

TS Prestwick Holdco Ltd

Annual report and financial statements

Registered number SC462050

31 March 2018

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Strategic Report

The directors present their strategic report for the year ended 31 March 2018.

For the year 31 March 2018 the group has seen an improvement in performance compared with the previous year. Passenger numbers increased by 4% and cargo volumes increased by 3% during the period. The business has benefited from positive increases to most revenue streams during the year with revenues up significantly (33.8%) over the prior year from £13.6m to £18.2m with non-scheduled and other aviation activity in particular increasing by 75% over the previous year resulting in a significant increase in income derived from fuel and aviation sales.

KEY STATS - FY18				
	ACTUAL 17/18	ACTUAL 16/17	Var YOY	Var YOY
Total Passengers ('000)	702	678	24	4%
Total Freight (Metric Tonnes)	11.8	11.4	0.4	3%
	£m	£m	£m	£m
Revenue	18.2	13.6	4.6	33.8%
Underlying Operating Loss	(3.0)	(4.8)	1.8	(38%)
Net charge to Profit and Loss account for capital expenditure on operating assets*	(3.1)	(4.3)	1.2	
Non-Recurring Expenditure*	(0.5)	-	(0.5)	
Non-Recurring Income*	-	1.3	(1.3)	
Group Operating Loss before Interest and Tax	(6.6)	(7.8)	1.2	(15%)
Interest	(1.0)	(0.8)	(0.2)	25%
Tax	-	-	-	
Total Loss for Year	(7.6)	(8.6)	1.0	(12%)

* Note 3

Increased revenues and reductions in the cost base from the second half of the year are starting to show improvements in performance with underlying operating losses reduced year on year by £1.8m to £3m. Capital Expenditure on operating assets which is written off to the profit and loss account in line with accounting standards has also reduced year on year by £1.2m to £3.1m. The total loss for the year including loan interest was £7.6m, £1m lower than the previous year.

Despite a high level of Business development activity and the introduction of a revised pricing package for new route start-ups only one additional destination was added to our network with Ryanair introducing a service to Rzeszow in Poland. Uncertainty regarding Brexit is deterring operators who are delaying expansion plans and new route start-ups until the future position post Brexit is clearer. Airlines also are concerned about the continuing high level of Air Passenger Duty (APD) which clearly deters the development of additional services from the UK.

Strategic Report (continued)

The business is ready and capable of accommodating growth in any sector without any significant lead time or financial investment required.

Towards the end of the year the business benefitted from increased cargo volumes on all scheduled cargo services operated, this trend is expected to continue throughout the new financial year. Business Development activity in this area will increase with the aim of attracting more cargo services from the airfield.

During October 17 a new Chief Executive Officer was appointed to lead the business and since his arrival he has focussed on improving the overall financial performance of the company by increasing revenue and decreasing costs whilst overseeing the efforts of the commercial team to increase the customer base and review existing commercial agreements. A major project was launched during the last quarter of the year to ensure that the whole business is focussed on achieving this with significant benefits anticipated during the next financial year.

The new CEO has restructured the Executive management team for the new financial year. A new Chief Financial Officer has been appointed to work alongside the CEO to oversee revenue development and ensure stringent cost control. A new Executive position of General Manager Commercial has also been created to ensure the business is totally focused on all revenue generating areas.

The business continues to work hard to improve its financial performance by looking to grow revenue and introducing additional cost control measures to improve margins. The new senior management structure will ensure that the entire business is totally focussed on ensuring that the financial improvement seen over the last year continues.

By order of the board



Stewart Adams
Director

Buchanan House
58 Port Dundas Road
Glasgow G4 0HF
October 2018

Directors' Report

The directors present their directors' report for the year ended 31 March 2018.

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 (2017: £nil).

Directors

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

• Andrew Miller	appointed	01/12/14
• Stewart Adams	appointed	01/11/17
• Ian Forgie (Company Secretary)	appointed	01/09/18
• Frances Pacitti	appointed	12/07/18
• Richard Rollison	appointed	24/09/18, resigned 18/10/18
• Ronald Smith	resigned	31/10/17
• 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 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 (2017:£nil).

Directors' Report (continued)

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 stylized flourish at the end.

Stewart Adams
Director

Buchanan House
58 Port Dundas Road
Glasgow
G4 0HF
October 2018

Statement of directors' responsibilities

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 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
- assess the ability of the group and the parent company to continue as going concerns, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group and 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.

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

Opinion

We have audited the financial statements of TS Prestwick Holdco Limited ("the company") for the year ended 31 March 2018 which comprise the Consolidated Statement of Profit or Loss, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated Cash Flow Statement 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 2018 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 (IFRSs as adopted by the EU);
- 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 14 and 15 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, 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.

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

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

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

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.



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

29 November 2018

Consolidated Statement of Profit and Loss
for year ended 31 March 2018

	<i>Note</i>	2018 £000	2017 £000
Revenue	2	18,162	13,631
Cost of sales		(23,387)	(19,906)
Gross loss		(5,225)	(6,275)
Administrative expenses		(1,359)	(1,548)
Group operating loss	3	(6,584)	(7,823)
Financial expenses	6	(1,024)	(789)
Loss before taxation		(7,608)	(8,612)
Tax on loss	7	-	-
Loss after taxation		(7,608)	(8,612)

All of the activities of the group 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 2018

	Note	2018 £000	2017 £000
Non-current assets			
Investment property	8	2,770	2,755
Property, plant and equipment	9	1,000	1,000
		<u>3,770</u>	<u>3,755</u>
Current assets			
Inventories	11	218	213
Trade and other receivables	12	5,308	3,187
Cash and cash equivalents	13	3,044	4,259
		<u>8,570</u>	<u>7,659</u>
Total assets		12,340	11,414
Current liabilities	14	(46,477)	(37,935)
Non-current liabilities	16	(8)	(16)
Net liabilities		<u>(34,145)</u>	<u>(26,537)</u>
Equity			
Share capital	18	-	-
Retained earnings		(34,145)	(26,537)
Total equity		<u>(34,145)</u>	<u>(26,537)</u>

These financial statements were approved by the board of directors on 26th November 2018 and were signed on its behalf by:



Stewart Adams
Director

Company registered number: Registered number SC462050

Consolidated Statement of Changes in Equity

	Called up Share Capital £000	Revaluation Reserve £000	Retained Earnings £000	Total equity £000
Balance at 1 April 2016	-	-	(17,925)	(17,925)
Total comprehensive loss for the year	-	-	(8,612)	(8,612)
Loss after taxation	-	-	(8,612)	(8,612)
Balance at 31 March 2017	-	-	(26,537)	(26,537)

	Called up Share Capital £000	Revaluation Reserve £000	Retained Earnings £000	Revaluation Reserve £000
Balance at 1 April 2017	-	-	(26,537)	(26,537)
Total comprehensive loss for the year	-	-	(7,608)	(7,608)
Loss after taxation	-	-	(7,608)	(7,608)
Balance at 31 March 2018	-	-	(34,145)	(34,145)

Consolidated Cash Flow Statement
for year ended 31 March 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Loss for the year		(7,608)	(8,612)
Adjustments for:			
Depreciation and impairment		4,750	5,065
Change in value of investment property		(15)	(85)
Financing expense		1,024	789
Deferred government grant		0	(24)
		<u>(1,849)</u>	<u>(2,867)</u>
(Increase) in trade and other receivables		(2,720)	(962)
(increase) in inventories		(5)	5
Increase in trade and other payables		147	785
		<u>(4,427)</u>	<u>(3,039)</u>
Interest paid		(38)	(44)
Net cash from operating activities		<u>(4,465)</u>	<u>(3,083)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(4,750)	(5,065)
Net cash from investing activities		<u>(4,750)</u>	<u>(5,065)</u>
Cash flows from financing activities			
Loan from Transport Scotland on behalf of Scottish Ministers		8,000	9,600
Net cash from financing activities		<u>8,000</u>	<u>9,600</u>
Net increase in cash and cash equivalents		(1,215)	1,452
Cash and cash equivalents at beginning of period		4,259	2,807
Cash and cash equivalents at end of period	13	<u>3,044</u>	<u>4,259</u>

Company Balance Sheet
at 31 March 2018

	<i>Note</i>	2018	2017
		£	£
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>1</u>	<u>1</u>
Capital and reserves			
Called up share capital	30	<u>1</u>	<u>1</u>
Shareholders' funds		<u>1</u>	<u>1</u>

These financial statements were approved by the board of directors on October 2018
and were signed on its behalf by:

Director

Company registered number: SC462050

Company Statement of Changes in Equity

	Called up share capital £000	Total equity £000
Balance at 1 April 2017 and 31 March 2018	<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 and domiciled 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 13 (company only).

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

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 are stated at the lower of 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 £34.1m, 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 currently reviewing the strategic options for the group with a view to reducing the trading losses further and achieving a cash 'break even' position thereby reducing the funding received annually from Transport Scotland. However the Group would need to effect a significant transformation of the airport and therefore its underlying performance to be able to ultimately repay the amounts outstanding to Transport Scotland. Alternatively the

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

directors may seek the restructure of the current Transport Scotland loans to a form of equity instrument.

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

Notes (continued)

1 Accounting policies (continued)

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 (continued)

1 Accounting policies (continued)

1.7 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.

1.8 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.

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.

1.9 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

Notes (continued)

1 Accounting policies (continued)

1.9 Investment property (continued)

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.

1.10 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.

1.11 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" (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

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Impairment excluding inventories and investment properties *(continued)*

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.

1.12 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.

1.13 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).

1.14 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

Notes (continued)

1 Accounting policies (continued)

1.14 Expenses (continued)

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.

1.15 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.

1.16 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.

1.17 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 2018 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. The Group has not fully assessed the impact of adopting IFRS 9 and IFRS 15 and it is not practicable to provide a

Notes (continued)

1 Accounting policies (continued)

1.17 Adopted IFRS not yet applied (continued)

quantified assessment of the effect of these standards in these financial statements. The Group will provide this impact assessment in future financial statements.

2 Revenue

	2018	2017
	£000	£000
Freight	2,835	2,547
Property rentals	2,298	2,211
Other Aviation	3,277	2,267
Car Parking	1,497	1,457
Concessions	1,376	1,377
Fuel	6,029	2,949
Passenger	850	823
Total Revenues	18,162	13,631
All revenue is generated in the UK		

3 Group Operating Loss

	2018	2017
	£000	£000
Expenses included in Operating loss before taxation:		
Buildings improvements	1,550	2,425
Plant & Equipment	1,210	1,478
Motor Vehicles	330	427
Assets under construction (Radar)	1,660	735
Impairment of additions to tangible fixed assets	4,750	5,065
less Windfarm Radar mitigation income recognised	(1,660)	(735)
Net charge to Profit and Loss account of capital expenditure on operating assets	3,090	4,330
Release of historic provisions	-	(1,313)
CAA Airspace Change compliance professional fees	450	-
Non-Recurring Income and Expenditure	450	(1,313)
Hire of plant and machinery – rentals payable under operating leases	(38)	98

Notes (continued)

	2018 £000	2017 £000
Audit of financial statements of subsidiaries of the company	35	34
Audit of financial statements of the company	6	6
Total Audit Services	41	40
Taxation compliance services	15	14
Amounts receivable by the company's auditor and its associates	56	54

Notes (continued)

4 Staff numbers and costs

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

	Number of employees	
	2018	2017
Administrative and managerial	34	29
Operational	281	274
	<u>315</u>	<u>303</u>

The aggregate payroll costs were as follows:

	2018	2017
	£000	£000
Wages and salaries	8,347	8,159
Social security costs	774	736
Contributions to defined contribution plans	285	237
	<u>9,406</u>	<u>9,132</u>

5 Directors' remuneration

	2018	2017
	£000	£000
Directors' emoluments	268	200
Company contributions to defined contribution pension schemes	16	8
Compensation for loss of office	61	-
	<u>345</u>	<u>208</u>

The aggregate remuneration of the highest paid director (including compensation for loss of office) was £126,000 (2017: £164,000). Company pension contributions of £ 3,000 (2017: £ nil) were made to a money purchase scheme on his behalf.

Notes (continued)

6 Financial expenses

Recognised in profit or loss

	2018	2017
	£000	£000
Bank and other charges	38	44
Interest on Loan from Transport Scotland on behalf of Scottish Ministers	986	745
	1,024	789

7 Taxation

Recognised in the income statement

	2018	2017
	£000	£000
Current tax expense		
Current year	-	-
Current tax expense	-	-
Deferred tax expense	-	-
Total tax expense	-	-

Reconciliation of effective tax rate

	2018	2017
	£000	£000
Loss for the year/period	(7,608)	(8,612)
Total tax expense	-	-
Loss excluding taxation	(7,608)	(8,612)
Tax using the UK corporation tax rate of 19 % (2017: 20%)	(1,446)	(1,722)
Non-taxable income	-	-
Non-taxable income	-	(8)
Permanent differences	(323)	(140)
Current year losses for which no deferred tax asset was recognised	1,173	1,173
Non deductible charges (including impairment)	108	378
Movement in deferred tax asset not recognised	488	319
Total tax expense	-	-

Notes (continued)

7 Taxation (continued)

The company has a deferred tax asset which includes of £7.9m (2017: £6.9m) relating to tax losses and £2.1m (2017: £1.8m) relating to accelerated capital allowances offset by a deferred tax liability of £0.5m (2017: £0.5m) 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 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction 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 2018 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

8 Investment property

	2018	2017
	£000	£000
Opening balance	2,755	2,670
Fair value adjustments (unrealised)	15	85
	2,770	2,755

The investment property portfolio was valued as at 31 March 2018 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 (RICS) in accordance with the recommendations of the RICS as defined within the RICS Valuation Standards.

9 Property, plant and equipment

	Land and buildings	Plant and machinery	Motor vehicles	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	900	100	-	-	1,000
Additions	1,550	1,210	330	1,660	4,750
Impairment	(1,550)	(1,210)	(330)	(1,660)	(4,750)
Balance at end of year	900	100	-	-	1,000
Depreciation					
At beginning and end of year	-	-	-	-	-
Net book value					
At 31 March 2017	900	100	-	-	1,000
At 31 March 2018	900	100	-	-	1,000

Notes (continued)

9 Property, plant and equipment (continued)

Included in land and buildings is an amount of land valued at £433,000 (2017: £433,000) which is not depreciated. Assets under the course of construction relate to the upgrading of the airport's radar system to mitigate interference from windfarm turbines. Income received from windfarm developers of £1.6m (2017 £735,000) has been received and recognised in the profit and loss account and included in cost of sales to offset this cost.

The tangible fixed assets were valued as at 31 March 2018 by the directors as part of a wider consideration of the operational assets of the TS Prestwick Holdco Ltd group, of which these tangible assets form part. Consideration was given to current market conditions, forward forecasts and previous valuations of the assets in recent years.

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

An external valuation was performed by Deloitte LLP 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 group in favour of the Scottish Ministers.

10 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. 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

Notes (continued)

11 Inventories

	Group	
	2018	2017
	£000	£000
Raw materials and consumables	218	213

12 Trade and other receivables

	Group	
	2018	2017
	£000	£000
Amounts due within one year		
Trade receivables	3,314	2,021
VAT and other taxes	501	441
Prepayments and accrued income	1,493	725
	5,308	3,187

13 Cash and cash equivalents

	2018	2017
	£000	£000
Cash and cash equivalents per balance sheet	3,044	4,259
Cash and cash equivalents per cash flow statements	3,044	4,259

14 Current Liabilities

	Group	
	2018	2017
	£000	£000
Current		
Trade payables	202	38
Social security costs and other taxes	252	204
Accruals and deferred income	7,623	7,293
Loan from Transport Scotland on behalf of Scottish Ministers	38,400	30,400
	46,477	37,935

Notes (continued)

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.

Loan from Transport Scotland on behalf of Scottish Ministers

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2018 £000	Carrying amount 2018 £000	Face value 2017 £000	Carrying amount 2017 £000
Transport Scotland loan on behalf of Scottish Ministers	GBP	3.24%	Ongoing	38,400	38,400	30,400	30,400

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

16 Non-current liabilities

Deferred Government Grants	<u>8</u>	<u>16</u>
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Included within trade and other payables is £8,000 (2017: £16,000) for the Group expected to be settled in more than 12 months.

<i>Government Grants comprise:</i>	2018	2017
	£000	£000
At beginning of period	16	24
Released to profit and loss account	(8)	(8)
At end of period	<u>8</u>	<u>16</u>

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 £ 285,000 (2017: £237,000) and there are no outstanding contributions at the end of the year. (2017: £44,000).

Notes *(continued)*

18 Capital and reserves

Share capital

	Ordinary shares	
	2018	2017
On issue at 1 April 2017 and 31 March 2018 – fully paid	1	1
	2018	2017
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	1	1

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:

Notes (continued)

19 Financial Instruments (continued)

(a) Fair values of financial instruments (continued)

	Carrying Amount 2018 £000	Fair Value 2018 £000	Carrying Amount 2017 £000	Fair Value 2017 £000
Loans and receivables				
Cash and cash equivalents (note 13)	3,044	3,044	4,259	4,259
Trade and other receivables (note 12)	5,308	5,174	3,187	3,012
Total loans and receivables	8,352	8,218	7,446	7,271
Total financial assets	8,352	8,218	7,446	7,271

	Carrying Amount 2018 £000	Fair Value 2018 £000	Carrying Amount 2017 £000	Fair Value 2017 £000
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 15)	38,400	38,400	30,400	30,400
Trade and other payables (note 14)	8,077	8,077	7,551	7,551
Total financial liabilities measured at amortised cost	46,477	46,477	37,951	37,951
Total financial liabilities	46,477	46,477	37,951	37,951
Total financial instruments	(38,125)	(38,259)	(30,505)	(30,680)

(b) Estimation of fair values

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

Notes (continued)

19 Financial Instruments (continued)

(b) Estimation of fair values (continued)

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;

	2018	2017
	£000	£000
Trade receivables	<u>3,314</u>	<u>2,021</u>

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

	2018	2017
	£000	£000
UK	2,846	1,686
Europe	229	229
Middle East	23	12
North America	134	86
Other	82	8
	<u>3,314</u>	<u>2,021</u>

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

Notes (continued)

19 Financial Instruments (continued)

(c) Credit risk (continued)

	2018 £000	2017 £000
Aviation	2,355	1,419
Property	315	141
Other	644	461
	<u>3,314</u>	<u>2,021</u>

Credit quality of financial assets and impairment losses

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

	Gross 2018 £000	Impairment 2018 £000	Gross 2017 £000	Impairment 2017 £000
Not past due	1,622	0	397	11
Past due (0-30 days)	439	0	741	70
Past due (31-120 days)	768	0	625	11
More than 120 days	485	134	258	83
	<u>3,314</u>	<u>134</u>	<u>2,021</u>	<u>175</u>

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

	Group 2018 £000	2017 £000
Opening balance	175	108
Impairment loss recognised	59	105
Impairment loss reversed	(100)	(38)
Balance at 31 March	<u>134</u>	<u>175</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; at

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

Notes (continued)

19 Financial Instruments (continued)

(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:

	Carrying amount £000	2018		2017	
		Contractual cash flows £000	1 Year or less £000	Contractual cash flows £000	1 Year or less £000
Non-derivative financial liabilities					
Transport Scotland Loan from Scottish Minsters	38,400	38,400	38,400	30,400	30,400
Trade and other payables	8,077	8,077	8,077	7,551	7,551
		46,477	46,477	37,951	37,951

(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'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.

Notes (continued)

19 Financial Instruments (continued)

(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	
	2018	2017
	£000	£000
Less than one year	8	8
Between one and five years	24	24
More than five years	-	-
	<u>32</u>	<u>32</u>

During the year £ 38,000 was recognised as an expense in the income statement in respect of operating leases (2017: £98,000).

Leases as lessor

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

	Group	
	2018	2017
	£000	£000
Less than one year	1,271	1,126
Between one and five years	1,660	2,026
More than five years	-	166
	<u>2,931</u>	<u>3,318</u>

During the year £ 1,467,000 (2017: £1,447,000) was recognised as rental income by the Group.

Notes *(continued)*

21 Commitments

Capital commitments

Group

During the year ended 31 March 2018, 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 2018 £000	2017 £000
Key management remuneration including social security costs	503	429
Company contributions to money purchase pension plans	26	19
Compensation for loss of office	61	-
	590	448

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 LLP for the Prestwick Aviation Holdings Limited (PAHL) group in 2013. The directors perform their own assessment of carrying

Notes (continued)

24 Accounting estimates and judgements (continued)

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 1.10. The valuer uses recognised valuations techniques.

Notes relating to the Company Balance Sheet

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"). 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 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.

Notes (continued)

Basis of preparation (continued)

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.

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.

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.

28 Staff costs

The parent company has no employees.

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 Called up share capital

Share capital

On issue at 1 April 2016 and
31 March 2017 – fully paid

On issue at 1 April 2017 and
31 March 2018 – fully paid

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

Ordinary shares

1

1

2018
£

2017
£

1

1

Notes (continued)

30 Called up share capital (continued)

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.

31 Subsequent events

There are no subsequent events which require to be disclosed.

32 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.