

**Company Registration No. 3454447**

**TAG Farnborough Airport Limited**

**Report and Financial Statements**

**31 December 2009**

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# **TAG Farnborough Airport Limited**

## **Report and financial statements 2009**

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# **TAG Farnborough Airport Limited**

## **Report and financial statements 2009**

### **Officers and professional advisers**

#### **Directors**

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

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

#### **Secretary**

R Hedges	(British)
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#### **Registered Office**

Business Aviation Centre  
Farnborough Airport  
Farnborough  
Hampshire  
GU14 6XA

#### **Bankers**

Lloyds TSB Bank Plc

#### **Solicitors**

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

#### **Auditors**

Deloitte LLP  
Chartered Accountants  
London

# **TAG Farnborough Airport Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

### **Business review and principal activities**

The Company is a subsidiary of TAG Aviation Group (UK) Limited and operates as part of the group's UK aviation division

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. There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely changes in the Company's activities in the next year.

As shown in the Company's profit and loss account on page 9, the Company's revenue has decreased by 15% over the prior year and the profit after tax has similarly decreased from £7.4 million profit to £5.0 million profit.

The balance sheet on page 10 of the financial statements shows that the Company's financial position at the year end is strong with net assets of £27.6 million.

Details of significant events since the balance sheet date are contained in note 21 to the financial statements.

### **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 drives the overall landing fees revenue and can be influenced through 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 is a key risk factor and cash flow element. Going forward management will focus on further improving those KPIs.

<b>KPI</b>	<b>2009</b>	<b>2008</b>	
Air Traffic Movements	23,127	26,288	Number of take offs and landings for the period. The ATMs decreased in 2009 due to the impact of the economic recession on the flying activity. However, it is anticipated that 2010 should see a good recovery particularly in the second half of the year. NB this figure includes flights exempt from the limit imposed by the local authority.
Average landing fee per movement	£360	£315	The increase is mainly due to better quality of traffic. A higher proportion of weekend movements and larger aircraft has improved this KPI year on year.

# TAG Farnborough Airport Limited

## Directors' report (continued)

### Key Performance Indicators ("KPIs") (continued)

KPI	2009	2008	
Turnover Growth	(15.5%)	31.5%	This shows the decrease in Turnover on the previous period. The turnover is a combination of Air Traffic Movements (ATMs), average landing fees per ATM, fuel sales, parking, hangarage and office rent. The decrease in ATM for 2009 of 12% combined with lower fuel prices, impacted turnover for the year. The improvement of the average landing fee per movement was driven by price increase and improved quality of the traffic. The Company's results in the first quarter of 2010 have been in line with budget despite several serious weather related incidents.
Operating Margin	23.2%	16.5%	Operating margin is the ratio of operating result expressed as a percentage of Turnover. Operating margin has increased due to operating and administrative expenses both reducing significantly in the year as the lower activity levels were recognised and appropriate cost controlling action was taken.
Debtor Days	60 days	76 days	Debtor days shows the time taken to collect the money from customers. Due to enhanced collection procedures combined with a more restrictive credit policy, the outstanding debtors' days has improved in 2009. In 2010 a further tightening of the credit policy and more formal collection procedures will be implemented.

### 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 an interest swap and an interest cap that the Company has purchased.

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.

### 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.

# **TAG Farnborough Airport Limited**

## **Directors' report (continued)**

The Company sits on the Environment Committee of the Airport Operators Association

### **Employees**

Details of the number of employees and related costs can be found in note 3 to the financial statements

### **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, and demand in 2010 is showing encouraging signs of recovery. The Company can operate comfortably within its cash balance.

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 in the Statement of accounting policies in 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 next 18 months. No significant levels of foreign currency are held. There is some exposure to interest rate fluctuations however this is managed by hedging instruments purchased in the year.

#### *Credit risk*

The Company has recently introduced 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, the management believes that they will be met comfortably for the foreseeable future.

### **Results and dividend**

The profit for the year after taxation amounted to £5,046,451 (2008 £7,381,354). The directors do not propose the payment of a dividend (2008 £nil).

# **TAG Farnborough Airport Limited**

## **Directors' report (continued)**

### **Directors**

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

### **Supplier payment policy**

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors at 31 December 2009 were 36 days (2008 37 days) purchases based on the average daily amount invoiced by suppliers during the year

### **Statement as to disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information

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

### **Auditors**

Deloitte LLP have expressed their willingness to continue in office as auditors 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  
Secretary

22 June 2010

# **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). 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 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 judgments 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## **Independent auditors' 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 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 22. 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 auditors' 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, 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 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.

### **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 2009 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 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 TAG Farnborough Airport Limited (continued)**

### **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 Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Kate J Houldsworth (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom

23<sup>rd</sup> June 2010

# **TAG Farnborough Airport Limited**

## **Profit and loss account Year ended 31 December 2009**

	Notes	2009 £	2008 £
<b>Turnover</b>	2	33,847,062	40,033,526
Cost of sales		(21,202,513)	(27,923,583)
<b>Gross profit</b>		12,644,549	12,109,943
Administrative expenses		(4,997,629)	(5,761,051)
Other operating income		220,854	257,045
<b>Operating profit</b>		7,867,774	6,605,937
Interest receivable and similar income	5	2,553	88,684
Interest payable and similar charges	6	(1,287,778)	(1,506,890)
<b>Profit on ordinary activities before taxation for the financial year</b>	4	6,582,549	5,187,731
Taxation	7	(1,536,098)	2,193,622
<b>Retained profit on ordinary activities after taxation for the financial year</b>	16	5,046,451	7,381,353

The results for each year are all from continuing operating activities

The Company has no recognised gains or losses other than the profit for each year as shown above. Accordingly, no statement of recognised gains and losses has been presented

# TAG Farnborough Airport Limited

## Balance sheet

Year ended 31 December 2009

	Notes	2009 £	2008 £
<b>Fixed assets</b>			
Tangible assets	8	79,466,073	77,736,074
		<u>79,466,073</u>	<u>77,736,074</u>
<b>Current assets</b>			
Stock	9	157,207	156,169
Deferred tax asset	18	680,899	2,219,356
Debtors	10	6,505,892	9,544,831
Cash at bank and in hand		5,453,807	2,803,136
		<u>12,797,805</u>	<u>14,723,492</u>
<b>Creditors: amounts falling due within one year</b>	11	(10,355,684)	(11,077,511)
<b>Net current assets</b>		<u>2,442,121</u>	<u>3,645,981</u>
<b>Total assets less current liabilities</b>		<u>81,908,194</u>	<u>81,382,055</u>
<b>Creditors: amounts falling due after more than one year</b>	12	(53,356,402)	(57,876,714)
<b>Provisions for liabilities and charges</b>	14	(1,000,000)	(1,000,000)
<b>Total net assets</b>		<u>27,551,792</u>	<u>22,505,341</u>
<b>Capital and reserves</b>			
Called up share capital	15	24,500,000	24,500,000
Other reserves	16	9,517,026	9,517,026
Profit and loss account	16	(6,465,234)	(11,511,685)
<b>Shareholders' funds</b>	17	<u>27,551,792</u>	<u>22,505,341</u>

The financial statements on pages 9 to 20 of TAG Farnborough Airport Limited registered number 3454447 were approved by the Board of Directors on *22 June* 2010

Signed on behalf of the Board of Directors



S Gillibrand  
Director

# **TAG Farnborough Airport Limited**

## **Notes to the accounts**

### **Year ended 31 December 2009**

#### **1. Accounting policies**

##### **Accounting convention**

The financial statements are prepared on the going concern basis under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

##### **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 directors' report on page 4 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 create uncertainty particularly over (a) the level of demand for the Company's products and services, (b) the exchange rate between sterling and euros and US dollars, and thus the consequence of earning revenues in foreign currencies, and (c) the availability of bank finance in the foreseeable future.

The Company meets its day to day working capital requirements through its currency cash balances and a £500,000 overdraft facility shared with TAG Farnborough Engineering Limited and TAG Aviation (UK) Limited. 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 currency 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, expects to be able to do so very 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 accounts.

##### **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.

##### **Stock**

Stock is 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.

# **TAG Farnborough Airport Limited**

## **Notes to the accounts**

### **Year ended 31 December 2009**

#### **1 Accounting policies (continued)**

##### **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 taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

##### **Cash flow statement**

Under FRS 1 (Revised), the Company is exempt from preparing a cash flow statement as it is a subsidiary of a parent company which prepares consolidated financial statements, which are available as indicated in note 21.

##### **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 utilises interest rate swaps as derivative instruments. The Company does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Company in line with the Company's risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

##### **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 accounts 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.

#### **2. 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.

# TAG Farnborough Airport Limited

## Notes to the accounts

Year ended 31 December 2009

### 3. Information regarding directors and employees

No directors received remuneration from the Company in the year for their qualifying services as directors (2008 none). There were no pension contributions for these directors (2008 £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. The amounts separable related to their services to the company was £nil (2008 £nil).

	2009 £	2008 £
<b>Employee costs during the year:</b>		
Wages and salaries	4,494,828	4,642,072
Social security costs	487,793	503,286
Other pension costs	138,472	133,594
	<u>5,121,093</u>	<u>5,278,952</u>
	<b>2009 Number</b>	<b>2008 Number</b>
<b>Average number of persons employed by the company in the year:</b>		
Operations	106	113
Administration	23	23
	<u>129</u>	<u>136</u>

### 4. Profit on ordinary activities before taxation:

	2009 £	2008 £
<b>This is stated after charging:</b>		
Depreciation and amortisation		
- owned assets	2,775,778	2,945,986
- finance leases	151,899	120,271
Auditors' remuneration		
- audit	32,700	36,500
- other services relating to taxation	83,030	115,850
Loss on disposal of fixed assets	8,886	3,468

The audit fee includes an amount of £2,000 (2008 £2,000) borne on behalf of TAG Farnborough (Holdings) Limited, £1,000 (2008 £1,000) borne on behalf of TAG Aviation (Group) UK Limited, £1,000 (2008 £1,000) borne on behalf of TAG Farnborough Enterprises Limited and £2,000 (2008 £2,000) borne on behalf of TAG Farnborough Airport Freehold Limited.

# TAG Farnborough Airport Limited

## Notes to the accounts Year ended 31 December 2009

### 5. Interest receivable and similar income

	2009 £	2008 £
Other interest receivable and similar income	2,553	88,684

### 6. Interest payable and similar charges

	2009 £	2008 £
Bank loans and overdrafts repayable within five years	1,236,540	1,460,233
Finance leases	51,238	46,657
	1,287,778	1,506,890

### 7. Tax on profit on ordinary activities

The Company has a small liability to UK corporation tax for the year

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2008 28.5%)  
The actual tax charge for the current and the previous year is less than the standard rate for the reasons set out in the following reconciliation

	2009 £	2008 £
<b>Current Tax</b>		
UK corporation tax	575	25,734
Prior year adjustment	(2,934)	-
Current tax (credit)/charge	(2,359)	25,734
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,867,692	(1,938,987)
Adjustment in respect of prior periods	(329,235)	(280,369)
Total deferred tax charge/(credit) (note 18)	1,538,457	(2,219,356)
Total taxation charge/(credit) for year	1,536,098	(2,193,622)



# TAG Farnborough Airport Limited

## Notes to the accounts

Year ended 31 December 2009

### 7. Tax on profit on ordinary activities (continued)

	2009 £	2008 £
Profit on ordinary activities before tax	6,582,549	5,187,731
<b>Current tax</b>		
Tax on profit on ordinary activities at standard rate of 28% (2008 28.5%)	1,843,114	1,478,503
<b>Factors affecting charge for the year:</b>		
<b>Permanent differences</b>		
Expenses not deductible for tax purposes	308,552	61,034
Permanent difference in respect of IBA's	-	274,745
<b>Timing differences</b>		
Capital allowances in excess of depreciation	(215,704)	(371,093)
Utilisation of tax losses	(1,995,947)	(1,433,914)
Movement in short-term timing differences	56,360	12,459
Adjustments to tax charge in respect of previous periods	(2,934)	-
<b>Total actual amount of current tax charge for the year</b>	<b>(2,359)</b>	<b>25,734</b>

A number of changes to the UK corporation tax system were enacted in the 2007 Finance Act. These included the decrease in the corporation tax rate from 30% to 28% effective from 1 April 2008. The comparative balances are therefore stated at the blended rate of 28.5%.

### 8. Tangible fixed assets

	Land and buildings £	Airfields £	Fixtures, fittings tools and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2009	22,157,685	70,723,506	2,950,884	1,454,822	97,286,897
Additions	4,126,234	186,700	372,522	6,388	4,691,845
Disposals	-	-	(34,750)	(87,229)	(121,979)
At 31 December 2009	26,283,919	70,910,206	3,288,656	1,373,981	101,856,762
<b>Accumulated depreciation</b>					
At 1 January 2009	2,438,796	15,038,508	1,472,163	601,356	19,550,823
Charge for the year	539,871	2,002,997	245,287	139,821	2,927,677
Disposals	-	-	(21,696)	(66,114)	(87,810)
At 31 December 2009	2,978,367	17,041,505	1,695,754	675,063	22,390,689
<b>Net book value</b>					
At 31 December 2009	23,305,552	53,868,701	1,592,902	698,918	79,466,073
At 31 December 2008	19,718,889	55,684,998	1,478,721	853,466	77,736,074

# TAG Farnborough Airport Limited

## Notes to the accounts Year ended 31 December 2009

### 8. Tangible fixed assets (continued)

The net book value of land and buildings comprises

	2009 £	2008 £
Freehold	411,805	444,110
Long leasehold	22,007,397	18,224,810
Short leasehold	1,004,685	1,049,969
	<u>23,423,887</u>	<u>19,718,889</u>

Included within airfields are capitalised interest and finance costs of a net book value of £236,779 (2008 £355,115) Included within assets are motor vehicles of a net book value of £860,505 subject to finance leases (2008 £804,830) The depreciation charge on these assets for the year was £151,899 (2008 £120,271)

### 9. Stock

	2009 £	2008 £
Finished goods and goods for resale	<u>157,207</u>	<u>156,169</u>

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

### 10. Debtors

	2009 £	2008 £
Trade debtors	2,896,287	4,909,866
Amounts owed by group undertakings	2,696,914	3,445,652
Other debtors	67,455	4,297
Prepayments and accrued income	538,964	609,798
VAT debtor	306,272	575,218
	<u>6,505,892</u>	<u>9,544,831</u>

# TAG Farnborough Airport Limited

## Notes to the accounts

### Year ended 31 December 2009

#### 11. Creditors: amounts falling due within one year

	2009 £	2008 £
Bank loan (secured) (see note 12)	5,000,000	5,000,000
Obligations under finance leases (see note 13)	189,569	214,559
Trade creditors	2,103,092	2,831,884
Amount owed to group undertakings	535,898	54,601
Other creditors	16,207	20,354
Accruals and deferred income	2,306,202	2,734,495
Employment tax	204,716	221,618
	<u>10,355,684</u>	<u>11,077,511</u>

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

	2009 £	2008 £
Obligations under finance leases (see note 13)	506,402	526,714
Bank loan (secured)	6,400,000	10,900,000
Amount owed to group undertakings	46,450,000	46,450,000
	<u>53,356,402</u>	<u>57,876,714</u>

#### Creditors excluding finance leases:

Between one and two years	5,000,000	5,000,000
Between two and five years	1,400,000	5,900,000
Over five years	46,450,000	46,450,000
	<u>52,850,000</u>	<u>57,350,000</u>

The bank loan is part of a borrowing facility. The full value of the bank loan is secured over the assets of the Company.

The bank loan bears interest at a floating rate of LIBOR plus a margin of 2.75%.

The Company's policy as regards to derivatives and financial instruments are set out in the accounting policies on page 10. The Company does not trade speculatively in financial instruments. Further details on the financial instruments held by the company at the balance sheet date can be found in note 19.

# TAG Farnborough Airport Limited

## Notes to the accounts Year ended 31 December 2009

### 13. Obligations under finance leases

The future finance lease payments to which the Company was committed at 31 December 2009 are

	2009 £	2008 £
Within one year	234,462	266,591
Between one and two years	146,811	188,191
Between two and five years	326,247	242,875
Over five years	216,494	279,841
	<u>924,014</u>	<u>977,498</u>
Less interest charges allocated to future periods	(227,665)	(236,225)
	<u>695,971</u>	<u>741,273</u>
 Obligations included in creditors falling due within one year (note 11)	 189,569	 214,559
Obligations included in creditors falling due after one year (note 12)	506,402	526,714
	<u>695,971</u>	<u>741,273</u>

### 14. Provisions for liabilities and charges

	2009 £
At 1 January 2009 and 31 December 2009	<u>1,000,000</u>

The provision relates to an ongoing adjudication claim from a contractor for runway works. The provision represents management's best estimate of the Company's liability, based on advice from its retained lawyers. Adjudication was finalised in 2008 with no order for payment, however we have been advised by lawyers to retain the provision.

In addition, claims have been lodged against the Company which call for compensation for alleged loss of value of land adjacent to the airport. The Company has taken legal advice and no provision has been made in the financial statements.

### 15. Called up share capital

	2009 £	2008 £
<b>Authorised:</b>		
50,000,000 ordinary shares of £1 each	<u>50,000,000</u>	<u>50,000,000</u>
<b>Called up, allotted and fully paid:</b>		
24,500,000 ordinary shares of £1 each	<u>24,500,000</u>	<u>24,500,000</u>

# TAG Farnborough Airport Limited

## Notes to the accounts Year ended 31 December 2009

### 16. Reserves

	Profit and loss account £	Other reserve £
At 1 January 2009	(11,511,685)	9,517,026
Profit for the financial year	5,046,451	-
At 31 December 2009	<u>(6,465,234)</u>	<u>9,517,026</u>

The other reserve balance relates to the waiver of an inter-company loan amount with the parent company TAG Farnborough (Holdings) Limited during 2004

### 17. Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Profit for the financial year	5,046,451	7,381,815
Increase in shareholders' funds	5,046,451	7,381,815
Opening shareholders' funds	22,505,341	15,123,526
Closing shareholders' funds	<u>27,551,792</u>	<u>22,505,341</u>

### 18. Deferred taxation

A deferred tax asset has been recognised in respect of timing differences relating to losses as the directors estimate that future profits will ensure that the asset will be recovered. The amount of the asset recognised is £680,899 (2008 £2,219,356)

The amount of a deferred tax asset in the financial statements is

	2009 £	2008 £
Capital allowances in excess of depreciation	4,071,113	4,458,633
Other short term timing differences	(70,000)	(13,640)
Losses	<u>(4,682,012)</u>	<u>(6,664,349)</u>
	<u>(680,899)</u>	<u>(2,219,356)</u>

The deferred tax asset is expected to be realised within the next 12 months

# TAG Farnborough Airport Limited

## Notes to the accounts Year ended 31 December 2009

### 19. Derivatives not included at fair value

The Company has derivatives which have been fully expensed in the year

	Effective Dates	Notional £000s	Fair Value	
			2009 £000s	2008 £000s
Interest rate cap	June 2010 – Dec 2014	£230K	£229K	-
Interest rate swap	until March 2012	-	(£30K)	-

The Group uses the above derivatives to manage its exposure to interest rate movements on its bank borrowings. The fair values are based on market values at the balance sheet date.

The interest rate swap contract settles on a quarterly basis. The floating rate is 3 months LIBOR. The Company will settle the difference on a net basis. The swap rate is fixed at 3.305% and the cap rate 5%.

### 20. Capital commitments

At 31 December 2009 the Company had no future commitments (2008: £nil) in capital costs, which are contracted but not provided for.

### 21. 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 Aviation (Holdings) SA, a company incorporated in Luxembourg. This is also the parent undertaking of the largest group which includes the Company and for which group accounts are prepared. The parent undertaking and controlling party of the smallest such group is TAG Aviation Group (UK) Limited, a company registered in England and Wales and incorporated in Great Britain. The immediate parent company is TAG Farnborough (Holdings) Limited, a company registered in England and Wales and incorporated in Great Britain. Copies of the group financial statements of TAG Aviation Group (UK) Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Effective April 2010 TAG Farnborough Holdings Limited was transferred direct to TAG Aviation Holdings SA, thus leaving the TAG Aviation Group (UK) Ltd.

### 22. Related party transactions

Pursuant to the exemption granted by Financial Reporting Standard 8, 'Related Party Disclosures', transactions with other undertakings within, and related parties of, the TAG Aviation Holdings SA group have not been disclosed within these financial statements.