benefited from positive volume increase with cargo up 17% and fuel sales volumes up 79% year on year. Whilst passenger numbers have reduced this has more than been made up with non-scheduled and other aviation activities in the group.

Key Performance Statistics - FY19				
	ACTUAL	ACTUAL	Var	Var
	18/19	17/18	YOY	YOY
Total Passengers ('000)	662	702	(40)	(6%)
Total Freight (Metric Tonnes)	14	12	2.0	17%
	£m	£m	£m	£m
Revenue	24.6	18.2	6.4	35%
Underlying Operating Loss	(1.0)	(3.0)	2.0	(66%)
Net charge to Profit and Loss account for capital expenditure on operating assets*	(2.6)	(3.1)	0.5	
Non-Recurring Income*	1.3	-	1.3	
Non-Recurring Expenditure*	(0.2)	(0.5)	0.3	
Group Operating Loss before Interest and Tax	(2.5)	(6.6)	4.1	(62%)
Interest	(1.3)	(1.0)	(0.3)	30%
Tax	-	-		
Total Loss for Year	(3.8)	(7.6)	3.8	(50%)

*See Note 3 to the accounts

Capital expenditure on operating assets has also reduced year on year to £2.6m. In line with accounting standards capital expenditure requires to be written off whilst the business remains loss making. This accounting treatment will be reviewed as the business performance continues to improve. The total loss for the year including loan interest was £3.8m, a 50% reduction on the previous year.

During the year the directors reviewed the asset base of the business to identify operational land and buildings and land and buildings which are held either to earn rental income or for capital appreciation. A professional valuation was carried out by Ryden LLP and as a result a number of assets that had previously been included as operational land and buildings have now been included as investment property and the value of investment properties has increased with a revaluation gain of £3.58m, relating

to the assets transferred from operational land and buildings, has been recognised in the year.

Ryanair decreased the number of rotations it operated from the airport during the year resulting in reduced passenger numbers however load factors remained high.

The business was focussed on developing non passenger related revenue streams during the year and will continue to do so going forward as the airline industry continues to suffer from uncertainty in the aviation market, problems caused by Brexit, higher fuel costs and the strong dollar rate.

The restructured commercial team is now led by a Commercial Director and has been further supplemented by the creation of a new Commercial Manager role. The new team has identified a number of areas where opportunities exist to increase revenue, some of these benefits are recognised in this financial year but others will flow through during the next financial year.

Cost control was a major priority throughout the business with "Project Rebalance" launched which was an initiative to increase revenue and reduce costs. The entire workforce was involved in suggesting methods of reducing cost which proved a great success. Overall this resulted in significantly increased margin and reduced costs.

Cargo growth was strong and we expect this growth to continue as we expand our business development activity in this sector and further develop discussions with other dedicated cargo carriers. Glasgow Prestwick provides specialist heavy lift cargo handling capability to the Oil and Gas sector with many cargo charter aircraft using the facility during the year. As the Oil and Gas market recovers, we expect to see more ad-hoc charter activity and an increase in tonnage carried on our existing scheduled service cargo flights.

Glasgow Prestwick continues to be a vital strategic transatlantic fuel stop location for both military and commercial aircraft. Year on year fuel sales volumes have increased by 79% due to ongoing business development efforts and our growing reputation for providing an excellent service to these operators. An expanding range of over 20 military customers now use Glasgow Prestwick as their preferred fuel stop location with a number of exercises taking place during the year involving a large number of aircraft utilising the facility. A revised fuel supply agreement was signed with the current provider to ensure long term supply and price certainty.

The rental property portfolio enjoyed high levels of occupancy with strong demand for any property that did become vacant. Both Maintenance Refit and Overhaul ("MRO") organisations continued to expand their operations and employ more locally based staff with Ryanair leasing additional land to build another hangar to increase their maintenance capability at Glasgow Prestwick.

Employee headcount reduced slightly year on year and currently sits at around 300 full time equivalents during the summer months. This number reduces during the winter season as fixed term staff leave the business. Given the highly seasonal nature of the current passenger operation, flexibility and multitasking within the workforce remains key

to maintaining acceptable levels of cost and various measures are being discussed to improve the already high level of flexibility provided by the workforce.

Throughout the last financial year, we have undertaken many projects to improve the environmental performance of the airport. The areas we have focussed on include waste management, efficient use of energy and water consumption.

The new Executive team and the entire workforce has successfully delivered significant growth in revenue and substantial cost reductions over the past two years and will look to continue this going forward with the aim of further reducing operating losses.

It is our aim to ensure that summer months are largely profitable however the seasonality of the business remains an issue which must be addressed through further development of alternative revenue streams and continued efforts to cut overhead costs during the quieter winter months.


Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Group and the compliance team and senior management take on an important oversight role in this regard with the key risks maintained in a risk register and regularly reviewed. The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively. Principal risks include normal operational airport risks and credit, liquidity and foreign exchange risks are reviewed in note 19. The outcome of Brexit remains uncertain for the country but the business has considered the commercial and operational risks and the potential impact in consultation with our key scheduled customers and believes that the planning is well placed to deal with the impact of a hard border. The International Air Services Transit Agreement protecting rights of other aircraft to land for non-traffic purposes.

Proposed Sale of Shareholding of Prestwick Aviation Holdings Limited

In June 2019 the Scottish Government announced its intention to advertise the business for sale. After 5 years of ownership and the significant improvement in performance it was time to see if there was an opportunity to return it to the private ownership. The sale process is underway and further information will be provided when available.

By order of the board


Stewart Adams
Director

Buchanan House
58 Port Dundas Road
Glasgow G4 0HF

4 December 2019

Directors' Report

The directors present their directors' report for the year ended 31 March 2019.

Principal activity

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

Proposed Dividend

The directors do not propose the payment of a dividend in respect of the current year (2018: £nil).

Directors

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

- | | |
|-----------------------------------|--|
| • Stewart Adams | |
| • Ian Forgie | appointed 09/04/18 |
| • Andrew Miller | |
| • Frances Pacitti | appointed 12/07/18 (resigned 21/10/19) |
| • Richard Rollison | appointed 18/12/18 |
| • Chris Wilcock | appointed 08/04/19 |
| • Derek Banks (Company Secretary) | resigned 03/04/18 |
| • John Nicholls | resigned 12/07/18 |
| • Roy Brannen | resigned 21/09/18 |

Financial Instruments

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

Employees

The Airport continues to engage fully with its employees, regularly exchanging information concerning the operation of the airport 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.

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.

Political Contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2018 : £nil).

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.

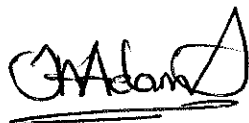
Disclosure of Information to Auditor

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

A handwritten signature in black ink, appearing to read 'Stewart Adams', with a horizontal line drawn underneath.

Stewart Adams
Director

4 December 2019

Buchanan House
58 Port Dundas Road
Glasgow
G4 0HF

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

The directors are responsible for preparing the 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 International Financial Reporting Standards, (IFRS's 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, relevant, reliable 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;
- assess the ability of the group and parent company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of TS Prestwick Holdco Limited ("the company") for the year ended 31 March 2019 which comprise the Consolidated Statement of Profit and Loss, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Balance Sheet, Company Statement of Changes in Equity and related notes, including the accounting policies in note 1.

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 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We draw attention to note 1 to the financial statements on pages 15 and 16 which indicate that the Group continues to be funded by loans from Transport Scotland and would need to effect a significant transformation of its business to be able ultimately repay the loan. Accordingly, the Group is reliant on a letter of support from Transport Scotland to fund any future losses and necessary capital expenditure and also not to request repayment of the amounts currently outstanding to Transport Scotland; as with such letters there remains a doubt whether this can be enforced in the event that such a need arises. This, along with other matters explained in note 1, including a potential sale of the Group, constitute a material uncertainty that may cast significant doubt on the Group's and the Parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Lyn Nicolls (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

9 December 2019

**Consolidated Statement of Profit and Loss
for year ended 31 March 2019**

	Note	2019 £000	2018 £000
Revenue	2	24,572	18,162
Cost of sales		(26,963)	(23,387)
Gross loss		(2,391)	(5,225)
Administrative expenses		(1,450)	(1,359)
Other Operating Income	3	1,300	-
Group operating loss	3	(2,541)	(6,584)
Financial expenses	6	(1,289)	(1,024)
Loss before taxation		(3,830)	(7,608)
Tax on loss	7	-	-
Loss after taxation		(3,830)	(7,608)

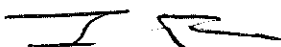
	Note	2019 £000	2018 £000
Consolidated statement of comprehensive income for year ended 31 March 2019			
Loss for the Period	2	(3,830)	(7,608)
Gain on revaluation of land and buildings	8,9	3,580	-
Total comprehensive income / (Expenditure) for the year		(250)	(7,608)

All of the activities of the group are classed as continuing

Consolidated Balance Sheet
at 31 March 2019

	Note	2019 £000	2018 £000
Non-current assets			
Investment property	8	5,850	2,770
Property, plant and equipment	9	-	1,000
		<u>5,850</u>	<u>3,770</u>
Current assets			
Inventories	11	238	218
Assets held for sale	8	1,250	-
Trade and other receivables	12	4,415	5,308
Cash and cash equivalents	13	1,807	3,044
		<u>7,710</u>	<u>8,570</u>
Total assets		<u>13,560</u>	<u>12,340</u>
Current liabilities	14	(47,955)	(46,477)
Non-current liabilities	16	-	(8)
Total liabilities		<u>(47,955)</u>	<u>(46,485)</u>
Net liabilities		<u>(34,395)</u>	<u>(34,145)</u>
Equity			
Share capital	18	-	-
Revaluation Reserve		3,580	-
Retained earnings		(37,975)	(34,145)
Total equity		<u>(34,395)</u>	<u>(34,145)</u>

These financial statements were approved by the board of directors on 4 December 2019 and were signed on its behalf by:



Ian Forgie
Director

Company registered number: Registered number SC462050

Consolidated Statement of Changes in Equity	Revaluation Reserve	Retained Earnings	Total equity
	£000	£000	£000
Balance at 1 April 2017	-	(26,537)	(26,537)
Total comprehensive loss for the year			
Loss for the year	-	(7,608)	(7,608)
Total comprehensive loss for the year		(7,608)	(7,608)
Balance at 31 March 2018	-	(34,145)	(34,145)

Consolidated Statement of Changes in Equity	Revaluation Reserve	Retained Earnings	Total equity
	£000	£000	£000
Balance at 1 April 2018	-	(34,145)	(34,145)
Total comprehensive loss for the year			
Gain on revaluation of land and buildings	3,580	-	3,580
Loss for the year		(3,830)	(3,830)
Total comprehensive loss for the year	3,580	(3,830)	(250)
Balance at 31 March 2019	3,580	(37,975)	(34,395)

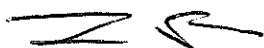
Consolidated Cash Flow Statement
for year ended 31 March 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Loss for the year		(3,830)	(7,608)
Adjustments for:			
Impairment charge		2,679	4,750
Change in value of investment property		(1,600)	(15)
Change in property, plant & equipment		1,850	-
Financing expense		1,289	1,032
Deferred government grant		(8)	(8)
		<u>380</u>	<u>(1,849)</u>
Decrease/(Increase) in trade and other receivables		893	(2,720)
(Increase) in inventories		(20)	(5)
(Decrease)/Increase in trade and other payables		(1,272)	147
		<u>(19)</u>	<u>(4,427)</u>
Interest paid		(39)	(38)
Net cash from operating activities		<u>(58)</u>	<u>(4,465)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(2,679)	(4,750)
Net cash from investing activities		<u>(2,679)</u>	<u>(4,750)</u>
Cash flows from financing activities			
Loan from Transport Scotland on behalf of Scottish Ministers		1,500	8,000
Net cash from financing activities		<u>1,500</u>	<u>8,000</u>
Net decrease in cash and cash equivalents		(1,237)	(1,215)
Cash and cash equivalents at beginning of period		3,044	4,259
Cash and cash equivalents at end of period		<u><u>1,807</u></u>	<u><u>3,044</u></u>

Company Balance Sheet
at 31 March 2019

	<i>Note</i>	2019	2018
		£	£
Non Current Assets			
Investment in Subsidiaries		-	-
Current assets			
Cash at bank and in hand		<u>1</u>	<u>1</u>
Net current assets		<u>1</u>	<u>1</u>
Net assets		<u><u>1</u></u>	<u><u>1</u></u>
Capital and reserves			
Called up share capital	18	<u>1</u>	<u>1</u>
Shareholders' funds		<u><u>1</u></u>	<u><u>1</u></u>

These financial statements were approved by the board of directors on 4 December and were signed on its behalf by:



Ian Forgie
Director

Company registered number: SC462050

Company Statement of Changes in Equity

	Called up share capital £000	Total equity £000
Balance at 1 April 2018 and 31 March 2019	<u>1</u>	<u>1</u>

Notes to the financial statements

1 Accounting policies

TS Prestwick Holdco Ltd (the "Company") is a private limited company incorporated, domiciled and registered in Scotland in the UK. The registered number is SC462050 and its registered address is Buchanan House, 58 Port Dundas Street, Glasgow G4 0HF.

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 page 14 (company only).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group 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 financial year are disclosed in note 24.

1.1 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. Non-current assets and Assets held for sale are stated at the lower of their previous carrying amount and fair value less costs to sell.

1.2 Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the net liabilities within the group of £34.4m 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 written confirmation to the directors that for at least 12 months and for the foreseeable future it will continue to make available such funds as are needed by the group to pay its liabilities as they fall due and fund further losses and capital expenditure and will not seek repayment of the amounts currently outstanding 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 other than the repayment of the amounts outstanding to Transport Scotland and the interest accruing thereon. 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.

With regards to the amounts due to Transport Scotland the directors are pleased with further progress this year in trading performance and continue to develop the business

Notes to the financial statements

to reduce the trading losses further and achieving a cash 'break even' position thereby reducing significantly the funding received annually from Transport Scotland. In June 2019 the Scottish Government announced its intention to advertise the business for sale. The sale process is underway and is expected to conclude in the next few months.

Based on the written confirmation of support and additional funding received from Transport Scotland the directors are satisfied the Group will continue to operate and settle its trading liabilities as they fall due, and also that Transport Scotland will continue to defer repayment of the outstanding loans and interest thereon until a suitable repayment plan or restructure can be agreed and provide further financial support as required, accordingly they have prepared the financial statements on a going concern basis. Nevertheless, the conditions described above represent a material uncertainty that may cast significant doubt over the ability of the Group and Company to continue as a going concern and so to realise their assets and settle their liabilities in the normal course of events. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.3 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.

1.4 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

Notes to the financial statements

to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.5 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
- 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.

1.6 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.

Notes to the financial statements

1.7 Property, plant and equipment

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

An impairment loss is recognised in profit or loss if the carrying amount of an asset is greater than estimated recoverable amount of its "cash-generating unit"(CGU) exceeds its estimated recoverable amount.

The company has adopted a policy of revaluation for its tangible fixed assets which 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.

1.8 Investment property

Investment properties are stated at fair value at the balance sheet date on the basis of an external valuation and recognised in the statement of total operating income. A professional valuation is carried out annually and any gain or loss arising from a change in fair value is recognised in profit or loss account.

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.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the average cost 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.

1.10 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.

Notes to the financial statements

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" (CGU)).

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.

1.11 Employee benefits

Defined contribution plans

Notes to the financial statements

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.

1.12 Revenue

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and services to customers, derived from: freight management, property rental, aviation services and passenger services (including car parking and concessions). See note 1.16 which explains the adoption of IFRS15.

1.13 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.

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.

1.14 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

Notes to the financial statements

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.

1.15 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.

1.16 Changes in accounting policies

IFRS 9

The Group's treatment of its financial instruments is detailed under the financial instruments section of Note 19. The adoption of this standards and interpretations has not had any material effect on the Group's results or net assets for the year ended 31 March 2019.

Adoption of IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards, such as IAS 17 'Leases'. The standard outlines the principles entities must apply to measure and recognise revenue. The core principle being that entities should recognise revenue at the amount of consideration that the entity expects to be entitled in exchange for fulfilling its performance obligations.

The principles of IFRS 15 must be applied using the following five step model:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognise revenue when or as the entity satisfies its performance obligations.

The standard requires entities to exercise considerable judgement, taking into account all the relevant facts and circumstances when applying each step of this model to its contracts with customers. The standard also specifies how to account for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, as well as requirements covering matters such as licences of intellectual property, warranties, principal versus agent assessment and options to acquire additional goods or services.

The Company has applied IFRS 15 using the retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information

Notes to the financial statements

has not been restated and continues to be reported under IAS 18 and IAS 11. The impact on equity at 1 April 2018 was £nil as there was no material impact from the application of IFRS 15.

Details of how the business applies IFRS 15 to its accounting treatments are detailed in Note 2.

IFRS 16

In the year ending 31 March 2020 the Group will implement IFRS 16 which, as with many companies, will change the way that we account for leases. In preparing to adopt this new standard the Group has reviewed its lease commitments and considers that it has no material leases which would be impacted by this change.

2 Revenue

	2019	2018
	£000	£000
Fuel	11,766	6,029
Other Aviation	3,331	3,277
Freight	3,333	2,835
Car Parking	1,380	1,497
Concessions	1,273	1,376
Passenger	810	850
Property rentals	2,679	2,298
Total Revenues	<u>24,572</u>	<u>18,162</u>
All revenue is generated in the UK		

The Group operates a number of revenue streams and accordingly applies methods for revenue recognition, based on the principles set out in IFRS 15. The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

The following revenue recognition criteria apply to the Group's main income streams.

Fuel Income:

- Aviation fuel is invoiced, priced and recognised based on the date of fuel supply and charged at the contracted or published sale price on that date.

Notes to the financial statements

Aviation income – Passenger, Freight and Charter/unscheduled flights:

- Various passenger charges for handling and security, based upon the number of departing passengers, are recognised at point of departure. Aircraft departure and arrival charges levied according to weight and time of departure/arrival, are recognised at point of departure/ arrival. Aircraft parking charges based upon a combination of weight and time parked, are recognised at point of departure. The contracts entered into are short term pricing arrangements and judgement is applied to assess the impact any contract amendments have when determining the appropriate contract term.

Freight Income:

- Freight aviation charges are recognised as above. Freight handling, bond storage, transshipment and ETD screening charges are all recognised when the goods leave the airport facility.

Car park income:

- Car parking income is recognised at the point of exit for turn-up, short and long-stay parking. Contract parking and pre-book parking is recognised over the period to which it relates on a straight-line basis. The Group considers the performance obligation is satisfied through the provision of a car park space for each day the car is parked. Where car parking is booked through a third party, income and related commissions are accounted for on a gross basis as the Group is acting as a principal, rather than an agent, through its control of the pricing and availability of car park spaces.

Retail concession income:

- Concession income from retail and commercial concessions is recognised in the period to which it relates on an accrual basis. The contracts entered into are long-term income-sharing concession agreements, with the concession fee based on turnover.

Property income:

- Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term. The contracts entered into are both short and long-term lease agreements. Other property income includes electricity, water, telecoms and repairs, all of which are incurred and charged at the point of consumption.

Notes to the financial statements

3 Group Operating Loss

	2019	2018
	£000	£000
Expenses included in Operating loss before taxation:		
Buildings improvements	517	1,550
Impairment of plant & equipment	2,162	1,210
Motor Vehicles	-	330
Assets under construction (Radar)	-	1,660
Impairment of additions to tangible fixed assets	2,679	4,750
less windfarm radar mitigation income recognised	-	(1,660)
Net charge to Profit and Loss account of capital expenditure on operating assets	2,679	3,090
Windfarm radar mitigation income	(1,300)	-
Non-Recurring Income	(1,300)	-
Non-Recurring Expenditure – Professional fees	174	450
Hire of plant and machinery – rentals payable under operating leases	16	(38)

	2019	2018
	£000	£000
Audit of financial statements of subsidiaries of the company	41	35
Audit of financial statements of the company	7	6
Total Audit Services	48	41
Taxation compliance services	18	15
Amounts receivable by the company's auditor and its associates	66	56

Notes to the financial statements

4 Staff numbers and costs

The average number of people employed on a "full time equivalent" basis (FTE), by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees (FTE)	
	2019	2018
Administrative and managerial	35	34
Operational	274	281
	<u>309</u>	<u>315</u>

The aggregate payroll costs were as follows:

	2019	2018
	£000	£000
Wages and salaries	8,578	8,347
Social security costs	781	774
Contributions to defined contribution plans	310	285
	<u>9,669</u>	<u>9,406</u>

5 Directors' remuneration

	2019	2018
	£000	£000
Directors' emoluments	246	268
Company contributions to defined contribution pension schemes	30	16
Compensation for loss of office	-	61
	<u>276</u>	<u>345</u>

The aggregate remuneration of the highest paid director was £131,000 (2018: £126,000). Company pension contributions of £25,000 (2018: £3,000) were made to a money purchase scheme on his behalf.

Notes to the financial statements

6 Financial expenses

Recognised in profit or loss

	2019	2018
	£000	£000
Bank and other charges	39	38
Interest on Loan from Transport Scotland on behalf of Scottish Ministers	1,250	986
	<u>1,289</u>	<u>1,024</u>

7 Taxation

Recognised in the income statement

	2019	2018
	£000	£000
Current year	-	-
Current tax expense	-	-
Deferred tax expense	-	-
Total tax expense	-	-

Reconciliation of effective tax rate

	2019	2018
	£000	£000
Loss excluding taxation	(3,830)	(7,608)
Tax using the UK corporation tax rate of 19 % (2018: 19%)	(728)	(1,446)
Non-taxable income		-
Permanent differences	4	(323)
Current year losses for which no deferred tax asset was recognised	219	1,173
Non-deductible charges (including impairment)	63	108
Movement in deferred tax asset not recognised	442	488
Total tax expense	-	-

The company has an unrecognised deferred tax asset of £10m (2018: £9.5m) which includes of £8.1m (2018: £7.9m) relating to tax losses and £2.6m (2018: £2.1m) relating to accelerated capital allowances, offset by a deferred tax liability of £0.7m (2018: £0.5m) relating to the revaluation of investment property. The net deferred tax asset has not been recognised due to uncertainty over its recoverability. Reductions in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly. The deferred tax asset at 31st March 2019 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

Notes to the financial statements

8 Investment property

	2019	2018
	£000	£000
Opening balance	2,770	2,755
Fair Value adjustment	1,600	15
Transferred to property, plant and equipment	(850)	-
Transfer from property, plant and equipment	3,580	-
Transferred to assets held for sale	(1,250)	-
	<u>5,850</u>	<u>2,770</u>

During the year the directors carried out a strategic review of its land and building estate. During this review the directors identified property previously held as operational property that could potentially held as investment property. Valuations were performed by CBRE Limited, an accredited independent valuer with a recognised and relevant professional qualification. The valuer has sufficient current local and national knowledge of the particular property markets involved and has the skills and understanding to undertake the valuations competently. Independent valuation advice was sought and external valuations carried out by Ryden LLP and the Valuation Office Agency ("VOA"). The valuations were performed by suitably qualified members of the Royal Institution of Chartered Surveyors (RICS) who have sufficient current local and national knowledge of the particular properties and in accordance with the recommendations of the RICS as defined within the RICS Valuation Standards.

The fair value of investment buildings property held to earn rentals is determined using the income capitalisation method. The income capitalisation method is based on capitalising the net income stream at an appropriate yield. In establishing the net income stream the valuer has reflected the current rent payable to lease expiry, at which point the valuer has assumed that each unit will be re-let at their opinion of estimated rental value. The valuer has made allowances for vacancies and rent-free periods where appropriate, as well as deducting non-recoverable costs where applicable. The appropriate yield is selected on the basis of the location of the building, its quality, tenant credit quality and lease terms amongst other factors.

The fair value of investment property that is non-operational and is readily available for investment purposes and also assets held for sale is determined by reference to recent market data and known abnormal costs. It is assumed that planning permission, where relevant, would be granted for change of use. All properties are deemed Level 3 for the purposes of fair value measurement and the key unobservable inputs are annual rent ranging from £1.11-£11.90 per sq ft (buildings) or £31,920-£84,615 per acre (land), yields ranging from 4½%- 23½%, capital values ranging from £15-£110 per sq ft and net land values from £10,000-£209,500 per acre.

Notes to the financial statements

Potential Investment Property Identified	No of Assets	Acres	Current Use	Valuation £
Land that is non-operational and is readily available for investment purposes.	8	86	Landside/ Non-Aviation related	£3,250,000
Held to earn rentals and generates cash flows largely independently of the operating assets.	11	3	Landside/ Non-Aviation related	£2,600,000
	11	14	Airside/Aviation related	£8,110,000
Assets held for sale	1	35		£1,250,000

As a result of this review and the subsequent valuation the board have:

- recognised the value of non-operational land - £3,250,000 which could be held for investment purposes or sold.
- considered the value of property held to earn rentals and concluded that:
 - the operational cashflows from the non-aviation/landside property portfolio could be identified separately from that of the rest of the operational business and recognised the fair value of those investment properties of £2,600,000
 - the operational cashflows from the aviation/airside property portfolio could not be identified separately from that of the rest of the operational business because the current use of the assets are linked to the operational business and whilst this remained loss making these properties could not be recognised and held as investment property. The estimated fair value of £8,110,000 of those properties could not have therefore been recognised.
- recognised Assets held for Sale - £1,250,000. One of the assets identified and valued as held to earn rentals was reclassified during the year by the board as available for sale and held at carrying value at the year end.
- transferred the carrying value of the second runway previously classified as investment property to property plant and equipment as it is an operational asset. The carrying value was £850,000. This was impaired at the year end.

Assets held for sale

	2019	2018
	£000	£000
Transferred from Investment property	1,250	-

An asset was identified by the board as available for sale and was reclassified as an asset held for sale at carrying value during the year to March 2019.

Notes to the financial statements

9 Property, plant and equipment

	Land and buildings £000	Plant and machinery £000	Total £000
Cost or valuation			
At beginning of year	900	100	1,000
Transfer from investment property	850	-	850
Additions	517	2,162	2,679
Impairment	(2,267)	(2,262)	(4,529)
Balance at end of year	-	-	-
Depreciation			
At beginning and end of year	-	-	-
Net book value			
At 31 March 2018	900	100	1,000
At 31 March 2019	-	-	-

On acquisition by the Scottish Government in 2013 an external valuation was performed by Deloitte LLP for the Prestwick Aviation Holdings Limited (PAHL) group which included an assessment of the value of the operational assets of the business which, given the financial position of the business at that time, were valued at £1m. During the year the board carried out a review of its operational assets and as a result the board have identified assets that it considers to be investment properties and these have been valued and included in investment property. The carrying value of the second runway was also transferred from investment property to property, plant and equipment as it is now considered an operational land asset. The Fair value was assessed to equal the carrying value of £850,000.

IAS 36 requires the directors to continue to assess the carrying value its operational assets annually with reference to the ability of those assets to generate future positive cashflows.

Each year the directors perform their own assessment of carrying value of these assets and since acquisition any additions to property, plant and equipment have been written off and included as cost of sales in the consolidated profit and loss statement. In the 5 years since acquisition £22.5m has been invested and impaired in this way.

Although there has been a substantial reduction in the operating losses of the airport in the past 2 years and the performance of the business continues to improve in the short term, the directors believe that the impairment of operational assets remains appropriate at this time. The directors also believed that the £1m attributed to the operating assets in 2013 were not clearly identifiable and therefore the impairment charge this year includes the additions in the year plus the balances from 2013.

This accounting treatment will be reviewed as the business performance forecasts continue to improve which would allow the business to consider recognition of the value of operational assets on the balance sheet.

Notes to the financial statements

The revaluation of £3,580,000 shown in the other comprehensive income relates to the reclassification of assets from property, plant and equipment to Investment Property and is shown in Note 8, Investment Property.

10 Investments and subsidiary undertakings

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

Name	Registration Number	Country of registration	Description of ordinary shares held	Nature of business
Prestwick Aviation Holdings Ltd	SC130620	Scotland	100% of share capital	Holding Company
Glasgow Prestwick Airport Ltd	SC135362	Scotland	100% of share capital	Airport operation
Prestwick Airport Ltd	SC135365	Scotland	100% of share capital	Property management
Prestwick Airport Infrastructure Ltd	SC340772	Scotland	100% of share capital	Landowner
Prestwick Airport Property Limited	SC356862	Scotland	100% of share capital	Dormant
Airport Driving Range Company Limited	SC076905	Scotland	100% of share capital	Landowner

All subsidiary undertakings are included in the consolidated financial statements. The holding company is registered at Buchanan House, 58 Port Dundas, Glasgow, Lanarkshire, G4 0HF and all subsidiary companies are all registered at Aviation House, Prestwick, Ayrshire, KA9 2PL

11 Inventories

	Group 2019 £000	2018 £000
Raw materials and consumables	<u>238</u>	<u>218</u>

Raw materials, consumables and changes in finished goods recognised as cost of sales in the year amounted to £ 2,449,319 (2018 : £ 1,411,074).

Notes to the financial statements

12 Trade and other receivables

	Group	
	2019	2018
	£000	£000
Amounts due within one year		
Trade receivables	3,901	3,314
VAT and other taxes	55	501
Prepayments and accrued income	459	1,493
	4,415	5,308

13 Cash and cash equivalents

	Group	
	2019	2018
	£000	£000
Cash and cash equivalents per balance sheet	1,807	3,044
Cash and cash equivalents per cash flow statements	1,807	3,044

14 Current Liabilities

	Group	
	2019	2018
	£000	£000
Current		
Trade payables	754	202
Social security costs and other taxes	196	252
Accruals and deferred income	7,105	7,623
Loan from Transport Scotland on behalf of Scottish Ministers	39,900	38,400
	47,955	46,477

Notes to the financial statements

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 applicable, see note 19.

Loan from Transport Scotland on behalf of Scottish Ministers

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Group		Face value	Carrying amount
				Face value	Carrying amount		
				2019 £000	2019 £000	2018 £000	2018 £000
Transport Scotland loan on behalf of Scottish Ministers	GBP	3.24%	Ongoing	39,900	39,900	38,400	38,400

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

16 Non-current liabilities

	2019 £000	2018 £000
Deferred Government Grants	-	8

	Group	
	2019 £000	2018 £000
Government Grants comprise:		
At beginning of period	8	16
Released to profit and loss account	(8)	(8)
At end of period	-	8

Notes to the financial statements

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 £310,000 (2018: £285,000) and there are no outstanding contributions at the end of the year (2018: £nil).

18 Capital and reserves

Share capital

	Ordinary shares	
	2019	2018
	£	£
On issue at 1st April and 31st March – fully paid	<u>1</u>	<u>1</u>
	2019	2018
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

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).

Notes to the financial statements

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:

	Group			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and receivables	2019	2019	2018	2018
	£000	£000	£000	£000
Cash and cash equivalents (note 13)	1,807	1,807	3,044	3,044
Trade and other receivables (note 12)	4,415	4,244	5,308	5,174
Total loans and receivables	6,222	6,051	8,352	8,218
Total financial assets	6,222	6,051	8,352	8,218

	Group			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2019	2019	2018	2018
	£000	£000	£000	£000
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 15)	39,900	39,900	38,400	38,400
Trade and other payables (note 14)	8,055	8,055	8,077	8,077
Total financial liabilities measured at amortised cost	47,955	47,955	46,477	46,477
Total financial liabilities	47,955	47,955	46,477	46,477
Total financial instruments	(41,733)	(41,904)	(38,125)	(38,259)

Notes to the financial statements

(b) 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.

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.

(c) 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;

	Group	
	2019	2018
	£000	£000
Trade receivables	<u>3,901</u>	<u>3,314</u>

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

	Group	
	2019	2018
	£000	£000
UK	2,165	2,846
Europe	284	229
Middle East	46	23
North America	1,407	134
Other	-	82
	<u>3,901</u>	<u>3,314</u>

Notes to the financial statements

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

	Group	
	2019	2018
	£000	£000
Aviation	2,930	2,355
Property	507	315
Other	464	644
	<u>3,901</u>	<u>3,314</u>

Credit quality of financial assets and impairment losses

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

	Group		Group	
	Gross	Impairment	Gross	Impairment
	2019	2019	2018	2018
	£000	£000	£000	£000
Not past due	2,255	—	1,622	—
Past due (0-30 days)	287	—	439	—
Past due (31-120 days)	1,306	—	768	—
More than 120 days	224	171	619	134
	<u>4,072</u>	<u>171</u>	<u>3,448</u>	<u>134</u>

On review the company assessed the impact of the lifetime expected credit losses (IFRS9) on trade receivables based on historical 3 year average bad debt write-off (0.22%) and have not identified any significant impact on the current bad debt provision. This is reflected in the table above.

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

	Group	
	2019	2018
	£000	£000
Opening balance	134	175
Impairment loss recognised	31	59
Impairment loss reversed	6	(100)
Balance at 31 March	<u>171</u>	<u>134</u>

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.

Notes to the financial statements

At that point the amounts considered irrecoverable are written off against the trade receivables directly.

(d) 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.

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

	2019		2018	
	Contractual cash flows*	1 Year or less	Contractual cash flows*	1 Year or less
	£000	£000	£000	£000
Non-derivative financial liabilities				
Transport Scotland Loan from Scottish Minsters	39,900	39,900	38,400	38,400
Trade and other payables	8,055	8,055	8,077	8,077
	47,955	47,955	46,477	46,477
*Carrying Amount				

(e) 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 buys and sells aviation fuel in US dollars and is naturally hedged for the cost of the fuel. During the year the Group required US dollars to fund a purchase of equipment and used this to mitigate any exposure to foreign currency risk during the year. The Group is developing a strategy to reduce exposure to potential future foreign exchange losses and has put in place foreign exchange hedging facilities with its bankers to place forward contracts to assist with this policy.

Notes to the financial statements

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.

(f) 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	
	2019	2018
	£000	£000
Less than one year	8	8
Between one and five years	10	24
More than five years		-
	18	32

During the year £16,000 was recognised as an expense in the income statement in respect of operating leases (2018: £38,000).

Leases as lessor

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

	Group	
	2019	2018
	£000	£000
Less than one year	938	1,271
Between one and five years	1,910	1,660
More than five years		-
	2,848	2,931

During the year £ 1,721,000 (2018: £1,467,000) was recognised as rental income by the Group.

Notes to the financial statements

21 Commitments

Capital commitments

Group

During the year ended 31 March 2019, the group entered no contracts to purchase property, plant and equipment.

22 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 as set out in Note 15. It has no other transactions directly with the company.

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 of the group (including the directors) is as follows:

	Group 2019 £000	2018 £000
Key management remuneration including social security costs	533	503
Company contributions to money purchase pension plans	47	26
Compensation for loss of office	-	61
	580	590

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.

The directors perform their own assessment of carrying value annually and considers the performance and projected cashflows of the business to determine whether impairment of the carrying value is appropriate. Details of this are contained in note 9.

Notes to the financial statements

Valuation of investment property

The Group determines whether a property qualifies as an investment property by reviewing its estate and identifying property held to earn rentals and generates cash flows largely independently of the operating assets. It also identifies land that is non-operational and available for investment purposes. The group engages independent valuation specialists to determine the valuation as outlined in note 1.9. The valuer uses recognised valuations techniques.

The group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss.

25 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").

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 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;
- 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.

Notes to the financial statements

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

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

26 Measurement convention

The financial statements are prepared on the historical cost basis.

27 Remuneration of directors

The directors received no remuneration in respect of qualifying services to the company, in the current or prior year.

28 Staff costs

The parent company has no employees, in the current or prior year.

29 Expenses and auditor's remuneration - company

The auditor's remuneration is borne by Glasgow Prestwick Airport Limited and has been included within the group disclosure at note 3.

30 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 10.

