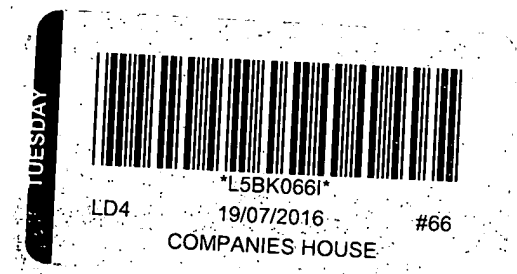


Company Registration No. 03454447

TAG Farnborough Airport Limited

Annual Report and Financial Statements

For the year ended 31 December 2015



TAG Farnborough Airport Limited

Annual report and financial statements For the year ended 31 December 2015

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TAG Farnborough Airport Limited

Annual report and financial statements For the year ended 31 December 2015

Officers and professional advisers

Directors

The directors of the Company, who served throughout the year unless otherwise indicated, are as follows:

M Ojje	(French)	
A Ojje	(French)	
R McMullin	(American)	
S Gillibrand	(British)	(Chairman)
R Bradley	(American)	
J Rosset	(Swiss)	
S Young	(American)	
A Subowo	(Indonesian)	

Company Secretary

R Hedges	(British)
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Registered Office

Business Aviation Centre
Farnborough Airport
Farnborough
Hampshire
GU14 6XA

Bankers

Lloyds Bank Plc
25 Gresham Street
London
EC2N 7HN

Solicitors

Trowers & Hamlins
Sceptre Court
40 Tower Hill
London
EC3N 4DX

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London
EC4A 3BZ
United Kingdom

TAG Farnborough Airport Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2015.

Business review and future developments

There have not been any significant changes in the Company's principal activities in the year under review. The directors have taken a forward looking view and are not aware, at the date of this report, of any likely changes in the Group's activities in the next year. The Farnborough Air Show, which takes place biennially at the TAG Farnborough Airport, is due to take place in July 2016.

As shown in the Company's profit and loss account on page 7, the Company's revenue has decreased by 10.8% (2014: increase of 5.4%) over the prior year and the profit after tax has increased to £10.7 million (2014: £9.7 million).

The balance sheet on page 8 of the financial statements shows that the Company's financial position at the year end is strong with net assets of £75.0 million (2014: £64.1 million).

Key Performance Indicators ("KPIs")

The most relevant KPI is the number of Air Traffic Movements ("ATMs") as it drives fuel sales and parking revenue as well. In combination with the ATMs the average landing fee per movement is also relevant as it reflects the overall landing fees revenue and is influenced by the improvement of the quality of the traffic. The operating margin is a key indicator to demonstrate the ability of the business to leverage its fixed cost base and to generate cash. The number of debtor days outstanding has deteriorated in the year. Going forward management will focus on further improving those KPIs.

KPI	2015	2014	
Air Traffic Movements	25,087	24,784	Number of take offs and landings for the period which has remained relatively consistent year on year.
Average landing fee per movement	£540	£521	The increase is mainly due to better quality of traffic. A higher proportion of weekend movements and larger aircraft have improved this KPI year on year.
Turnover Growth	(10.8)%	5.4%	The turnover growth has decreased since 2014. This decline is due to a combination of lower fuel sales, contract hangerage and no air show in the year.
Operating Margin	29.3%	26.5%	Operating margin is the ratio of operating result expressed as a percentage of turnover. Operating margin has improved in 2015.
Debtor Days	76 days	59 days	Debtor days shows the time taken to collect the money from customers. Enhanced collection procedures remain with a restrictive credit policy. As at the year-end Debtor Days have increased on the previous year in the main due to some timing issues.

Principal risks and uncertainties

The Company is financed by a third party loan and a parent company loan. Its parent company loan is non-interest bearing and it, therefore, has no interest rate exposure, and the interest rate exposure regarding the bank loan is managed by way of perfect hedging instruments.

The major risks for the Company include long term economic recession which is mitigated by ensuring depth and breadth amongst the customer base and by maintaining good communication and relationships with key customers; a major aircraft incident which is managed by ensuring the highest standards of safety across the site; loss of key personnel which is managed by close team working, good communication and appropriate remuneration.

TAG Farnborough Airport Limited

Strategic report (continued)

Environment

TAG Farnborough Airport Ltd continues to manage the airport in such a way as to minimise the impact of the airport to the local community. Since the development started the Company has maintained close working relationships with the Environment Agency and English Nature to ensure that all environmental legislation is adhered to and that best practice techniques are used.

The Environmental Management System requires procedures controlling Noise and Track Monitoring, Waste Management and Pollution, both ground and air, to be regularly reviewed and updated.

The Company sits on the Environment Committee of the Airport Operators Association and is ISO 14001 certified.

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to several financial risks.

Cash flow risk

The Company has a comfortable level of cash reserves and there is no perceived cash flow threat for the foreseeable future. No significant levels of foreign currency are held. There is some exposure to interest rate fluctuations however this is managed by hedging instruments.

Credit risk

The Company operates enhanced and comprehensive customer credit policies and these have proven to be effective during the year. Although these are working well there is still a small risk from historical bad debts, however the Company is of sufficient financial standing to be able to survive should some debtors go bad. The Company has good ongoing levels of activity where invoices are paid on presentation. Credit is granted to existing longstanding customers of sufficient wealth.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance.

The Company has to meet loan covenants for the third party financing. Based on conservative financial projection, management believes that they will be met comfortably for the foreseeable future.

Approved by the Board of Directors
and signed on behalf of the Board

R Hedges
Company Secretary

6 July 2016

TAG Farnborough Airport Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2015. Strategic matters such as financial risk and future business developments have been covered in the Strategic Report on pages 2 and 3 and form part of this report by cross reference.

Principal activity

The Company is a subsidiary of TAG Farnborough (Holdings) Limited.

The Company's principal activity is that of being involved in the commercial operating functions of Farnborough Airport. The Company has developed the aerodrome into a dedicated business airport serving London and the South East of England with the construction of new modern facilities.

Results and dividend

The profit for the year after taxation amounted to £10,734,381 (2014: £9,714,371). The directors do not propose the payment of a dividend (2014: £nil).

Directors

The directors who served throughout the year and to the date of this report are set out on page 1.

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Going concern

The Company holds cash balances to meet all its day-to-day working capital requirements. The current economic conditions create uncertainty particularly over competition and consumer demand in the Aviation sector, however the Company's forecasts and projections have proved accurate in the past. The Company can operate comfortably within its cash balance and its agreed banking facilities.

The directors have a solid expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found note 1.

Statement as to disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

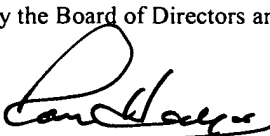
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

R Hedges
Company Secretary


6 July 2016

TAG Farnborough Airport Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of TAG Farnborough Airport Limited

We have audited the financial statements of TAG Farnborough Airport Limited for the year ended 31 December 2015 which comprise the Profit and loss account, Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related Notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

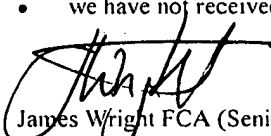
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.


James Wright FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

6 July 2016

TAG Farnborough Airport Limited

Profit and loss account **For the year ended 31 December 2015**

	Notes	2015 £	2014 £
Turnover	3	50,711,721	56,824,807
Cost of sales		(27,909,601)	(34,269,373)
Gross profit		22,802,120	22,555,434
Administrative expenses		(7,921,220)	(7,503,691)
Other operating income		-	1,903
Operating profit		14,880,900	15,053,646
Finance costs (net)	6	(1,609,631)	(1,982,364)
Profit on ordinary activities before taxation	5	13,271,269	13,071,282
Tax on profit on ordinary activities	7	(2,536,888)	(3,356,911)
Profit for the financial year		<u>10,734,381</u>	<u>9,714,371</u>

The result for the year are all from continuing operating activities.

TAG Farnborough Airport Limited

Statement of comprehensive income For the year ended 31 December 2015

	Notes	2015 £	2014 £
Profit for the financial year		10,734,381	9,714,371
Cash flow hedges			
Gains/(losses) arising in the year		194,114	(159,773)
Tax relating to components of other comprehensive income		(44,116)	31,955
Other comprehensive income		<u>149,958</u>	<u>(127,818)</u>
Total comprehensive income for the period attributable to equity shareholders of the Company		<u><u>10,884,339</u></u>	<u><u>9,586,553</u></u>

TAG Farnborough Airport Limited

Balance sheet **As at 31 December 2015**

	Notes	2015 £	2014 £
Fixed assets			
Tangible fixed assets	8	124,043,465	125,315,635
Current assets			
Stocks	9	230,952	272,017
Debtors: amounts falling due within one year	10	11,642,906	10,386,360
Cash at bank and in hand		6,919,451	4,923,123
		18,793,309	15,581,500
Creditors: amounts falling due within one year	11	(10,076,582)	(10,107,933)
Net current assets		8,716,727	5,473,567
Total assets less current liabilities		132,760,191	130,789,202
Creditors: amounts falling due after more than one year	12	(52,665,469)	(61,310,567)
Provisions for liabilities	14	(5,114,725)	(5,382,977)
Net assets		74,979,997	64,095,658
Capital and reserves			
Called-up share capital	16	24,500,000	24,500,000
Other reserves	17	9,517,026	9,517,026
Cash flow hedge reserve		(266,614)	(460,728)
Profit and loss account		41,229,585	30,539,360
Shareholders' funds		74,979,997	64,095,658

The financial statements of TAG Farnborough Airport Limited registered number 03454447 were approved by the Board of Directors on *6 July* 2016

Signed on behalf of the Board of Directors



S Gillibrand
Director

TAG Farnborough Airport Limited

Statement of changes in equity As at 31 December 2015

	Called-up share capital £	Cash flow hedge reserve £	Other reserves £	Profit and loss account £	Total £
At 31 December 2013	24,500,000	-	9,517,026	20,732,843	54,749,869
Changes on transition to FRS 102 (see note 19)	-	(300,956)	-	60,191	(240,765)
At 1 January 2014	24,500,000	(300,956)	9,517,026	20,793,034	54,509,104
Profit for the financial year and total comprehensive income	-	(159,773)	-	9,746,326	9,586,553
At 31 December 2014	<u>24,500,000</u>	<u>(460,728)</u>	<u>9,517,026</u>	<u>30,539,360</u>	<u>64,095,658</u>
Profit for the financial year and total comprehensive income	-	194,114	-	10,690,225	10,884,339
At 31 December 2015	<u>24,500,000</u>	<u>(266,614)</u>	<u>9,517,026</u>	<u>41,229,585</u>	<u>74,979,997</u>

TAG Farnborough Airport Limited

Notes to the financial statements For the year ended 31 December 2015

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

TAG Farnborough Airport Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 19.

The functional currency of TAG Farnborough Airport Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

TAG Farnborough Airport Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. TAG Farnborough Airport Limited is consolidated in the financial statements of its parent, TAG Farnborough (Holdings) Limited, which may be obtained from the address in note 20. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, related party transactions, presentation of a cash flow statement, and remuneration of key management personnel.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review on page 2. The Strategic Report on page 2 describes the financial position of the Company; its cash flows, liquidity position and borrowing facilities; the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

The current economic conditions continue to create some uncertainty particularly over the level of demand for the Company's products and services.

The Company's forecasts and projections, taking into account possible changes in trading performance, show that the Company should be able to operate within the level of its current cash balances and overdraft.

The Company has three key covenants to meet in relation to the bank borrowing. The Company has met these successfully in the past and, based on management's projections, expect to be able to do so comfortably for the foreseeable future.

After making enquiries, the directors, based on management's projections, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

TAG Farnborough Airport Limited

Notes to the financial statements (continued) **For the year ended 31 December 2015**

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, except freehold land, over the estimated useful lives of the assets at the following rates:

Leasehold land and buildings	Over period of the lease
Airfields	1% to 11% reducing balance
Fixtures, fittings, tools and equipment	12% to 33% reducing balance
Motor vehicles	20% reducing balance

The company capitalises directly attributable interest and finance costs on all tangible fixed assets in the course of construction. No depreciation is provided until the asset is brought into use.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises materials. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference.

Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

TAG Farnborough Airport Limited

Notes to the financial statements (continued) For the year ended 31 December 2015

1. Accounting policies (continued)

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling at the end of the month the transactions took place. Foreign currency monetary assets and liabilities are translated into sterling at the year-end rates. All foreign currency differences are dealt with through the profit and loss account.

Financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Leases

Assets held under finance leases are capitalised as tangible fixed assets and are depreciated over the lease term. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of the capital repayments outstanding.

Finance costs

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for asset are being incurred and the activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Pensions

The Company operates a defined contribution plan for all staff, the costs of which are recognised as they fall due for payment.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

In the view of the directors, there are no critical accounting judgements within the financial statements.

Key sources of estimation uncertainty

A provision is held relating to ongoing legal issues relating to works at the Airport. Management has taken advice from retained lawyers and the value recognised represents the best estimate of the Companies liability.

TAG Farnborough Airport Limited

Notes to the financial statements (continued) For the year ended 31 December 2015

3. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of value added tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to one activity, the operation, control and management of aviation operations and the provision of associated facilities and services.

The analysis of turnover is as follows:

	2015	2014
	£	£
Sale of goods	18,572,625	25,017,204
Rendering of services	31,139,096	31,807,603
Total revenue	<u>50,711,721</u>	<u>56,824,807</u>

4. Information regarding directors and employees

The directors received no remuneration from the Company in the year for their qualifying services as directors (2014: £nil). There were no pension contributions for these directors (2014: £nil). The directors of the Company have been remunerated by the ultimate parent company. Details of the directors' remuneration in the parent company are disclosed in that company's financial statements. None of these amounts related to services to the Company during either year.

	2015	2014
	£	£
Employee costs during the year:		
Wages and salaries	5,499,635	5,552,718
Social security costs	617,184	555,129
Other pension costs	304,546	245,367
	<u>6,371,364</u>	<u>6,353,214</u>

4. Information regarding directors and employees (continued)

	2015	2014
	Number	Number
Average number of persons employed by the Company in the year:		
Operations	126	125
Administration	13	13
	<u>139</u>	<u>138</u>

TAG Farnborough Airport Limited

Notes to the financial statements (continued) **For the year ended 31 December 2015**

5. Profit on ordinary activities before taxation:

	2015 £	2014 £
This is stated after charging/(crediting):		
Depreciation and amortisation		
- owned assets	3,850,914	3,895,049
- finance leases	61,716	63,684
Auditor's remuneration		
- audit services	53,466	45,112
- other services	4,389	4,316
- taxation compliance services	38,000	36,500
- other taxation advisory services	25,000	-
Foreign exchange (gain)/loss	(1,411)	(1,903)
Cost of stock recognised as an expense	11,011,747	17,410,928
Loss on disposal of fixed assets	786	1,812
	<u> </u>	<u> </u>

The audit fee includes an amount of £8,013 (2014: £6,896) borne on behalf of TAG Farnborough (Holdings) Limited, £5,632 (2014: £4,702) borne on behalf of TAG Farnborough Airport Freehold Limited I and II, and £3,762 (2014: £3,072) borne on behalf of TAG Enterprises (No.2) Limited.

6. Finance costs (net)

	2015 £	2014 £
Interest receivable and similar income	35,504	24,617
Bank loans and overdrafts repayable within five years	(1,626,038)	(1,990,357)
Finance leases	(19,097)	(16,624)
	<u>(1,609,631)</u>	<u>(1,982,364)</u>

TAG Farnborough Airport Limited

Notes to the financial statements (continued) For the year ended 31 December 2015

7. Tax on profit on ordinary activities

The Company has a liability to UK corporation tax for the year. The tax charge comprises:

	2015 £	2014 £
Current tax		
UK corporation tax	2,979,421	3,277,087
Adjustment in respect of prior years	(130,126)	(45,890)
Total current tax	<u>2,849,295</u>	<u>3,231,197</u>
Deferred tax		
Origination and reversal of timing differences	211,907	146,545
Adjustment in respect of prior years	(59,210)	(10,650)
Effect of changes in tax rates	(465,104)	(10,181)
Total deferred tax (note 15)	<u>(312,407)</u>	<u>125,714</u>
Total tax on profit on ordinary activities	<u>2,536,888</u>	<u>3,356,911</u>

The standard rate of tax applied to reported profit on ordinary activities is 20.25% (2014: 21.49%). The applicable tax rate changed to 20% from 1 April 2015.

The difference between the total tax charge shown above and the amount calculated by applying Standard rate of UK Corporation Tax to the profit before tax is as follows:

	2015 £	2014 £
Profit on ordinary activities before tax	<u>13,271,269</u>	<u>13,071,282</u>
Tax on profit on ordinary activities at standard rate of 20.25% (2014: 21.49%)	2,686,977	2,809,431
Effects of:		
Expenses not deductible for tax purposes	590,835	618,231
Income not taxable	(9,209)	-
Effects of group relief/ other reliefs	(77,073)	-
Transfer pricing adjustments	(202)	-
Adjustment from previous periods	(189,336)	(56,540)
Tax rate changes	(465,104)	(14,211)
Total tax charge for the year	<u>2,536,888</u>	<u>3,356,911</u>

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The closing deferred tax balance as at 31 December 2015 has been calculated at 18% reflecting the tax rate at which the deferred tax asset is expected to be utilised in future periods.

TAG Farnborough Airport Limited

Notes to the financial statements (continued) For the year ended 31 December 2015

8. Tangible fixed assets

	Land and buildings £	Airfields £	Fixtures, fittings tools and equipment £	Motor Vehicles £	Total £
Cost					
At 1 January 2015	46,950,520	109,985,655	5,243,092	1,912,291	164,091,558
Additions	1,334,037	200,143	1,148,528	31,813	2,714,521
Disposals	(50,280)	-	(256,067)	(20,597)	(326,944)
At 31 December 2015	48,234,277	110,185,798	6,135,553	1,923,508	166,479,136
Accumulated depreciation					
At 1 January 2015	5,736,363	28,959,042	2,960,738	1,119,780	38,775,923
Charge for the year	896,533	2,481,456	401,469	133,172	3,912,630
Disposals	-	-	(233,237)	(19,645)	(252,882)
At 31 December 2015	6,632,896	31,440,498	3,128,970	1,233,307	42,435,670
Net book value					
At 31 December 2015	41,601,381	78,745,301	3,006,584	690,199	124,043,465
At 31 December 2014	41,214,157	81,026,613	2,282,354	792,511	125,315,635

The net book value of land and buildings comprises:

	2015 £	2014 £
Freehold	35,139,151	34,606,687
Long leasehold	6,462,230	6,607,470
	41,601,381	41,214,157

Included within airfields are capitalised interest and finance costs of a net book value of £155,888 (2014: £288,834). Included within assets are motor vehicles of a net book value of £185,270 subject to finance leases (2014: £246,986). The depreciation charge on these assets for the year was £61,716 (2014: £63,684).

9. Stocks

	2015 £	2014 £
Finished goods and goods for resale	230,952	272,017

There is no material difference between the balance sheet value of the stocks and their replacement cost.

TAG Farnborough Airport Limited

Notes to the financial statements (continued) For the year ended 31 December 2015

10. Debtors: amounts falling due within one year

	2015 £	2014 £
Trade debtors	5,412,727	5,088,092
Amounts owed by group and associated undertakings	5,100,015	4,059,926
Other debtors	119,718	192,995
Prepayments and accrued income	1,010,446	1,045,347
	<u>11,642,906</u>	<u>10,386,360</u>

Amounts owed by group undertakings are non-interest bearing and repayable on demand.

11. Creditors: amounts falling due within one year

	2015 £	2014 £
Bank loan (secured)	2,600,000	2,600,000
Obligations under finance leases (see note 13)	45,098	45,098
Trade creditors	1,825,137	1,275,416
Other creditors	563,210	759,724
Other taxes and social security costs	-	251,644
Corporation tax creditor	1,378,107	1,603,188
VAT liability	78,965	96,391
Accruals and deferred income	3,586,065	3,476,472
	<u>10,076,582</u>	<u>10,107,933</u>

Amounts owed to group undertakings are non-interest bearing and repayable on demand.

12. Creditors: amounts falling due after more than one year

	2015 £	2014 £
Obligations under finance leases (see note 13)	65,469	110,567
Bank loan (secured)	27,350,000	29,950,000
Amount owed to group undertakings	25,250,000	31,250,000
	<u>52,665,469</u>	<u>61,310,567</u>
Creditors excluding finance leases:		
Between one and two years	27,350,000	2,600,000
Between two and five years	-	27,350,000
Over five years	25,250,000	31,250,000
	<u>52,600,000</u>	<u>61,200,000</u>

TAG Farnborough Airport Limited

Notes to the financial statements (continued) For the year ended 31 December 2015

12. Creditors: amounts falling due after more than one year (continued)

The bank loan is part of a borrowing facility. The full value of the bank loan is secured over the assets of the Company. Since the Company's financing was arranged in 2012, commercial lending rates have reduced. In September 2014 the term loan margin was renegotiated with Lloyds bank from 3.5% to 2.75%. The schedule of repayments has also been restructured to allow maximum flexibility going forwards. The original term of the loan to July 2017 remains unchanged.

Amounts owed to group undertakings are held with the parent, TAG Farnborough (Holdings) Limited, are non-interest bearing and will not be called due by the parent in 2016.

13. Obligations under finance leases

The total future finance lease payments to which the Company was committed at 31 December are:

	2015 £	2014 £
Within one year	63,347	63,347
Between one and two years	63,347	63,347
Between two and five years	21,115	89,800
Over five years	-	-
	<hr/>	<hr/>
	147,809	216,494
Less: interest charges allocated to future years	(37,242)	(60,829)
	<hr/>	<hr/>
	110,567	155,665
	<hr/>	<hr/>
Obligations included in creditors falling due within one year (note 11)	45,098	45,098
Obligations included in creditors falling due after one year (note 12)	65,469	110,567
	<hr/>	<hr/>
	110,567	155,665
	<hr/>	<hr/>

14. Provisions for liabilities and charges

	2015 £	2014 £
Provision for legal fees	1,000,000	1,000,000
Deferred tax liability (see note 15)	4,114,724	4,382,977
	<hr/>	<hr/>
	5,114,724	5,382,977
	<hr/>	<hr/>

The provision for legal fees relates to ongoing legal issues relating to works at the Airport. Management has taken advice from retained lawyers and this represents the best estimate of the Companies liability. As these issues are ongoing the timing and amount of these outflows is uncertain.

TAG Farnborough Airport Limited

Notes to the financial statements (continued) For the year ended 31 December 2015

15. Deferred tax

The amount of a deferred tax liability in the financial statements is:

	2015 £	2014 £
Capital allowances in excess of depreciation	4,199,862	4,525,123
Other short term timing differences	(85,138)	(142,147)
Deferred tax liability	<u>4,114,724</u>	<u>4,382,977</u>

The total deferred tax asset recoverable within 12 months is £85,000. The total deferred tax liability payable within 12 months is £643,000, with a net position of £558,000. The above is an estimate as it would be difficult to predict what deferred tax would unwind without knowing the FY16 results. The liability unwinds because depreciation will be bigger than any capital allowance claims.

16. Called-up share capital

	2015 £	2014 £
Authorised:		
50,000,000 ordinary shares of £1 each	<u>50,000,000</u>	<u>50,000,000</u>
Called-up, allotted and fully paid:		
24,500,000 ordinary shares of £1 each	<u>24,500,000</u>	<u>24,500,000</u>

17. Other reserves

The other reserve balance relates to the waiver of an inter-company loan amount during 2004.

18. Derivatives financial instruments

The Company had the following derivatives at the balance sheet date. The fair value of the assets / (liabilities) disclosed below are based on market values at the balance sheet date.

	Effective dates	Notional	2015 £	2014 £
Interest rate swap	Until April 2017	£31.6m	£0.3m	0.5m
Interest rate cap	Until March 2015	£2.2m	-	-

The Company uses the above derivatives to manage its exposure to interest rate movements on its bank borrowings.

The interest rate swap contract settles on a quarterly basis. The floating rate is three months LIBOR. The Company will settle the difference on a net basis. The swap rate is fixed at 1.585% and the cap rate 5%.

As stated in note 1, as a qualifying entity the Company has taken advantage of the disclosure exemptions available to it in respect of financial instruments in its separate financial statements.

TAG Farnborough Airport Limited

Notes to the financial statements (continued) For the year ended 31 December 2015

19. Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

Reconciliation of equity

Note	At 1 January 2014 £	At 31 December 2014 £
Equity reported under previous UK GAAP	54,749,869	64,464,240
Adjustments to equity on transition to FRS 102		
1 <i>Recognition of derivative financial instruments</i>	(300,956)	(460,728)
2 <i>Associated tax recognised in other comprehensive income</i>	60,191	92,146
Equity reported under FRS 102	54,509,104	64,095,658

Notes to the reconciliation of equity at 1 January 2014

Under FRS 102 sections 11 & 12 – Financial Instruments, recognition of derivative financial instruments on the balance sheet is required. These have been accounted for under the provisions of FRS102 section 12.18, and for the first-time adoption provisions available under FRS102 section 35. Refer to note 18 for further details. An associated tax credit has been recognised within other comprehensive income.

Reconciliation of profit or loss for 2014

Note	£
Profit for the financial year under previous UK GAAP	9,714,371
1 <i>Movement in fair value of derivative financial instruments through other comprehensive income</i>	(159,733)
2 <i>Associated tax recognised in other comprehensive income</i>	31,955
Profit for the financial year under FRS 102	9,586,533

20. Ultimate parent company

In the opinion of the directors, the Company's ultimate parent company, and controlling party, at the balance sheet date is TAG Group Limited, a company incorporated in Jersey. The TAG Group Limited accounts are available at 14, rue Charles-Bonnet, PO Box, 1211 Geneva 12, Switzerland.

At the balance sheet date the smallest group of undertakings for which group financial statements are drawn up, and of which the Company is a member, is TAG Farnborough (Holdings) Limited. The immediate parent company is TAG Farnborough (Holdings) Limited, a company registered in England and Wales and incorporated in the United Kingdom. Copies of the TAG Farnborough (Holdings) Limited group financial statements of TAG Farnborough (Holdings) Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

TAG Farnborough Airport Limited

Notes to the financial statements (continued) For the year ended 31 December 2015

21. Subsequent events

There are no subsequent events which require reporting.