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London Southend Airport Company Limited

Report and Financial Statements

29 February 2012

Directors
W Stobart
W A Tinkler
A J M Welch
B M Whawell

Secretary
R Butcher

Auditors
Ernst & Young LLP
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The Royal Bank of Scotland plc
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Directors' report

The directors present their report and financial statements for the year ended 29 February 2012

Results and dividends

The loss for the year after taxation amounted to £413,797 (2011 – loss of £5,284) The directors do not recommend a final dividend (2011 - £nil)

Principal activity and review of the business

The principal activity of the company continued to be that of operating and managing a commercial airport.

Turnover for the year ended 29 February 2012 was £6,342,512 (2011 – £5,392,699) Following exceptional operating costs arising from airline start-up costs, the company reported an operating loss of £1,150,150 (2011 - profit £33,609) and a loss on ordinary activities before taxation of £1,161,380 (2011 - profit £15,088)

Future developments

The company's short to medium term strategy is to expand existing passenger services to and from European destinations and as a Gateway to South Essex, the Thames Gateway and London, to attract more business aviation aircraft to use the airport and be based there, and to expand the present range of aircraft hangarage and maintenance facilities on the airport

The major development of the airport has the full support of Stobart Group Limited, who will provide the necessary financing to allow the company to continue to trade and develop its assets

The development plan has been and is being implemented in two phases Phase 1 was completed when the new on-site 129 bedroom hotel operating under a Holiday Inn franchise opened on 1 October 2012.

Phase 2 of the airport development to enable a wider range of leisure and business routes was completed with the opening of the new passenger terminal on 1 March 2012 and the operation of the runway extension on 8 March 2012 The terminal is designed such that it is fewer than 100 steps away from the railway platform, making the airport one of the finest integrated transport facilities in the London area

Significant progress has been made with the development of scheduled passenger airline operations with easyJet commencing passenger operations with 3 based Airbus 319 aircraft from April 2012 and Aer Arann basing an aircraft to serve Dublin up to 3 times daily EasyJet has reaffirmed its base at the airport by announcing that a further Airbus 319 aircraft will be based at London Southend from June 2013 and the announcement of 2 additional routes which will take the total easyJet routes to 13 from next year.

Planning approval was secured in April 2012 to extend the new terminal This will ensure that the airport has sufficient capacity to continue the growth in passenger services from London Southend

With the completion of the above schemes and the continued growth of scheduled passenger operations, London Southend Airport will be set for a period of redevelopment and make a solid contribution to the economic and employment objectives of the Thames Gateway and the communities of Southend and Rochford

Directors' report

Principal risks and uncertainties

The Board regularly reviews the risks facing the business

The most important external risks are the volatility in the oil industry which affects the cost of fuel and the capture of passenger airlines to operate at the airport This risk has been reduced with the launch of additional passenger operations in April 2012

The most important internal risks, over which the Board and management have some control, include the loss of key staff, and changes affecting our relationship with the operators using the airport and other safety and security risks facing an operational airport. In these and other risks the Board have established controls which are reviewed regularly

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk and credit risk.

Price risk

The company is exposed to price risks due to normal inflationary increases in the purchase price of goods and services and changes in the market place in which it operates The company manages the increasing costs of fuel through its purchasing arrangements with Air BP and Kuwait Petroleum.

Credit risk

The company has a rigorous credit policy which it uses to manage credit risk.

Going concern

The financial statements have been prepared on a going concern basis as the directors have received an undertaking from the ultimate parent company that it will continue to provide the required financial support for a period of at least 12 months from the date of approval of these financial statements

Policy and practice on payment of creditors

In respect of all suppliers, it is the company's policy to agree payment terms on each and every purchase order. The company abides by these terms of payment as standard. The number of creditor days for the year ended 29 February 2012 was 51 days (2011 – 17 days)

Directors

The directors who served the Company during the year were as follows

W Stobart
W A Tinkler
A J M Welch
B M Whawell

Charitable contributions

During the year the company made the following payments

	2012	*2011*
	£	*£*
Charitable donations	-	350

Directors' report

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

On behalf of the Board

A J M Welch
Director

Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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) 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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 auditors' report

to the members of London Southend Airport Company Limited

We have audited the financial statements of London Southend Airport Company Limited for the year ended 29 February 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Balance Sheet and the related notes 1 to 26 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)

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 (APB'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 Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements·

- give a true and fair view of the state of the company's affairs as at 29 February 2012 and of its loss 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 matters prescribed by the Companies Act 2006

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

Independent auditors' report

to the members of London Southend Airport Company Limited

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, 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

Gary Harding (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Manchester

21 December 2012

Profit and loss account

for the year ended 29 February 2012

	Notes	2012 £	2011 £
Turnover	2	6,342,512	5,392,699
Cost of sales		(3,134,379)	(2,333,510)
Gross profit		3,208,133	3,059,189
Administrative expenses		(3,262,704)	(3,025,580)
Exceptional item	3	(1,095,579)	-
Operating (loss)/profit	3	(1,150,150)	33,609
Other interest receivable and similar income	6	2,984	3,988
Interest payable and similar charges	7	(14,214)	(22,509)
(Loss)/profit on ordinary activities before taxation		(1,161,380)	15,088
Tax	8	747,583	(20,372)
Loss for the financial year	19	(413,797)	(5,284)

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 29 February 2012

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £413,797 in the year ended 29 February 2012 (2011 – loss of £5,284).

Note of historical cost profits and losses

for the year ended 29 February 2012

	2012 £	2011 £
Reported (loss)/profit on ordinary activities before taxation	(1,161,380)	15,088
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	-	-
Difference between the profit on the disposal of an asset calculated on depreciated historic cost and that calculated on the revalued amount	-	-
Historical cost (loss)/profit on ordinary activities before taxation	(1,161,380)	15,088
Historical cost retained loss for the year	(413,797)	(5,284)

Balance sheet
at 29 February 2012

	Notes	2012 £	2011 £
Fixed assets			
Intangible assets	9	26,667	34,667
Tangible assets	10	96,254,784	35,460,825
Investments	11	2	2
		96,281,453	35,495,494
Current assets			
Stocks	12	193,540	175,423
Debtors	13	5,702,106	1,094,184
Cash at bank and in hand		1,435,389	76,968
		7,331,035	1,346,575
Creditors: amounts falling due within one year	14	(96,516,734)	(32,132,537)
Net current liabilities		(89,185,699)	(30,785,962)
Total assets less current liabilities		7,095,754	4,709,532
Creditors: amounts falling due after more than one year	15	(1,422,050)	-
Accruals and deferred income	16	(3,018,246)	(3,146,277)
Provisions for liabilities	17	(1,749,844)	(753,123)
Net assets		905,614	810,132
Capital and reserves			
Called up share capital	18	24,000	24,000
Other reserves	19	6,000	6,000
Profit and loss account	19	875,614	780,132
Shareholders' funds	20	905,614	810,132

Approved by the Board on 21 December 2012 and signed on its behalf by

A J M Welch

Director

Notes to the financial statements

for the year ended 29 February 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Going concern

The financial statements have been prepared on a going concern basis as the directors have received an undertaking from the ultimate parent company that it will continue to provide the required financial support for a period of at least 12 months from the date of approval of these financial statements

Group financial statements

The company and all of its subsidiary undertakings are included in group financial statements for a larger group, Stobart Group Limited, registered in Guernsey, drawn up to the same date in the same financial year and those financial statements are drawn up in accordance with the provisions of the Seventh Directive (83/349/EEC) or in a manner equivalent to group financial statements and consolidated annual reports so drawn up Accordingly the company, in accordance with the exemption in section 400 of the Companies Act 2006, has not prepared group financial statements, these financial statements present information about the company as an individual undertaking and not about its group

Statement of cash flows

The company is exempt from the requirement of FRS1 (revised) to prepare a statement of cash flows as 100% of the voting rights of the company are controlled by Stobart Group Limited

Turnover

Turnover represents invoiced sales from airport activities and of property rentals due, excluding value added tax

Airport activities are invoiced as and when the goods or services have been supplied and property rentals are invoiced quarterly in advance and accounted for on an accruals basis

Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 10 years.

Tangible fixed assets

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life from the date it is ready to use, as follows

Freehold land	-	is not depreciated
Freehold buildings	-	2% straight line
Long leasehold property	-	5% to 10% straight line
Plant and machinery	-	5% to 20% straight line
Fixtures and fittings	-	5% to 10% straight line
Motor vehicles	-	20% straight line

A policy of revaluation has not been adopted. Although the carrying value of tangible fixed assets reflects a revaluation carried out on 23 November 1994, the company has adopted the option within the transitional arrangements of FRS 15 to retain the book values of fixed assets at their previously revalued amounts

Borrowing costs attributable to qualifying assets are capitalised

Notes to the financial statements

for the year ended 29 February 2012

1. Accounting policies (continued)

Investments

Fixed asset investments are stated at cost less provision for any diminution in value

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the lease and depreciated over their estimated useful lives The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease period

Pensions

The company operates a defined contribution scheme for the benefit of its employees Contributions payable are charged to the profit and loss account in the year they are payable

Government grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments

Grants of a revenue nature are credited to the profit and loss account in the period to which they relate

Share based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied The cumulative expense is not adjusted for failure to achieve a market vesting condition.

At each statement of financial position date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above The movement in cumulative expense since the previous statement of financial position date is recognised in the income statement, with a corresponding entry in equity

The group headed by Stobart Group Limited (the ultimate parent undertaking) has a share-based long-term incentive plan relating to options over its shares. Where these options are granted to directors and employees in the company they are accounted for as set out above

Notes to the financial statements

for the year ended 29 February 2012

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

3. Operating profit

This is stated after charging

	2012	2011
	£	£
Amortisation of intangible assets	8,000	8,000
Depreciation of tangible assets – owned assets	268,385	236,377
Depreciation of tangible assets – leased assets	–	8,695
Operating lease rentals – land & buildings	98,201	95,685
Operating lease rentals – other assets	30,332	26,334
Auditors' remuneration	22,681	11,000
Loss on disposal of tangible assets	–	5,300
After crediting		
Government grants	(128,031)	(122,831)

Included within the operating costs for the year ended 29 February 2012 are staff and marketing costs related to exceptional airline start-up costs of £1,095,579 (2011 - £nil)

4. Directors' emoluments

	2012	2011
	£	£
Emoluments for qualifying services	198,461	123,542
Company pension contributions to money purchase schemes	27,750	16,500
	224,750	140,042

In addition to the above, emoluments totalling £642,245 (2011: £494,400) and company pension contributions totalling £28,000 (2011: £21,000) were borne by a fellow group company Some of the directors of the company are also directors of the holding company and fellow subsidiaries The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies

During the year 2 (2011 – 4) directors participated in money purchase pension schemes

During the year 1 (2011 – 1) director exercised share options under the Stobart Executive Equity Incentive Plan

Notes to the financial statements

for the year ended 29 February 2012

5. Staff costs

	2012	*2011*
	£	*£*
Wages and salaries	2,958,423	1,957,181
Social security costs	296,892	199,409
Other pension costs	142,028	123,010
	3,397,343	2,279,600

Included in wages and salaries costs is a charge for share based payments of £14,639 (2011 – £8,343) These charges arose from equity-settled share based payment transactions

The average monthly number of employees during the year (including directors) was made up as follows

	2012	*2011*
	No	*No*
Operational and administrative staff	121	77

6. Other interest receivable and similar income

	2012	*2011*
	£	*£*
Bank interest	2,984	3,380
Corporation tax interest	–	608
	2,984	3,988

7. Interest payable and similar charges

	2012	*2011*
	£	*£*
Bank loans and overdrafts	–	1,405
Hire purchase interest	14,214	2,074
Other interest	–	19,030
	14,214	22,509

During the year £3,231,647 (2011: £2,223,621) of interest was capitalised at the prevailing group rate of LIBOR plus 4% and directly related financing fees

Notes to the financial statements

for the year ended 29 February 2012

8. Tax

(a) Tax on (loss)/profit on ordinary activities

The tax (credit)/charge is made up as follows

	2012	2011
	£	£
Current tax		
UK corporation tax (current)	–	–
UK corporation tax (group relief)	(1,833,038)	(714,185)
Adjustments in respect of previous periods	–	–
Total current tax	(1,833,038)	(714,185)
Deferred tax		
Current year	1,127,011	732,875
Adjustment in respect of prior periods	12,617	2,432
Impact of rate change	(54,173)	(750)
Total deferred tax	1,085,455	734,557
Total tax on ordinary (losses)/profits	(747,583)	20,372

(b) Factors affecting tax on (loss)/profit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26 17% (2011 – 28%) The differences are explained below.

	2012	2011
	£	£
(Loss)/profit on ordinary activities before tax	(1,161,380)	15,088
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 17% (2011 – 28%)	(303,903)	4,225
Effects of		
Permanent differences	11,785	5,600
Short term timing differences	(1,185,496)	(762,355)
Income not taxable	(33,505)	–
Non-qualifying depreciation	–	36,009
Share based payment	(321,919)	2,336
Current tax credit for the year	(1,833,038)	(714,185)

Factors that may affect the future tax charge

The deferred tax balances reflected above have been calculated at 25% as this was the rate that was substantially enacted at the balance sheet date Following provisions announced in the budget on 21 March 2012, the main rate of corporation tax reduces to 24% with effect from 1 April 2012 Although

Notes to the financial statements

for the year ended 29 February 2012

8. Tax (continued)

there is no requirement to adjust the deferred tax balances above the impact of the additional rate change would reduce the deferred tax liability by approximately £69,000.

The Chancellor of the Exchequer has announced plans to reduce the corporation tax rate by 1% per annum in the future ultimately reducing to a rate of 22% by 1 April 2014 These changes are not enacted by legislation As shown above, a 1% reduction in the rate would reduce deferred tax balances by approximately £69,000 per annum based on the current balance.

9. Intangible fixed assets

	Goodwill
	£
Cost	
At 1 March 2011 and 29 February 2012	80,000
Amortisation.	
At 1 March 2011	45,333
Charge for the year	8,000
At 29 February 2012	53,333
Net book value	
At 29 February 2012	26,667
At 1 March 2011	34,667

Notes to the financial statements

for the year ended 29 February 2012

10. Tangible fixed assets

	Land and buildings	*Assets under construction*	*Plant and machinery*	*Fixtures and fittings*	*Motor vehicles*	*Total*
	£	£	£	£	£	£
Cost or valuation						
At 1 March 2011	2,605,879	33,423,602	1,005,234	953,264	5,000	37,992,979
Additions	39,500	59,672,071	902,609	448,164	-	61,062,344
At 29 February 2012	2,645,379	93,095,673	1,907,843	1,401,428	5,000	99,055,323
Depreciation						
At 1 March 20111	1,224,043	-	776,424	528,187	3,500	2,532,154
Charge for the year	128,031	-	39,935	99,419	1,000	268,385
At 29 February 2012	1,352,074	-	816,359	627,606	4,500	2,800,539
Net book value						
At 29 February 2012	1,293,305	95,095,673	1,091,484	773,822	500	96,254,784
At 1 March 2011	1,381,836	33,423,602	228,810	425,077	1,500	35,460,825

Plant and machinery and fixtures and fittings held at 23 November 1994 was valued at that date by Chestertons plc, International Property Consultants at £557,506 (2011 - £557,506) on an existing use basis.

Comparable historical cost for the plant and machinery and fixtures and fittings included at valuation·

	£
Cost.	
At 1 March 2011	1,434,262
Additions	1,350,773
At 29 February 2012	2,785,035
Depreciation	
At 1 March 2011	780,375
Charge for the year	139,355
At 29 February 2012	919,730
Net book value	
At 29 February 2012	1,865,305
At 28 February 2011	653,887

Notes to the financial statements

for the year ended 29 February 2012

10. Tangible fixed assets (continued)

Included above are assets held under finance leases or hire purchase contracts as follows

	Assets under construction	*Plant and machinery* £	*Fixtures and fittings* £
Net book value.			
At 29 February 2012	1,164,052	535,619	117,400
At 1 March 2011	-	69,559	-
Depreciation charge for the year			
At 29 February 2012	-	-	-
At 1 March 2011	-	8,695	-

Freehold land and buildings includes land at cost of £32,576 (2011 – £32,576) that is not depreciated

Included within land and buildings and assets under construction at a cost of £4,474,191 (2011 – £4,474,191) are assets that are funded by grants from Southend Borough Council The improvements and the grants are being written off over twenty years in accordance with SSAP 4

Included within assets under construction at a cost of £5,543,895 (2011 - £2,312,248) are finance costs which have been capitalised at the prevailing group rate of LIBOR plus 4% and directly related financing fees During the year £3,231,647 (2011. £2,312,248) of interest was capitalised

11. Fixed asset investments

	Shares in subsidiary undertakings £
Cost or valuation:	
At 28 February 2011 and at 29 February 2012	2
Net book value	
At 29 February 2012	2
At 1 March 2011	2

The above represents the cost of investment in 100% of the ordinary share capital of London Express Airport Limited and Thames Gateway Airport Limited, both of which are wholly-owned subsidiaries incorporated in England and Wales and have been dormant since incorporation

12. Stocks

	2012 £	*2011* £
Finished goods and goods for resale	193,540	175,423

Notes to the financial statements

for the year ended 29 February 2012

13. Debtors

	2012 £	2011 £
Trade debtors	688,215	474,726
Other debtors	4,425,321	369,014
Amounts owed by related companies	57,098	–
Prepayments and accrued income	531,472	250,444
	5,702,106	1,094,184

14. Creditors: amounts falling due within one year

	2012 £	2011 £
Bank loans and overdrafts	1,570,544	–
Net obligations under hire purchase contracts	346,867	20,608
Trade creditors	3,203,467	523,067
Amounts owed to parent and fellow subsidiary undertakings	89,992,910	30,860,074
Amounts owed to related companies	–	191
Other taxes and social security costs	342,936	83,200
Other creditors	31,487	75,227
Accruals and deferred income	1,028,523	570,170
	96,516,734	32,132,537

Obligations under finance lease and hire purchase contracts are secured on the assets to which they relate.

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

	2012 £	2011 £
Net obligations under hire purchase contracts	1,422,050	–
	1,422,050	–
Analysis of loans:		
Not wholly repayable within five years by instalments		
Bank loan	1,570,544	–
	1,570,544	–
Included in current liabilities	(1,570,544)	–
	–	–

Notes to the financial statements
for the year ended 29 February 2012

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

	2012	2011
	£	£
Net obligations under hire purchase contracts		
Repayable within one year	422,061	21,318
Repayable between one and five years	1,633,638	-
	2,055,699	21,318
Finance charges and interest allocated to future accounting periods	(286,782)	(710)
	1,768,917	20,608
Included in liabilities falling due within one year	(346,867)	(20,608)
	1,422,050	-

16. Accruals and deferred income

	Government grants
	£
Balance at 1 March 2011	3,146,277
Balance at 1 March 2011 – current liabilities	128,031
Amortisation in the year	(128,031)
Included within current liabilities	(128,031)
Balance at 29 February 2012	3,018,246

Grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the assets acquired by equal annual instalments The amount of the grant to be released after more than five years is £2,506,122

17. Provisions for liabilities

	Deferred Taxation
	£
At 1 March 2011	753,123
Adjustments in respect of prior years	12,617
Charge for the year	1,127,011
Impact of rate change	(54,173)
Movement through property, plant and equipment (current year)	(54,328)
Movement through property, plant and equipment (prior year)	(34,406)
At 29 February 2012	1,749,844

Notes to the financial statements

for the year ended 29 February 2012

17. Provisions for liabilities (continued)

	Deferred Taxation £
Accelerated capital allowances	529,046
Other timing differences	1,220,798
	1,749,844

Brought forward liability represented by

Accelerated capital allowances	603,114
Other timing differences	150,009
	753,123

18. Issued share capital

Allotted, called up and fully paid	*No*	*2012* £	*No*	*2011* £
Ordinary shares of £1 each	24,000	24,000	24,000	24,000

19. Movement on reserves

	Other reserves £	*Profit and loss account* £
At 1 March 2011	6,000	780,132
Loss for the year	–	(413,797)
Share based payment credit	–	509,279
At 29 February 2012	6,000	875,614

Other reserves	
Capital redemption reserve	
Balance at 1 March 2011 and at 29 February 2012	6,000

Notes to the financial statements

for the year ended 29 February 2012

20. Reconciliation of shareholders' funds

	2012 £	2011 £
Loss for the financial year	(413,797)	(5,284)
Share based payment credit	509,279	8,343
Opening shareholders' funds	810,132	807,073
Closing shareholders' funds	905,614	810,132

21. Capital commitments

At 29 February 2012, the company had capital commitments as follows

	2012 £	2011 £
Contracted for but not provided in the financial statements	7,509,823	117,400

22. Pensions

Defined contribution

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The pension cost charge represents contributions payable by the company to the fund

	2012 £	2011 £
Contributions payable by the company for the period	142,028	123,010

23. Share based payments

	2012 £	2011 £
Expenses arising from equity-settled share based payment transactions		
- Stobart Executive Equity Incentive Plan	11,766	8,343
- Long Term Incentive Plan	2,874	-
Total expense arising from share based payment transactions	14,639	8,343
- Amount capitalised within tangible fixed assets	405,906	-
- Recognised with deferred tax	88,734	-
Total share based payment charge	509,279	8,343

Share Options

On 5 December 2008, a director was allocated 1 0m shares in Stobart Group Limited conditional upon achieving a certain target with respect to the development of the airport. 25% of these shares vested when the target was achieved during the year and the remaining 75% of the shares will vest two years after the date the target was achieved The amount charged to capital in the year in respect of the shares was £405,906

Notes to the financial statements

for the year ended 29 February 2012

23. Share based payments (continued)

Stobart Executive Equity Incentive Plan

On 20 August 2009, 1 1m share options were granted to directors and management under the Stobart Executive Equity Incentive Plan (SEEIP) The exercise price of the options is nil

The SEEIP is designed to provide incentives to Executives and key employees of the Group, headed by Stobart Group Limited the ultimate parent undertaking, who are selected to participate by the Group's remuneration committee Participants will be allocated units, each of which will represent one 10p ordinary share Forty percent of the units granted 20 August 2009 vest subject to the total shareholder return ("TSR") of the Group measured over a three year performance period from the date of grant relative to a comparator group Sixty percent of the units granted 20 August 2009 vest subject to the achievement of a specified increase in the Group's earnings per share ("EPS") over the year to 29 February 2012.

Long Term Incentive Plan

On 7 December 2011, 1 0m share options were granted to Directors and management under a Long Term Incentive Plan (LTIP) These nil cost share options vest subject to the total shareholder return ('TSR') of the Group headed by Stobart Group Limited the ultimate parent undertaking measured three years after the grant date and thereafter at the end of each month in the fourth year after the date of grant No share options will vest unless the TSR performance of the Group exceeds that of the comparator group (the TSR of the FTSE 250) by at least 40%. For all the share options to vest the TSR performance must exceed that of the comparator group by at least 120% The base price for the measurement of TSR is 155p

Movements in the period

The following table illustrates the number (No) and weighted average exercise prices (WAEP) of, and movements in, share options during the period

	2012 No 000	*2012 WAEP*	*2011 No 000*	*2011 WAEP*
Outstanding at 1 March	1,188	£nil	1,188	£nil
Granted during the year	1,000	£nil	-	£nil
Exercised during the year	(250)	£nil	_	£nil
Outstanding at 29/28 February	1,938	£nil	1,188	£nil
Exercisable at 29/28 February	-		-	

The weighted average fair value, at grant date, of options granted during the year was 5p (2011 none granted).

The weighted average share price at the date of share options exercised during the period was 127 4p (2011 none vested)

The weighted average contractual life of options outstanding at the year-end is 40 months (2011 19 months)

Notes to the financial statements

for the year ended 29 February 2012

23. Share based payments (continued)

Valuation details

The fair value of the options granted without market based vesting conditions are estimated using a Black Scholes model taking in to account the terms and conditions upon which the options were granted The fair value of the options granted with market based vesting conditions are estimated using a Monte Carlo model taking in to account the terms and conditions upon which the options were granted

The following table lists the inputs to the models used for the years ended 29 February 2012 and 28 February 2011

2011 Share options

	Long term incentive plan
Dividend yield (%)	4.7
Expected volatility (%)	25
Risk-free interest rate (%)	0 43
Expected life of options (years)	3-4
Weighted average share price (£)	1 19
Model used	Monte Carlo

2009 Share options

	SEEIP options subject to TSR	SEEIP options subject to EPS
Dividend yield (%)	5 7	5 7
Expected volatility (%)	23	23
Risk-free interest rate (%)	1.82	1 82
Expected life of options (years)	3	3
Weighted average share price (£)	1 13	1 13
Model used	Monte Carlo	Black Scholes

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome

Notes to the financial statements

for the year ended 29 February 2012

24. Other financial commitments

At 29 February 2012 the company had annual commitments under non-cancellable operating leases as set out below

		2012		2011
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£	£	£	£
Operating leases which expire				
Within one year	-	9,293	-	4,072
Within two to five year	-	59,566	-	20,218
In over five years	98,201	-	73,767	-
	98,201	68,859	71,767	24,290

25. Related party transactions

The company has taken advantage of the exemption in FRS 8 not to disclose transactions with other members of the group headed by Stobart Group Limited, the ultimate parent undertaking

The following transactions took place during the year and prior year on an arms length basis

- W A Developments International Limited – Fees for aviation and fuel services
- VLL Limited – Fees for aviation and fuel services
- AST Signs Limited – Signage and stationery services

The above parties are related by way of common directorship.

26. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Stobart Airports Limited, a company registered in England and Wales The ultimate parent undertaking and controlling party is Stobart Group Limited, a company registered in Guernsey. Stobart Group Limited is the largest and smallest group in which the results of the company are consolidated Copies of the Group accounts are available from Stretton Green Distribution Park, Langford Way, Appleton, Warrington, Cheshire WA4 4TZ