TS Prestwick Holdco Ltd

Annual report and financial statements

Registered number SC462050

31 March 2020

Contents

Strategic Report

The directors present their strategic report for the year ended 31 March 2020.

Performance

The group has seen a significant improvement in performance this year compared to the previous year with revenue up 46% from £24.6m to £36m and, for the first time in many years an underlying operating profit of £3m. Whilst passenger numbers have reduced again this has more than been made up with non-scheduled and other aviation activities in the group and the business has benefited from increased fuel sales with volumes up 85% year on year at 36 million litres and cargo volumes remaining strong at 14 thousand tonnes.

Key Performance Statistics

	ACTUAL 19/20	ACTUAL 18/19	Var YOY	Var YOY
Total Passengers ('000)	**621**	662	(41)	(6%)
Total Freight (Metric Tonnes)	**14**	14	-	-%
Fuel Volumes (Million Litres)	**37**	20	17	85%
	£m	**£m**	**£m**	**£m**
Revenue	**36.0**	**24.6**	**11.4**	**46%**
Underlying Operating Profit/(Loss)	**3.0**	**(1.0)**	**4.0**	**400%**
Net charge to Profit and Loss account for capital expenditure on operating assets*	(1.8)	(2.6)	0.8	
Non-Recurring Income*	4.5	1.3	3.2	
Non-Recurring Expenditure	(0.2)	(0.2)	-	
Group Operating Profit/(Loss) before Interest and Tax	**5.5**	**(2.5)**	**8.0**	**320%**
Gain on sale of land and buildings	**1.4**	**-**	**1.4**	
Interest	(1.4)	(1.3)	(0.1)	8%
Tax	-	-		
Total Profit/(Loss) for Year	**5.5**	**(3.8)**	**9.3**	**244%**

*See Note 3 to the accounts

Capital expenditure on operating assets has also reduced year on year to £1.8m. In line with accounting standards capital expenditure requires to be written off in the year of expenditure until the business is confident of a sustained return to profitability. Whilst the performance this year has generated a substantial profit and the directors are confident this is achievable by continuing to implement its strategy, the impact of Covid 19 on the business is still to be fully understood and therefore the directors have decided to continue to apply this accounting treatment this year and review it in 12 months' time.

The total profit for the year including loan interest was £5.5m, a 244% improvement on the previous year.

Last year the directors reviewed the asset base of the business and a professional valuation was carried out by Ryden LLP which resulted in an uplift in our investment property which consists of surplus land with investment potential, and tenanted property which is landside and no aviation related. Ryden LLP carried out a valuation again this year and although there was a net decrease in the value of the investment assets the directors have decided not to adjust the carrying value as it was immaterial. The impact of Covid 19 on property markets remains uncertain however we have taken a long-term view of our surplus investment land and our tenanted property has demand with most of our tenants having returned to work having been supported financially by government grants.

Overall the airport's financial performance improvements have been based on a strong emphasis on the development of new revenue opportunities and customers, and the airport continues to be attractive for specialist events, successfully hosting several European and international military exercises during the year and will support the United Nations Climate Change Conference (COP 26) which is now planned in 2021. This success together with a tight control of costs and operational efficiencies underlines the airports enhanced status as a vital strategic provider of international freight, fuel and specialist aviation services, and a major infrastructure asset.

However, whilst we were very much on an upward trajectory in terms of profitability it is inevitable that our future revenue and profits will be affected due to the impact of the Covid 19 global pandemic. The immediate and long-term challenges facing the global aviation sector are significant, particularly businesses connected to passenger travel. Even before the pandemic, our financial performance was hampered by declining passenger numbers and revenue. In turn, we do not expect passenger numbers to return to pre-coronavirus levels in the near future. The impact on our other revenue streams is less uncertain with a strong property portfolio and cargo and military markets more likely to recover faster during the next 12 months and present opportunities for the business to continue its success as a niche airport.

Directors' section 172 statement

The board of directors have collectively and individually promoted the company's success for its shareholders during the financial year ending 31st March 2020. Working together, we continue to develop our strategy and processes to deliver a sustainable business model which will secure the long-term position of the airport as a strategic asset for the shareholder as a key piece of infrastructure to deliver benefit for the Ayrshire economy in both jobs and wealth creation. Our short-term strategy has been developed to provide clarity on critical business objectives with the key measures of success of reducing historic losses and indeed returning the business to profitability. The Group's leadership team have been focussed on delivering this strategy and for the first time in many years achieved profitability this year. The challenges of the Covid 19 pandemic which will have an impact in 2020 and the board of directors are even more determined to continuing to reshape the business to be as resilient and efficient as it can be.

During the year we continued to recognise the commitment and flexibility that our employees have shown through improving working practise and opportunities for multi skilling with several functions merged into one team and our management team was streamlined with monthly meetings focussed on performance and clear messaging. Our employee safety and well-being remain a key priority and we have implemented all Covid 19 government guidelines in respect of protective equipment and working practises. Relationships with customers and suppliers are also key to securing continuity of operations and as a result of quality service, we have welcomed a number of new customers this year, as well as renewing a longer-term contract. The company remains respectful of the communities in which it operates and we are in regular communication with local government and agencies responsible for the environment and infrastructure which we operate. The board of directors are committed to behaving responsibly and maintaining the reputation of the business through impeccable conduct and strong governance, sharing high quality information and conducting regular meetings.

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 Covid 19 pandemic has had a significant impact on our people and as a business we have adapted as the situation developed in the last 6 months, carrying out a full risk assessment and implementing policies and procedures to ensure our customers and employees have been safe whilst at the airport and taking advantage of the government's job retention scheme where possible with essential employees working safely from home. The pandemic continues and the senior management continue to monitor the impact closely and adapt to circumstances as they arise.

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.

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. A Preferred Bidder was appointed in December 2019 as part of the sale process and due diligence and negotiations were proceeding well. However, as a result of the Covid 19 pandemic it was agreed with the Preferred Bidder that it would be prudent and sensible for both parties to take a pause until the impact of the pandemic was fully understood. However, in September 2020 further discussions with the Preferred Bidder took place and it was concluded that given the Covid impact on their business that they we would be unable to complete the purchase transaction for some considerable time. It was agreed discussions would terminate with immediate effect. The coronavirus pandemic continues to have a devastating impact on global aviation, creating challenging circumstances for all businesses operating in the sector. However, despite this the business remains in a strong financial position and an attractive asset and during the past few months have received notes of interest from potential buyers and investors. After considering these with the board the Scottish Government announced in November 2020 its intention to re advertise the business for sale noting that proposals submitted during the sale process will be considered carefully before any decision was taken to divest their shareholding in the airport which remains an important asset to both the local and national economy.

By order of the board

Buchanan House
58 Port Dundas Road
Glasgow G4 0HF

Stewart Adams
Director

16TH December 2020

Directors' Report

The directors present their directors' report for the year ended 31 March 2020.

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 (2019: £nil).

Directors

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

- Stewart Adams
- Ian Forgie
- Andrew Miller
- Frances Pacitti — resigned 21 Oct 2019
- Richard Rollison
- Chris Wilcock — appointed 8 April 2019

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 (2019 £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

Stewart Adams
Director

16TH December 2020

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 2020 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 2020 and of the group's profit 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 draw attention to note 1 to the financial statements which indicate that the Group continues to be funded by loans from Transport Scotland and may be subject to a potential sale of the group. These events and conditions 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.

Emphasis of matter – uncertain valuation of investment property

We draw attention to note 8 to the consolidated financial statements which states that the independent external valuations of investment properties at the reporting date are reported on the basis of 'material valuation uncertainty' due to the potential economic effect of the Covid-19 pandemic. Consequently, more subjectivity is associated with the valuation of investment property than would normally be the case. Our opinion is not modified in respect of this matter.

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; and
- 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 7, 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 Niccolls (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS
17 December 2020

Consolidated Statement of Profit and Loss

for year ended 31 March 2020

	Note	2020 £000	2019 £000
Revenue	2	**35,990**	24,572
Cost of sales		**(32,941)**	(26,985)
Gross Profit/(loss)		**3,049**	(2,413)
Administrative expenses		**(1,798)**	(1,450)
Other Operating Income	3	**4,452**	1,300
Other Operating Expense		**(249)**	-
Group operating profit/(loss)	3	**5,454**	(2,563)
Gain on sale of land and buildings	8	**1,430**	**-**
Financial expenses	6	**(1,437)**	(1,289)
Profit/(Loss) before taxation		**5,447**	(3,852)
Tax on Profit/(Loss)	7	**-**	-
Profit/(Loss) after taxation		**5,447**	(3,852)

Consolidated statement of comprehensive income for year ended 31 March 2020	Note	2020 £000	2019 £000
Profit/(Loss) for the Period		**5,447**	(3,852)
Gain on revaluation of land and buildings	8,9	-	3,580
Total comprehensive income / (Expenditure) for the year		**5,447**	(272)

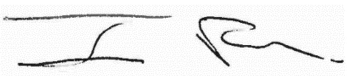
All of the activities of the group are classed as continuing

Consolidated Balance Sheet

at 31 March 2020

	Note	**2020**	2019
		£000	£000
Non-current assets			
Investment property	*8*	**3,850**	5,850
Property, plant and equipment	*9*	**-**	-
		3,850	5,850
Current assets			
Inventories	*11*	**302**	238
Assets held for sale	*8*	**2,000**	1,250
Trade and other receivables	*12*	**2,590**	4,393
Cash and cash equivalents	*13*	**14,281**	1,807
		19,173	7,688
Total assets		**23,023**	13,538
Current liabilities	*14*	**(51,993)**	(47,955)
Total liabilities		**(51,993)**	(47,955)
Net liabilities		**(28,970)**	(34,417)
Equity			
Share capital	*18*	**-**	-
Revaluation Reserve		**3,580**	3,580
Retained earnings		**(32,550)**	(37,997)
Total equity		**(28,970)**	(34,417)

These financial statements were approved by the board of directors on 16TH December 2020 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 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	-	(3,852)	(3,852)
Total comprehensive loss for the year	3,580	(3,852)	(272)
Balance at 31 March 2019	**3,580**	**(37,997)**	**(34,417)**

Consolidated Statement of Changes in Equity	**Revaluation Reserve**	**Retained Earnings**	**Total equity**
	£000	**£000**	**£000**
Balance at 1 April 2019	3,580	(37,997)	(34,417)
Total comprehensive profit for the year			
Profit for the year	-	5,447	5,447
Total comprehensive profit for the year	-	5,447	5,447
Balance at 31 March 2020	**3,580**	**(32,550)**	**(28,970)**

Consolidated Cash Flow Statement

for year ended 31 March 2020

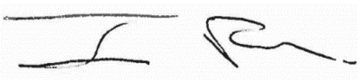
	Note	**2020**	2019
		£000	£000
Cash flows from operating activities			
Profit/(Loss) for the year		**5,447**	(3,830)
Adjustments for:			
Impairment charge		**1,818**	2,679
Gain on sale of investment property		**(1,430)**	-
Change in value of investment property		**-**	(1,600)
Change in property, plant and equipment			1,850
Financing expense		**1,437**	1,289
Deferred government grant		**-**	(8)
		7,272	380
Decrease/(Increase) in trade and other receivables		**1,803**	893
(Increase) in inventories		**(64)**	(20)
(Decrease) in trade and other payables		**(828)**	(1,272)
		8,183	(19)
Interest paid		**(71)**	(39)
Net cash from operating activities		**8,112**	(58)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(1,818)**	(2,679)
Proceeds from sale of investment property		**2,680**	-
Net cash from investing activities		**862**	(2,679)
Cash flows from financing activities			
Loan from Transport Scotland on behalf of Scottish Ministers		**3,500**	1,500
Net cash from financing activities		**3,500**	1,500
Net decrease in cash and cash equivalents		**12,474**	(1,237)
Cash and cash equivalents at beginning of period		**1,807**	3,044
Cash and cash equivalents at end of period		**14,281**	1,807

Company Balance Sheet

at 31 March 2020

	Note	**2020**	2019
		£	£
Non Current Assets			
Investment in Subsidiaries		-	-
Current assets			
Cash at bank and in hand		**1**	1
Net current assets		**1**	1
Net assets		**1**	1
Capital and reserves			
Called up share capital	*18*	**1**	1
Shareholders' funds		**1**	1

These financial statements were approved by the board of directors on 16TH December 2020 and were signed on its behalf by:



Ian Forgie
Director

Company registered number: SC462050

Company Statement of Changes in Equity

	Called up share capital	Total equity
	£	£
Balance at 1 April 2019 and 31 March 2020	**1**	1

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 15 (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. Before classification as held-for-sale or held-for-distribution, non-current assets and the assets and liabilities in a disposal group are measured in accordance with applicable standards. On initial classification as held-for-sale or held-for-distribution, disposal groups and non-current assets are measured at the lower of their:

- carrying amount; and
- fair value less costs to sell (or costs to distribute, as applicable).

Subsequent to initial classification as held-for-sale, disposal groups and non-current assets that are measured at their 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 £29m 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 the next 12 months and for the foreseeable future it will not seek repayment of all or part of the loan facility or accrued interest until at least 31 March 2022 or the date that their shareholding is sold if this occurs prior to 31 March 2022.

Notes to Financial Statements

The directors consider that this should enable the group to continue in operational existence for at least the next 12 months 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.

The directors have prepared cash flow forecasts for a period of 15 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Group and Company will have sufficient funds to meet its liabilities as they fall due for that period.

With regards to the amounts due to Transport Scotland the directors are pleased with further progress this year in trading performance which showed an operating profit for the first time in many years. The impact on the business of the Covid19 pandemic in the next 15 months has been financially assessed and whilst this is undoubtably a difficult time the directors are positive that the airport is resilient and with strong cash reserves will weather the tough economic outlook and with a focussed commercial strategy the business can return to achieving a cash 'break even' position in the future, thereby removing any immediate funding requirement from Transport Scotland.

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. A Preferred Bidder was appointed in December 2019 as part of the sale process and due diligence and negotiations were proceeding well. However, as a result of the Covid 19 pandemic it was agreed with the Preferred Bidder that it would be prudent and sensible for both parties to take a pause until the impact of the pandemic was fully understood. However, in September 2020 further discussions with the Preferred Bidder took place and it was concluded that given the Covid 19 impact on their business that they we would be unable to complete the purchase transaction for some considerable time. It was agreed discussions would terminate with immediate effect. The coronavirus pandemic continues to have a devastating impact on global aviation, creating challenging circumstances for all businesses operating in the sector. However, despite this the business remains in a strong financial position and an attractive asset and during the past few months have received notes of interest from potential buyers and investors. After considering these with the board the Scottish Government announced in November 2020 its intention to re advertise the business for sale noting that proposals submitted during the sale process will be considered carefully before any decision was taken to divest their shareholding in the airport which remains an important asset to both the local and national economy.

Based on the written confirmation that Transport Scotland will continue to defer repayment of the outstanding loans and interest thereon until a suitable repayment plan or financial restructure can be agreed, accordingly the directors 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.

Separate parent company financial statements

In the parent company financial statements, all investments in subsidiaries 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.

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.

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. 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

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).

1.13 Expenses

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 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 Leases as a Lessor

At inception or on modification of a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period under IAS 17 were not different from IFRS 16

1.16 Changes in accounting policies

IFRS 16
During the year the Group implemented IFRS 16 which, as with many companies, changed the way that we account for leases. In preparing to adopt this new standard the Group reviewed its lease commitments and considered that it has no material leases which would be impacted by this change.

2 Revenue

	2020	2019
	£000	£000
Fuel	**20,876**	11,766
Other Aviation	**5,865**	3,331
Freight	**3,257**	3,333
Car Parking	**1,552**	1,380
Concessions	**801**	1,273
Passenger	**719**	810
Property rentals	**2,920**	2,679
Total Revenues	**35,990**	24,572

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.

Aviation income
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. Also includes charges for specialist services including hire of equipment and labour.

Freight Income:
Freight aviation charges are recognised as above. Freight handling, bond storage, transhipment 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.

Passenger income:
Various passenger charges for handling and security, based upon the number of departing passengers, are recognised at point of departure.

3 Group Operating Profit/(Loss)

	2020	2019
Expenses included in Operating Profit/loss before taxation:	**£000**	£000
Buildings improvements	363	517
Impairment of plant & equipment	1,455	2,162
Net charge to Profit and Loss account of capital expenditure on operating assets	**1,818**	**2,679**

Non-Recurring Income

Income relating to the provision of specialist aviation services	4,452	1,300

	2020	2019
	£000	£000
Audit of financial statements of subsidiaries of the company	51	41
Audit of financial statements of the company	9	7
Total Audit Services	60	48
Taxation compliance services	19	18
Amounts receivable by the company's auditor and its associates	**79**	**66**

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)	
	2020	2019
Administrative and managerial	**36**	35
Operational	**264**	274
	300	309

The aggregate payroll costs were as follows:

	2020	2019
	£000	£000
Wages and salaries	**8,395**	8,578
Social security costs	**827**	781
Contributions to defined contribution plans	**380**	310
	9,602	9,669

5 Directors' remuneration

	2020	2019
	£000	£000
Directors' emoluments	**301**	246
Company contributions to defined contribution pension schemes	**44**	30
	345	276

The aggregate remuneration of the highest paid director was £136,000 *(2019: £131,000.* Company pension contributions of £35,000 *(2019: £25,000)* were made to a money purchase scheme on their behalf.

6 Financial expenses

Recognised in profit or loss

	2020	2019
	£000	£000
Bank and other charges	**71**	39
Interest on Loan from Transport Scotland on behalf of Scottish Ministers	**1,366**	1,250
	1,437	1,289

7 Taxation

Recognised in the income statement

	2020	2019
	£000	£000
Current year		
Current tax expense	-	-
Deferred tax expense	-	-
Total tax expense	-	-

Reconciliation of effective tax rate

	2020	2019
	£000	£000
Profit/(Loss) excluding taxation	**5,447**	(3,830)
Tax using the UK corporation tax rate of 19 % (2018: 19%)	**1,034**	(728)
Non-taxable income		-
Permanent differences	**21**	4
Current year losses for which no deferred tax asset was recognised	**-**	219
Non-deductible charges (including impairment)	**107**	63
Capital Disposals	**(186)**	-
Movement in deferred tax asset not recognised		442
Utilisation of brought forward losses	**(976)**	-
Total tax expense	-	-

The company has an unrecognised deferred tax asset of £10.1m (2019: £10m) which includes of £8.5m (2019: £8.1m) relating to tax losses and £2.4m (2019: £2.6m) relating to accelerated capital allowances, offset by a deferred tax liability of £0.8m (2019: £0.7m) relating to the revaluation of investment property. The net deferred tax asset has not been recognised due to uncertainty over its recoverability. A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly.

Notes to Financial Statements

8 Investment property - Group

	2020	2019
	£000	£000
Opening balance	**5,850**	2,770
Fair Value adjustment	**-**	1,600
Transferred to property, plant and equipment	**-**	(850)
Transfer from property, plant and equipment	**-**	3,580
Transferred to assets held for sale	**(2,000)**	(1,250)
	3,850	5,850

The directors instructed an independent investment property valuation to be carried out by Ryden LLP as at 31 March 2020. The valuation was 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 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–£10.84 per sq ft overall (buildings) or £31,920-£84,615 per acre (land), yields ranging from 4½%- 23½%, capital values (buildings) ranging from £10-£104 per sq ft and net land values from £10,000-£209,500 per acre.

For the 31 March 2020 valuation, the outbreak of Covid-19 has had a significant impact on real estate activity causing some uncertainty for property valuations. Consequently, the valuers have included a material valuation uncertainty clause in their valuation report which states:

"As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the

RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to our valuations than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that you keep the valuation of the properties under frequent review"

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

Having conducted a detailed review of the valuation report to review appropriate assumptions have been applied, and discussed with the valuer the impact on the valuation of the Covid-19 rent reductions, the board are satisfied with the valuer's conclusions.

Assets held for sale - Group

	2020	2019
	£000	£000
Opening Balance	**1,250**	-
Transferred from Investment property	**2,000**	1,250
Sale of property	**(1,250)**	-
Closing Balance	**2,000**	1,250

An asset was in the processes of completion of sale at the year end and while the process was interrupted by the Covid 19 pandemic it is appropriate to classify it as an asset held for sale, based on the information available at that date and valued at £2,000,000. An asset previously identified for sale was subsequently marketed and sold during the year and the gain recognised in the profit and loss account.

9 Property, plant and equipment - Group

	Land and buildings	**Plant and machinery**	**Total**
	£000	**£000**	**£000**
Cost or valuation			
At beginning of year	-	-	-
Additions	363	1,455	1,818
Impairment	(363)	(1455)	(1818)
Balance at end of year	-	-	-

Notes to Financial Statements

9 Property, plant and equipment - Group (continued)

	Land and buildings	Plant and machinery	Total
Depreciation			
At beginning	£000	£000	£000
and end of year	-	-	-
Net book value			
At 31 March 2019	-	-	-
At 31 March 2020	-	-	-

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.

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 6 years since acquisition £24.3m has been invested and impaired in this way.

Although there has been a substantial improvement in the performance of the airport in the past 3 years the long-term impact of Covid 19 remains uncertain and therefore the directors believe that the impairment of operational assets remains appropriate at this time.

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.

At 31 March 2020, Property, Plant and Equipment includes £10k of right-of-use assets, with related depreciation of £10k and lease liability included in Trade Payables of £8k.

Notes to Financial Statements

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 2020 £000	2019 £000
Raw materials and consumables	**302**	238

Raw materials, consumables and changes in finished goods recognised as cost of sales in the year amounted to £3,742,409 (2019 : £2,449,319).

12 Trade and other receivables

	Group 2020 £000	2019 £000
Amounts due within one year		
Trade receivables	**2,449**	3,901
VAT and other taxes	**-**	55
Prepayments and accrued income	**141**	437
	2,590	4,393

13 Cash and cash equivalents

	Group 2020 £000	2019 £000
Cash and cash equivalents per balance sheet and cash flow statements	**14,281**	1,807

14 Current Liabilities

	Group 2020 £000	2019 £000
Current		
Trade payables	**653**	754
Social security costs and other taxes	**653**	196
Accruals and deferred income	**7,287**	7,105
Loan from Transport Scotland on behalf of Scottish Ministers	**43,400**	39,900
	51,993	**47,955**

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

				Group			
	Currency	Nominal interest rate	Year of maturity	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
				2020 £000	**2020 £000**	2019 £000	2019 £000
Transport Scotland loan on behalf of Scottish Ministers	GBP	3.14%	Ongoing	**43,400**	**43,400**	39,900	39,900

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

16 Non-current liabilities

	2020	2019
	£000	£000
Deferred Government Grants	**-**	-

	Group	
Government Grants comprise:	**2020**	2019
	£000	£000
At beginning of period	**-**	8
Released to profit and loss account	**-**	(8)
At end of period	**-**	-

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 £380,000 (2019: £310,000) and there was £67,000 outstanding contributions at the end of the year (2019: £50,000).

18 Capital and reserves

Share capital

	Ordinary shares	
	2020	2019
	£	£
On issue at 1st April and 31st March – fully paid	**1**	1

	2020	2019
	£	£
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:

		Group		
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Loans and receivables	**2020**	**2020**	2019	2019
	£000	**£000**	£000	£000
Cash and cash equivalents (note 13)	**14,281**	**14,281**	1,807	1,807
Trade and other receivables (note 12)	**2,590**	**2,590**	4,415	4,244
Total loans and receivables	**16,871**	**16,871**	6,222	6,051
Total financial assets	**16,871**	**16,871**	6,222	6,051

		Group		
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	2020	**2020**	2019	2019
	£000	**£000**	£000	£000
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 15)	**43,400**	**43,400**	39,900	39,900
Trade and other payables (note 14)	**8,593**	**8,593**	8,055	8,055
Total financial liabilities measured at amortised cost	**51,993**	**51,993**	47,955	47,955
Total financial liabilities	**51,993**	**51,993**	47,955	47,955
Total financial instruments	**(35,121)**	**(35,121)**	(41,732)	(41,732)

(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	
	2020	2019
	£000	£000
Trade receivables	**2,449**	3,901

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

	Group	
	2020	2019
	£000	£000
UK	**1,455**	2,165
Europe	**280**	284
Middle East	**17**	46
North America	**687**	1,407
Other	**10**	-
	2,449	3,901

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

	Group	
	2020	2019
	£000	£000
Aviation	**1,868**	2,930
Property	**422**	507
Other	**159**	464
	2,449	3,901

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***	2019	2019
	£000	***£000***	£000	£000
Not past due	**1,284**	_	2,255	_
Past due (0-30 days)	**1,089**	_	287	_
Past due (31-120 days)	**250**	_	1,306	_
More than 120 days	**(55)**	**119**	224	171
	2,568	**119**	4,072	171

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 0.18% (2019: 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	
	2020	2019
	£000	£000
Opening balance	**171**	134
Impairment loss provided	**131**	31
Impairment loss utilised	**(183)**	6
Balance at 31 March	**119**	171

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.

(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:

	2020		**2019**	
	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	**43,400**	**43,400**	39,900	39,900
Trade and other payables	**8,593**	**8.593**	8,055	8,055
	51,993	**51,993**	47,955	47,955
*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.

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 Leases

Leases as lessor

The investment properties leases do not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset and are accordingly classified as operating leases.

During the year £1,131,000 *(2019: £1,689,000)* was recognised as rental income by the Group.

The following table sets out a maturity analysis of lease payments to be received, showing the undiscounted lease payments to be received after the reporting date:

	2020
	£000
Operating leases under IFRS 16	
Less than one year	**1,085**
Between one and two years	**725**
Between two and three years	**703**
Between three and four years	**621**
Between four and five years	**486**
More than five years	**457**
	4,077

21 Commitments

Capital commitments

Group

During the year ended 31 March 2020, 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	
	2020	2019
	£000	£000
Key management remuneration including social security costs	**626**	533
Company contributions to money purchase pension plans	**80**	47
	707	580

23 Events after the financial year end

The Directors have reviewed the impact of the COVID-19 virus and its potential impact on the business but believe there are no grounds for additional disclosure or provisions at this stage. There had been no other significant events affecting the company since the end of the financial year.

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. Any change in assessment of carrying value would increase that amount from its currently assessed amount of £nil.

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 1.8. The valuer uses recognised valuations techniques. The Covid-19 pandemic has caused disrupted activity in real estate markets creating heightened valuation uncertainty for the Group's valuers, and consequently their valuation report contains a material uncertainty clause.

Details of this along with the valuation methodology and key assumptions are given in note 8. Management consider the significant assumptions to the valuation of investment properties to be estimated rental values and market-based yields. Sensitivities on these assumptions are provided in note 8.

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

25 Company 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.

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.

In preparing these financial statements on a going concern basis the Company has considered the impact on the business of the ongoing Covid 19 pandemic.

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.