

**DUNDEE AIRPORT LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2013**

**DUNDEE AIRPORT LIMITED  
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**DIRECTORS**

Grenville Johnston OBE TD CA	Chairman
Inglis Lyon	Managing Director
Michael Cantlay	
Andrew Castell	
David Dorward	
David Savile	
Timothy Whittome	

**COMPANY SECRETARY**

Inglis Lyon

**REGISTERED OFFICE**

Inverness Airport  
Inverness  
IV2 7JB

Registered in Scotland Number 325066

**AUDITORS**

Ernst and Young LLP  
Barony House  
Stoneyfield Business Park  
Stoneyfield  
Inverness  
IV2 7PA

**DUNDEE AIRPORT LIMITED  
DIRECTORS' REPORT**

The Directors submit their report and financial statements for the year ended 31 March 2013.

**RESULTS AND DIVIDENDS**

The trading loss for the year, after taking account of taxation, amounted to £13,000 (2012: £45,000). The Directors recommend that no dividend be paid, leaving the full amount to be set against reserves.

**PRINCIPAL ACTIVITY**

The company's principal activity is to provide and operate a safe, secure and efficient airport which supports the communities we serve.

**AUDITORS**

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**DIRECTORS**

The Directors who served during the year to 31 March 2013 and subsequently are: -

Grenville Johnston	Chairman
Inglis Lyon	Managing Director
Michael Cantlay	Director
Andrew Castell	Director
David Dorward	Director
David Savile	Director
Timothy Whittome	Director

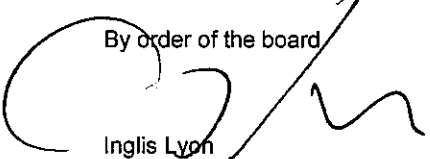
**DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 2. Having made enquiries of fellow Directors and of the company's auditors, each of these Directors confirms that: -

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

The report of the Directors has been prepared in accordance with the special provisions relating to companies subject to small companies regime within Part 15 of the Companies Act 2006.

By order of the board



Inglis Lyon  
Company Secretary  
26 September 2013

## **DUNDEE AIRPORT LIMITED**

### **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;
- 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.

**DUNDEE AIRPORT LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	Notes	2013 £000	2012 £000
TURNOVER – Continuing operations	2	1,304	1,347
<b>SUBSIDIES</b>			
Total receivable		<b>2,946</b>	<b>3,059</b>
Capital carried to deferred income		<b>(149)</b>	<b>(409)</b>
Revenue	3	<u>2,797</u>	<u>2,650</u>
		4,101	3,997
DIRECT OPERATING COSTS		<u>(3,810)</u>	<u>(3,697)</u>
GROSS PROFIT		291	300
ADMINISTRATIVE EXPENSES		<u>(348)</u>	<u>(353)</u>
OPERATING (LOSS) – Continuing operations	4	(57)	(53)
PROFIT ON DISPOSAL OF TANGIBLE FIXED ASSETS		9	25
OTHER FINANCE INCOME	5	<u>35</u>	<u>74</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(13)	46
TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	6	-	<u>(1)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(13)</u>	<u>45</u>


**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 MARCH 2013**

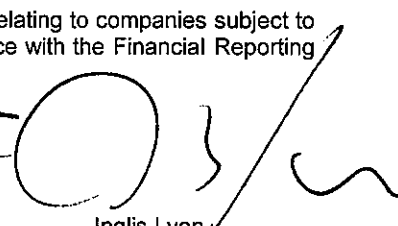
		2013 £000	2012 £000
(Loss)/Profit for the financial year		(13)	45
Actuarial gain/(loss) recognised on defined pension scheme	14	<u>332</u>	<u>(182)</u>
Total gain/(loss) recognised relating to the year		<u>319</u>	<u>(137)</u>

**DUNDEE AIRPORT LIMITED**  
**BALANCE SHEET**  
AS AT 31 MARCH 2013

	Notes	2013 £000	2012 £000
<b>FIXED ASSETS</b>			
Tangible assets	7	<u>13,056</u>	<u>14,819</u>
<b>CURRENT ASSETS</b>			
Stocks		34	44
Debtors	8	319	659
Cash at bank and in hand		<u>50</u>	<u>11</u>
		403	714
CREDITORS: Amounts falling due within one year	9	<u>535</u>	<u>680</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(132)</u>	<u>34</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,924	14,853
PROVISIONS FOR LIABILITIES	10	(5)	(5)
<b>ACCRUALS AND DEFERRED INCOME</b>			
Deferred Subsidies	11	<u>(12,637)</u>	<u>(14,522)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		282	326
Defined benefit pension liability	14	(11)	(374)
NET ASSETS / (LIABILITIES)		<u>271</u>	<u>(48)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	5	5
Profit and loss account	13	<u>266</u>	<u>(53)</u>
		271	(48)

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

  
Grenville Johnston CA  
Chairman

  
Inglis Lyon  
Managing Director  
26 September 2013

Notes 1 to 17 form part of these financial statements

**DUNDEE AIRPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*FOR THE YEAR ENDED 31 MARCH 2013*

**BASIS OF PREPARATION**

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). The company's parent receives subsidies from the Scottish Ministers on an annual basis to ensure the continuing operation of Dundee Airport. The annual financial statements are prepared on the assumption that the company will continue to receive such subsidies, via the parent company, for the foreseeable future.

The parent company, Highlands and Islands Airports Limited, sets an annual group budget which aims to balance income, expenditure and operating subsidy provisions set by government. The group's operating subsidy provision has been set at £22.9 million for the year ending 31 March 2014. This is considered by the Directors to be adequate to sustain the group as a going concern having considered the 12 months ahead from date of approval.

1.2 TANGIBLE ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on tangible fixed assets to spread the cost by equal annual instalments over their estimated useful lives, as follows: -

Freehold buildings	20-25 years
Leasehold buildings	over the remaining life of the lease to a maximum of 20 years
Plant and other equipment	3-10 years
Vehicles	5 years
Runways, aprons and main services	7-25 years

1.3 STOCKS

Stocks are stated at the lower of cost and net realisable value.

1.4 SUBSIDIES

Subsidies represent amounts received from the Scottish Ministers, via the parent company, in accordance with Section 34 of the Civil Aviation Act 1982 along with other revenue and capital grants.

Subsidies 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.

Subsidies for revenue expenditure are separately disclosed within turnover in the period to which they relate.

1.5 DEFERRED TAXATION

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less 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.

1.6 CASH FLOW STATEMENT

The company is exempt from preparing a cash flow statement under Financial Reporting Standard for Smaller Entities (effective April 2008) as it is a small company.

1.7 PENSION COSTS

The company's employees are members of the Tayside Superannuation Fund, a defined benefit scheme, which is operated by Dundee City Council. Contributions are charged to the profit and loss account in accordance with actuarial recommendations, so as to spread the cost over the employees' remaining working lives with the company.

On the advice of an independent qualified actuary, contributions are made to the plan to ensure that the plan's assets are sufficient to cover future liabilities. For the purpose of FRS 17 disclosures, pension plan assets are measured using market values. Pension plan liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond, based on an index of appropriate term and currency to the liability. Any increase in the present value of the liabilities of the defined benefit pension plan expected to arise from employee service in the period is charged against operating profit. The expected return on the plan's assets and the increase during the period in the present value of the plan's liabilities arising from the passage of time are included in interest receivable and similar income. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses.

**DUNDEE AIRPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

2. TURNOVER

Turnover represents amounts received and receivable (stated net of value added tax) in respect of airport services provided in the UK.

3. SUBSIDIES

Revenue subsidies of £2,796,657 were received from Scottish Ministers, via the parent company, in relation to the company's trading year ending 31 March 2013, in accordance with Section 34 of the Civil Aviation Act 1982.

4. OPERATING (LOSS)/PROFIT

<b>2013</b>	2012
<b>£000</b>	£000

*This is stated after charging: -*

Depreciation	2,079	2,132
Auditors' remuneration – audit services	3	3

*And after crediting: -*

Deferred subsidies released	2,034	2,095
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The Directors did not receive any remuneration from the company during the year.

5. OTHER FINANCE INCOME

<b>2013</b>	2012
<b>£000</b>	£000

Expected return on pension scheme assets	191	207
Interest on pension scheme liabilities	<u>(156)</u>	<u>(133)</u>
	<u>35</u>	<u>74</u>

6. TAX

(a) Tax on (Loss)/Profit on ordinary activities

The tax charge is made up as follows: -

<b>2013</b>	2012
<b>£000</b>	£000

*Current Tax: -*

UK Corporation tax at 24% (2012: 26%)	—	—
Total current tax charge	<u>—</u>	<u>—</u>

*Deferred Tax: -*

Origination and reversal of timing differences	—	—
Tax on (Loss)/Profit on ordinary activities	<u>—</u>	<u>1</u>

(b) Factors affecting the current tax charge

The tax assessed for the period on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 24% (2012: 26%). The differences are reconciled below: -

<b>2013</b>	2012
<b>£000</b>	£000

Profit on ordinary activities before tax	<u>(13)</u>	<u>46</u>
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Tax at 24% (2012: 26%) thereon:	(3)	12
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*Effects of:*

Expenses not deductible for tax purposes	-	-
Net depreciation in excess of capital allowances	9	13
Pension provisions not deductible for tax purposes	(7)	(37)
Adjustments relating to the sale of fixed assets	(2)	(6)
Small Companies Tax Relief	-	-
Unrelieved Tax	3	18

Current tax charge for year	<u>—</u>	<u>—</u>
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**DUNDEE AIRPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

7. TANGIBLE FIXED ASSETS

	Land and Buildings Freehold £000	Land and Buildings Leasehold £000	Nav aids £000	Plant and Other Equipment Vehicles Furniture £000	Runways Aprons and Main Services £000	Assets in Course of Construction and Installation £000	Total £000
<b>COST</b>							
At 1 April 2012	389	3,801	728	4,370	14,439	5	23,732
Additions during year	-	-	12	302	-	14	328
Disposals during year	-	-	-	(39)	-	-	(39)
Transfers during year	-	-	-	5	-	(5)	-
At 31 March 2013	<b>389</b>	<b>3,801</b>	<b>740</b>	<b>4,638</b>	<b>14,439</b>	<b>14</b>	<b>24,021</b>
<b>DEPRECIATION</b>							
At 1 April 2012	(59)	(1,560)	(560)	(2,616)	(4,118)	-	(8,913)
Provided during year	(21)	(360)	(89)	(589)	(1,020)	-	(2,079)
Disposals during year	-	-	-	27	-	-	27
At 31 March 2013	<b>(80)</b>	<b>(1,920)</b>	<b>(649)</b>	<b>(3,178)</b>	<b>(5,138)</b>	<b>-</b>	<b>(10,965)</b>
<b>NET BOOK VALUE</b>							
at 31 March 2013	<b>309</b>	<b>1,881</b>	<b>91</b>	<b>1,460</b>	<b>9,301</b>	<b>14</b>	<b>13,056</b>
at 31 March 2012	330	2,241	168	1,754	10,321	5	14,819

8. DEBTORS

	2013 £000	2012 £000
Trade debtors	102	189
Other debtors	38	75
Amount due from parent undertaking	179	395
	<u>319</u>	<u>659</u>

9. CREDITORS: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	1	111
Other taxes and social security costs	29	31
Other creditors	6	4
Accruals and deferred income	470	507
Amounts due to group undertaking	29	27
	<u>535</u>	<u>680</u>

**DUNDEE AIRPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

10. PROVISIONS FOR LIABILITIES

	2013 £000	2012 £000
Deferred taxation	<u>5</u>	<u>5</u>
<i>Movement on deferred tax: -</i>		
Opening	5	4
Movement	-	1
Closing	<u>5</u>	<u>5</u>
<i>Analysis of deferred tax balances: -</i>		
Capital allowances timing differences	5	5
Timing differences relating to pensions	-	-
	<u>5</u>	<u>5</u>

11. DEFERRED SUBSIDIES

	2013 £000	2012 £000
Balance at 1 April	14,522	16,208
Subsidies receivable	149	409
Released to profit and loss account	<u>(2,034)</u>	<u>(2,095)</u>
Balance at 31 March	<u>12,637</u>	<u>14,522</u>

12. SHARE CAPITAL

	Authorised		Issued and fully paid	
	2013 No.	2012 No.	2013 £	2012 £
Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>

13. SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	Share Capital £000	Profit and Loss account £000	Total £000
At 1 April 2012	5	(53)	(48)
Retained profit for the year	-	(13)	(13)
Actuarial gain on pension scheme	-	332	332
At 31 March 2013	<u>5</u>	<u>266</u>	<u>271</u>

14. PENSION COSTS

The employees of Dundee Airport Limited are included within the Tayside Superannuation Fund, a defined benefit scheme operated in the UK and is funded by payment of contributions to a separately administered trust fund.

The valuation used has been based on the most recent actuarial valuation at 31 March 2011 and was updated by Barnett Waddingham to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 31 March 2013.

**DUNDEE AIRPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

14. PENSION COSTS (CONTINUED)

The assets and liabilities of the scheme at 31 March are:

	2013 £000	2012 £000
<b><i>Scheme assets at fair value</i></b>		
Equities	2,673	2,038
Gilts	264	240
Other bonds	414	330
Property	339	330
Cash	75	60
	—	—
Fair value of scheme assets	3,765	2,998
Present value of scheme liabilities	(3,776)	(3,372)
	—	—
	(11)	(374)
Unrecognised past service cost	-	-
	—	—
Defined benefit pension scheme deficit	<u>(11)</u>	<u>(374)</u>

The pension scheme has not invested in any of the company's own financial instruments nor in properties or other assets used by the company.

The amounts recognised in the Profit and Loss Account and in the Statement of Total Recognised Gains and Losses for the year are analysed as follows:

	2013 £000	2012 £000
<b><i>Recognised in the Profit and Loss Account</i></b>		
Current service cost	(212)	(153)
Past service cost	-	-
	—	—
Recognised in arriving at operating profit	<u>(212)</u>	<u>(153)</u>
	—	—
Expected return on scheme assets	191	207
Interest on obligation	(156)	(133)
	—	—
Other finance income	35	74
	—	—
Total recognised in the Profit and Loss Account	<u>(177)</u>	<u>(79)</u>
	—	—
<b><i>Taken to the Statement of Total Recognised Gains and Losses</i></b>		
Actual return on scheme assets	525	11
Less: expected return on scheme assets	(191)	(207)
	—	—
	(334)	(196)
Experience gains and losses	-	498
Changes in assumptions underlying the present value of the scheme liabilities	(2)	(485)
	—	—
Actuarial gains and losses recognised in the Statement of Total Recognised Gains/(Losses)	<u>332</u>	<u>(182)</u>

***Pensions***

Pension contributions are determined with the advice of independent qualified actuaries, Barnett Waddingham, on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

**DUNDEE AIRPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

14. PENSION COSTS (CONTINUED)

*Main assumptions:*

	2013 %	2012 %
Rate of salary increases	3.4	3.3
Rate of increase in pensions in payment	2.6	2.5
Discount rate	4.7	4.6
Expected rates of return on scheme assets		
Equities	6.8	7.1
Gilts	3.0	3.3
Other bonds	4.1	4.6
Property	4.0	4.3
Cash	0.5	3.0
RPI Inflation assumption	3.4	3.3
CPI Inflation assumption	2.6	2.5

The discount rate is the annualised yield at the 25 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of FRS17 and with the consideration of the Employer's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption. The RPI inflation assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 25 year point on the BoE spot inflation curve. Previously, the 20 year point was used and so this has been updated to reflect that this Employer's liabilities have a longer duration than average. The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2012 for the year to 31 March 2013). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

	2013 Years	2012 Years
Post-retirement mortality		
Current pensioners at 65 – male	20.6	20.6
Current pensioners at 65 – female	22.9	22.8
Future pensioners at 65 – male	21.9	21.8
Future pensioners at 65 – female	24.5	24.4

Mortality rates for 2012 and 2013 are based on S1PA tables with a 120% multiplier, making allowance for future improvement factors in line with the CMI 2011 projections, with a long term rate of 1%. The disclosures above in respect of mortality relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with "future" being that relating to an employee retiring in 20 years time.

The results stated in the tables above are sensitive to the assumptions used. The following table sets out the impact of a change in the discount rates on the total obligation and projected service cost, along with a +/- 1 year age rating adjustment to the mortality assumption:

<i>Change in assumption</i>	+ 0.1% £000	- 0.1% £000	+ 1 year £000	- 1 year £000
Present value of defined benefit obligation	<u>(3,651)</u>	<u>(3,906)</u>	<u>(3,635)</u>	<u>(3,919)</u>
Projected service cost	<u>202</u>	<u>222</u>	<u>201</u>	<u>223</u>

The projected pension expense for the year ending 31 March 2014 is as follows:

	2014 £000
Current service cost	212
Interest cost	178
Return on assets	(228)
	—
Total	<u>162</u>
Employer contributions	<u>208</u>

**DUNDEE AIRPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

14. PENSION COSTS (CONTINUED)

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2013 £000	2012 £000
As at 1 April	3,372	3,015
Current service cost	212	153
Past service cost	-	-
Interest cost	156	133
Benefits paid net of transfers in	(47)	13
Contributions by scheme participants	81	77
Actuarial gain/(loss)	2	(19)
	<hr/>	<hr/>
As at 31 March	<u>3,776</u>	<u>3,372</u>

Changes in the fair value of plan assets are analysed as follows:

	2013 £000	2012 £000
As at 1 April	2,998	2,680
Expected return on plan assets	191	207
Employer contributions	208	222
Contributions by scheme participants	81	77
Benefits paid net of transfer in and including unfunded	(47)	13
Actuarial gain/(loss)	334	(201)
	<hr/>	<hr/>
As at 31 March	<u>3,765</u>	<u>2,998</u>

	2013 £000	2012 £000
Fair value of scheme assets	3,765	2,998
Present value of defined benefit obligation	(3,776)	(3,372)
	<hr/>	<hr/>
(Deficit) in the scheme	<u>(11)</u>	<u>(374)</u>
Experience adjustments arising on plan liabilities	-	504
Experience adjustments arising on plan assets	334	(201)

15. CAPITAL COMMITMENTS

	2013 £000	2012 £000
Contracted	<u>85</u>	<u>69</u>

16. RELATED PARTIES

- a) The company is a wholly owned subsidiary of Highlands & Islands Airports Limited, the consolidated financial statements of which are publicly available. Accordingly the company has taken the advantage of the exemption in FRS 8 from disclosing transactions with wholly owned subsidiaries of Highlands and Islands Airports Limited.
- b) During the year the company received subsidies, via the parent company, totalling £2,957,603 from the Scottish Ministers.
- c) During the year purchases of £198,618 and sales of £Nil were made, in relation to normal operating activities, from Dundee City Council. At 31 March 2013, no amount was due to or from Dundee City Council by Dundee Airport Limited. David Dorward, a director of Dundee Airport Limited, is the Chief Executive of Dundee City Council.

These transactions were entered into on an arm's length basis.

**DUNDEE AIRPORT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*FOR THE YEAR ENDED 31 MARCH 2013*

17. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Highlands and Islands Airports Limited. It has included the company in its group financial statements, copies of which are available from the Registrar of Companies, Companies House, 139 Fountainbridge, Edinburgh, EH3 9FF.

The company's ultimate controlling party is the Scottish Ministers who own the entire share capital of Highlands and Islands Airports Limited.

**DUNDEE AIRPORT LIMITED  
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUNDEE AIRPORT LIMITED**

We have audited the financial statements of Dundee Airport Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 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 4, 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 Directors' 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 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 March 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; 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.

**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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.

*Ernst & Young LLP*

Eunice McAdam (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Inverness

*26 September 2013*

