

Machrihanish Airbase Community Company

(a company limited by guarantee)

Annual Report

For the year ended 31 March 2018

Registered Charity Number: SC042435

Registered Company Number: SC348209

Machrihanish Airbase Community Company

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Machrihanish Airbase Community Company

Information

For the year ended 31 March 2018

Charity Name: Machrihanish Airbase Community Company

Operating Name: Machrihanish Airbase Community Company

Registered Office: Building 79 D.E Machrihanish
Machrihanish
Campbeltown
Argyll
Scotland
PA28 6NU

Charity Registration Number: SC042435

Company Registration Number: SC348209

Company Directors: A Brown
D Graham
J Graham
N M Hall
J Martin
A MacFadyen
C McNair
T Millar
D Mitchell
M Paterson
A Ronald
J Stolberger

Registered Auditors: Mazars LLP
100 Queen Street
Glasgow
G1 3DN

Bankers: Bank of Scotland
9 Longrow South
Campbeltown
PA28 6AL

Machrihanish Airbase Community Company

Report of the Directors

For the year ended 31 March 2018

The directors present their report together with the consolidated financial statements for the year ended 31 March 2018.

The company was incorporated in Scotland on 5 September 2008 and granted charitable status on 7 July 2011. On 19 December 2011 a wholly owned subsidiary of the company, MACC Developments Limited was incorporated and commenced trading on 11 May 2012.

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the income or expenditure of the company for that period. 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 the Charity. In preparing those financial statements the directors are required to:-

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Charities and Trustee Investment (Scotland) Act 2005. 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.

Structure, governance and management

Machrihanish Airbase Community Company is a company limited by guarantee, registered in Scotland, company number SC348209. The company has also registered with the Office of the Scottish Charity Regulator, number SC042435. Annual returns are made to the Office of the Scottish Charity Regulator, and the company is recognised as a charity by HM Revenue and Customs for the purposes of Section 505 of the Income & Corporation Taxes Act 1988.

The directors of the company also act as trustees for charity law purposes. The company endeavours to ensure that all trustees receive the induction, training and ongoing support they need to carry out their duties effectively.

Constitution

The company is limited by guarantee and does not have any share capital. Its governing instruments are its Memorandum and Articles of Association.

Machrihanish Airbase Community Company

Report of the Directors (Cont.)

For the year ended 31 March 2018

Vision

The overarching aim of the Machrihanish Airbase Community Company is to deliver lasting economic and social benefit to the local community by taking advantage of the resources and potential which MACC Business Park offers.

The MACC Group 2030 Vision as outlined in the 2017 to 2022 business plan states;

MACC Business Park is the hub of enterprise in Argyll & Bute, and a leading light in community-led development in the UK. Over 500 people work from the businesses located on the 1,025 acre site.

Business sectors are diverse; aquaculture, research & development, aviation, manufacturing, leisure, retail and tradesmen are all benefiting from being located on the site. Electricity and heating for the site is provided by solar and biomass renewable energy sources, aviation movements from the site are increasing and plans for the first UK launch of a horizontal take off space plane are nearing completion.

After over 30 years of depopulation the South Kintyre, population is rising again and is looking forward to a more prosperous and sustainable future.

Priorities

1. Economic sustainability
2. Retain the charitable status of the organisation
3. Attract inward investment to the area
4. Complement local businesses
5. Retain the site for future generations

Objectives

1. Increase the number of tenants on the site
2. Attract further inward investment to South Kintyre
3. Build a renewable energy facility on the site
4. Facilitate the development of a spaceport on the site
5. Meet the corporate and social objectives of the charity

Appointment of directors

The company may by Ordinary Resolution in General meeting appoint a director. During the period there were twelve directors.

Achievements and performance

2017-2018 was another prosperous period for the Machrihanish Airbase Community Company (MACC) Group as it continued to work to redevelop the site in to a successful Business Park. This report covers a 12 month period from 1st April 2017 to 31st March 2018, and is the 6th year of group trading accounts and covers the 5th anniversary of ownership of the site. During the period MACC has continued to manage successfully the onsite raw water, sewage, electricity and building infrastructure. The Business Park continues to receive regular enquiries from large and small companies as well as individuals interested in utilising the assets that the site has to offer. During the period the tenant roll stayed steady at 83, up one from the previous year but with strong performance from short term tenancies.

Machrihanish Airbase Community Company

Report of the Directors (Cont.)

For the year ended 31 March 2018

Maintenance on the site continued to present challenges during the period with regular bursts in the water supply pipe and notably a blockage in one of the main outfall ditches that turned out to be directly underneath the main runway, which was cleared thanks to the considerable help by local contractors and preventative measures put in place to ensure it doesn't happen again. The water supply pipe from Killipole caused repeated problems during the period leading to MACC's board considering the feasibility of a complete replacement of the pipe earlier than planned. One of the sewage pump houses required two new pumps. MACC Electrical AP's also carried out transformer oil quality testing during the period to inform the need for more detailed servicing going forward. MACC also invested in a new tractor and grass cutting equipment, CCTV and a new sliding security gate during the period.

During the period MACC Group staffing levels remained similar in the maintenance and security departments with changes in the office staffing arrangement with the retirement of the projects officer Cameron McNair in September 2017. Cameron made considerable progress with the strategic business priorities of MACC and after his retirement he agreed to become a director of MACC providing the company with his skills and expertise. The spaceport project received a third phase of funding to enable further development of the business case for horizontal space plane launches from the site and the result of this was presented to Argyll & Bute Council in November 2017 receiving considerable support from elected members. Despite this, the spaceport project was paused at the end of the period until the legislative criteria around spaceport licensing becomes clearer in 2018/19. Affordable high speed broadband is now enjoyed by businesses at MACC and Sound of Kintyre residents thanks to a new private wireless broadband solution. This has provided a solution that avoids the prohibitive costs to be suffered in connecting to the fibre solutions offered through BT Openreach.

The most significant project during the period was of course the build of MACC's own 250kWp solar photovoltaic panel farm. The farm received planning permission at the start of the period and the contract was awarded to contractor after a competitive tender process that came in under the anticipated budget cost. The solar farm construction started in February 2018 and aims to be completed by the 28th April 2018, after which it should supply enough electricity to offset MACC's own electricity consumption. This represents a significant achievement for MACC and the start for the uptake of renewable energy on the site.

MACC continued to use its assets to assist local charities and not for profit organisations during the period with the Campbeltown Picture House, the Campbeltown Christmas Lights and Campbeltown Rotary Club all storing equipment on the site. MACC also hosted events for the MACC Challenge, MACH 1 stages rally, model aircraft flying club, Cub Scouts, Junior running club, Young firefighters, and Campbeltown Scout Group during the period and took part and won the Machrihanish Golf Club AMAM team competition. The first formal charitable donation fund was opened and was oversubscribed. £10,000 of funding was donated in total between Kintyre Youth Forum, Shopperaide, Dalintober and Milknoe residents association, CGS 4 Gambia, Kintyre District Drama Association, Kintyre Seasports Project, the Link club, MS Group, Carradale Play Park, and Campbeltown Pupils Football Club.

Machrihanish Airbase Community Company

Report of the Directors (Cont.) For the year ended 31 March 2018

The period was very busy for global wind tower producer CS Wind with the expansion of the existing factory complex to accommodate offshore wind turbine towers. The expansion included upgrading the HV electricity ring main and the expansion of the shot blasting and spray painting facility as well as the purchase of new equipment to accommodate the increased tower sizes. The first offshore tower sections ever produced in the UK were shipped out in January 2018 causing a considerable amount of attention locally and internationally. Not all of the news on site was positive as NIRI Scotland Ltd project ground to a halt due to difficulties with its Norwegian parent company. This resulted in the removal of the existing Managing Director and the mothballing of the tank. Despite this setback the project has demonstrated that the technology works and NIRI Scotland Ltd is currently for sale and attracting global interest and onshore salmon farming projects becoming popular on a global scale.

Financial Review

As shown on the Statement of Financial Activities (SOFA) on page 10, there was net income in the period of £44,512 (2017: £200,820). At the period end, the Group had funds of £1,118,606 (2016: £1,074,094) of which £245,580 were restricted.

Future plans

MACC is now 1 year into its new 5 year business plan that covers the period 2017 to 2022. Progress has been made in almost all of the objective areas, going forward there is plenty still to achieve.

MACC has an ongoing commitment to capital reinvestment in the site and by 2022 aims to reinvest £880,000 of its own funds back into the site infrastructure. In order to achieve this level of reinvestment MACC must continue to manage the site in a prudent and sustainable manner and rely on the continuing success of our trading subsidiary and support of our partners. Capital projects MACC intends to carry out are as follows;

- Install one or more renewable heating boilers
- Upgrade the MACC water system
- Carry out a demolition programme
- Improve the road network on site
- Apply for a spaceport license
- Improve digital connectivity

Risk mitigation

The board of directors regularly review risk assessments for the company. Board level decisions are generally only taken after careful consideration of all influencing factors. The Machrihanish Airbase Community Company is a relatively risk averse company and in taking a long term structured view of the development of the site the Board have realised that decisions relating to activities which do not currently fit with the business model need to be reserved for a later date.

The board of directors has been particularly keen to mitigate risks associated with the operation of the infrastructure that the company has inherited from the Ministry of Defence.

Policy on reserves

The financial reserves of the group at 31 March 2018 show total reserves of £1,118,606, which relates to £873,026 of unrestricted funds (including a designated reserve of £570,827) and £245,580 of restricted funds. The restricted funds represents the current net book value of investment property and other assets acquired in the year ended 30 September 2013 for which grants were obtained.

Machrihanish Airbase Community Company

Report of the Directors (Cont.) For the year ended 31 March 2018

Directors

The directors who served throughout the period and to the date of this report were as follows:-

A Hemmings (Resigned 26 September 2017)
T Millar
J Graham
D Mitchell
I Wardrop (Resigned 26 September 2017)
J Martin
I Mitchell (Resigned 26 September 2017)
A MacFadyen
M Paterson
A Ronald
N M Hall
A Brown (Appointed 26 September 2017)
D Graham (Appointed 28 November 2017)
C McNair (Appointed 26 September 2017)
J Stolberger (Appointed 26 September 2017)

Auditors

A resolution to re-appoint Mazars LLP as auditors will be proposed at the forthcoming annual general meeting.

Small company exemptions

This report has been prepared in accordance with the Special Provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102)(effective 1 January 2015) – (“Charities SORP (FRS 102)”).

Approved by the Board on 2018 and signed on its behalf by;

T Millar
Director

Machrihanish Airbase Community Company

Independent auditor's report to the directors and members of Machrihanish Airbase Community Company

For the year ended 31 March 2018

We have audited the financial statements of Machrihanish Airbase Community Company (the 'charity') for the year ended 31 March 2018 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balances Sheets, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its income and expenditure 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, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities
- Accounts (Scotland) Regulations 2001.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Machrihanish Airbase Community Company

Independent auditor's report to the directors and members of Machrihanish Airbase Community Company For the year ended 31 March 2018

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

We have nothing to report in respect of the following matters in relation to which 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 Trustees' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees 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 Trustees' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 2, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or

Machrihanish Airbase Community Company

Independent auditor's report to the directors and members of Machrihanish Aibase Community Company For the year ended 31 March 2018

In preparing the financial statements, the Trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. This report is made solely to the charity'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 charity'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 charity and the charity's members as a body for our audit work, for this report, or for the opinions we have formed.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

Our audit work has been undertaken so that we might state to the charitable company's Trustees' 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 charitable company and its trustees, as a body, for our audit work, for this report, or for the opinions we have

Craig Maxwell (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

100 Queen Street
Glasgow
G1 3DN
Date:

Machrihanish Airbase Community Company

Consolidated Statement of Financial Activities For the year to 31 March 2018

		Unrestricted	Unrestricted	Restricted	Total	Total
		General	Designated	Funds	Funds	Funds
	Notes	Funds	Funds			
		2018	2018	2018	2018	2017
		£	£	£	£	£
Income and endowments from:						
Investment rental income		712,287	-	-	712,287	532,811
Investment recharges income		503,151	-	-	503,151	648,360
Other income		4,928	-	-	4,928	19,884
Voluntary income - grants		-	-	46,303	46,303	112,910
Total income		1,220,366	-	46,303	1,266,669	1,313,965
Expenditure on:						
Raising funds	5	577,612	-	46,303	623,915	694,008
Charitable activities	6	598,242	-	-	598,242	419,137
Total expenditure		1,175,854	-	46,303	1,222,157	1,113,145
Net income		44,512	-	-	44,512	200,820
Transfers between funds		(375,604)	375,604	-	-	-
Net movement in funds		(331,092)	375,604	-	44,512	200,820
Reconciliation of funds:						
Total funds brought forward		633,291	195,223	245,580	1,074,094	873,274
Total funds carried forward	15	302,199	570,827	245,580	1,118,606	1,074,094

The Statement of Financial Activities includes all gains and losses recognised in the period. All income and expenditure relate to continuing activities. The accompanying accounting policies and notes form an integral part of these financial statements.

The notes on page 14-25 form part of these financial statements.

A comparative Statement of Financial Activities can be found at note 19.

Machrihanish Airbase Community Company

Company number: SC348209

Consolidated Balance Sheet

As at 31 March 2018

	Notes	31-Mar 2018 £	31-Mar 2017 £
Fixed assets			
Tangible fixed assets	9	420,920	270,497
		<u>420,920</u>	<u>270,497</u>
Current assets			
Debtors	10	170,733	175,480
Cash and cash equivalents		888,935	864,357
		<u>1,059,668</u>	<u>1,039,837</u>
Current liabilities			
Creditors:Amounts falling due within one year	11	(361,982)	(236,240)
		<u>697,686</u>	<u>803,597</u>
NET CURRENT ASSETS			
		<u>697,686</u>	<u>803,597</u>
NET ASSETS		<u>1,118,606</u>	<u>1,074,094</u>
Funds			
Unrestricted funds - general	15	302,199	633,291
Unrestricted funds - designated reserves	15	570,827	195,223
Restricted funds	15	245,580	245,580
		<u>1,118,606</u>	<u>1,074,094</u>
Total funds		<u>1,118,606</u>	<u>1,074,094</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The notes on page 14-25 form part of these accounts.

Approved by the Board on 2018 and authorised to be signed on its behalf by:

T Millar
Director

Machrihanish Airbase Community Company

Company number: SC348209

Charity Balance Sheet

As at 31 March 2018

	Notes	31-Mar 2018 £	31-Mar 2018 £	31-Mar 2017 £	31-Mar 2017 £
Fixed assets					
Investments	8		101		101
Tangible fixed assets	9		361,344		251,207
			<u>361,445</u>		<u>251,308</u>
Current assets					
Debtors and prepayments	10	37,002		93,523	
Cash and cash equivalents		654,792		519,479	
		<u>691,794</u>		<u>613,002</u>	
Current liabilities					
Creditors: Amounts falling due within one year	11	<u>(140,138)</u>		<u>(53,866)</u>	
NET CURRENT ASSETS			<u>551,656</u>		<u>559,136</u>
NET ASSETS			<u>913,101</u>		<u>810,444</u>
Funds					
Unrestricted funds - general	15		472,298		369,641
Unrestricted funds - designated reserves	15		195,223		195,223
Restricted funds	15		245,580		245,580
			<u>913,101</u>		<u>810,444</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The notes on page 14-25 form part of these financial statements

Approved by the Board on 2018 and authorised to be signed on its behalf by:

T Millar
Director

Machrihanish Airbase Community Con

Company number: SC348209

Consolidated Statement of Cash Flows

For the year to 31 March 2018

	2018	2017
	£	£
Cash flows from operating activities:		
Net movement in funds	44,512	200,820
Depreciation charges and loss on sale of assets	11,090	11,591
Decrease/(increase) in debtors	4,747	(22,605)
Increase in creditors	94,135	71,110
Net cash provided by operating activities	<u>154,484</u>	<u>260,916</u>
Cash flows from investing activities:		
Purchase of tangible fixed assets	(129,906)	(894)
Net cash used in investing activities	<u>(129,906)</u>	<u>(894)</u>
Net increase in cash during the reporting period	<u>24,578</u>	<u>260,022</u>
Cash at bank and in hand at 1 April 2017	864,357	604,335
Cash at bank and in hand at 31 March 2018	888,935	864,357
	<u>24,578</u>	<u>260,022</u>

Machrihanish Airbase Community Company

Notes to the Consolidated Financial Statements

For the year to 31 March 2018

1. Accounting policies

a. Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) – (“Charities SORP (FRS 102)”) and the Companies Act 2006 and applicable accounting standards. The financial statements have been prepared under the historic cost convention.

b. Basis of consolidation

The group financial statements consolidate the results of the charitable company and the subsidiary undertaking for the financial period. Inter-company transactions are eliminated on consolidation.

c. Legal status of the company

The Company is a company limited by guarantee, registered in Scotland and has no share capital. The liability of each member in the event of winding up is limited to £1.

d. Income

Investment rental income and investment recharges income relate to the rent and electricity costs charged by MACC Developments Limited to its tenants. This income is included in the Statement of Financial Activities on an accruals basis.

Income from government grants is recognised in the Statement of Financial Activities when there is evidence of entitlement to the grant, receipt is probable and its amount can be measured reliably. This occurs when Machrihanish make a claim to the relevant awarding body for costs they have incurred in achieving the project for which a grant has been agreed.

e. Expenditure

Expenditure is recognised on an accruals basis as a liability is incurred.

The allocation of expenditure between activities is made utilising our departmental reporting system on a basis that is designed to reflect the use of the resources.

Charitable activities

Charitable activities includes costs incurred in the delivery of our charitable activities, including costs that can be allocated directly to these activities and indirect costs necessary to support them.

Raising funds

Expenditure on raising funds includes all expenditure incurred by a charity to raise funds for its charitable purposes. This includes the non-charitable trading activities of its trading subsidiary.

f. Tangible fixed assets

Tangible fixed assets, other than investment property, are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Machrihanish Airbase Community Company

Notes to the Consolidated Financial Statements

For the year to 31 March 2018

1. Accounting policies (continued)

Motor vehicles	-	20% reducing balance
Office equipment & furniture	-	20% straight line
Plant & machinery	-	20% straight line
Solar panels	-	5% straight line

The land and buildings of Campbeltown Airport are accounted for as investment property as they are rented to third parties. The Directors do not believe there is an appropriate method of valuing the investment property because there are no other airports being rented as business parks in Argyll with which to compare. Investment property is therefore held at capitalised cost, being the cost of all additions made to the property since it was purchased for £1. No depreciation is charged on investment property as the Directors believe that the investment is increasing in value over time. The average selling price of land in the area around the airbase supports the capitalised cost that the investment property is held at.

g. Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

h. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

i. Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

j. Operating leases: company as lessee

Rentals under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

k. Operating leases: company as lessor

Rental income from operating leases is credited to the Statement of Financial Activities on a straight line basis over the term of the relevant lease.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over when the lessor's benefit from the leased asset is diminished.

Machrihanish Airbase Community Company

Notes to the Consolidated Financial Statements For the year to 31 March 2018

1. Accounting policies (continued)

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

l. Financial Instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost.

m. Pensions

Defined contribution pensions plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

2. Judgements and key sources of estimation uncertainties

Except for the judgements used to determine the carrying value of investment property (see accounting policy f.) there were no material judgements and key sources of estimation uncertainty in the preparation of the financial statements.

	Group 2018 £	Group 2017 £
3. Net income is stated after charging		
Auditor's remuneration	6,750	5,800
Depreciation	11,090	11,473
Staff costs	191,628	211,126
	<hr/> <hr/>	<hr/> <hr/>
	Group 2018 £	Group 2017 £
4. Staff costs		
Salaries	177,515	169,788
Social security	12,780	14,778
Pension	1,333	13,280
	<hr/> <hr/>	<hr/> <hr/>
	191,628	197,846

Machrihanish Airbase Community Company

Notes to the Consolidated Financial Statements For the year to 31 March 2018

4. Staff costs (cont.)

The average	Group 2018 Number	Group 2017 Number
Maintenance and security staff	7	7
Office staff	3	3
	<u>10</u>	<u>10</u>

No employees earned over £60,000 (2017: Nil). The trustees are regarded as being key management personnel and received no remuneration (2017: nil).

5. Costs of raising funds	Group 2018 £	Group 2017 £
Wages and salaries	154,313	150,855
National insurance	12,704	12,102
Heat and light	423,783	520,640
Insurance	33,115	10,308
Water rates	-	103
	<u>623,915</u>	<u>694,008</u>

Machrihanish Airbase Community Company

Notes to the Consolidated Financial Statements For the year to 31 March 2018

	Group 2018 £	Group 2017 £
6. Charitable activities		
Staff salaries	23,202	32,213
National insurance	76	2,676
Staff training	486	529
Subscriptions	1,988	1,307
Computer costs	1,392	1,812
Advertising	1,648	5,737
Travelling expenses	5,686	6,154
Motor expenses	4,719	5,169
Entertainment	781	511
Printing, postage and stationery	2,396	2,112
Telephone expenses	1,407	1,287
Sundry expenses	75,688	30,790
Bank charges	744	627
Legal fees	46,168	45,899
Accountancy fees	12,390	11,055
Governance costs- audit fees	4,725	5,800
Consultancy fees	18,862	21,820
Professional fees	130,367	31,039
Repairs and maintenance expenses	115,438	176,201
Bad debts	87,763	4,895
Charitable donations	10,000	8,200
Depreciation of fixed assets	11,090	11,473
Irrecoverable VAT	41,226	11,712
(Loss)/profit on sale of fixed assets		119
	<u>598,242</u>	<u>419,137</u>

7. Taxation

There is no corporation tax provision required in the consolidated financial statements as all taxable profits made by MACC Developments Limited are gifted to Machrihanish Airbase Community Company. The parent undertaking has been recognised as a charity by the HM Revenue & Customs for the purposes of tax relief granted by Section 505 of the Income and Corporation Taxes Act 1998.

Machrihanish Airbase Community Company

Notes to the Consolidated Financial Statements For the year to 31 March 2018

	Charity 2018 £	Charity 2017 £
8. Investments in subsidiary undertakings		
Shares in Discover Space UK Limited- SC499199	100	100
Shares in MACC Developments Limited- SC413390	1	1
	<u>101</u>	<u>101</u>

The subsidiary undertakings are as follows;

Name	% held	Class of shares	Aggregate capital & reserves	Profit after tax
MACC Developments Limited	100%	Ordinary	176,716	187,411
Discover Space UK Limited	100%	Ordinary	100	-

Details of the subsidiary companies are provided in note 16.

9. Tangible fixed assets	Group					Total
	Investment property	Motor vehicles	Office equipment & furniture	Plant & machinery	Solar Panels	
	£	£	£	£	£	£
Cost or Valuation						
As at 31 March 2017	232,048	24,027	26,493	11,197	-	293,765
Additions	-	-	-	46,264	115,249	129,906
Disposals	-	-	-	-	-	-
As at 31 March 2018	<u>232,048</u>	<u>24,027</u>	<u>26,493</u>	<u>57,461</u>	<u>115,249</u>	<u>423,671</u>
Depreciation						
As at 31 March 2017	-	7,865	8,893	6,510	-	23,268
Charge for year	-	4,040	3,758	3,292	-	11,090
Disposals	-	-	-	-	-	-
As at 31 March 2018	<u>-</u>	<u>11,905</u>	<u>12,651</u>	<u>9,802</u>	<u>-</u>	<u>34,358</u>
Net book value						
As at 31 March 2018	<u>232,048</u>	<u>12,122</u>	<u>13,842</u>	<u>47,659</u>	<u>115,249</u>	<u>420,920</u>
As at 31 March 2017	<u>232,048</u>	<u>16,162</u>	<u>17,600</u>	<u>4,687</u>	<u>-</u>	<u>270,497</u>

Machrihanish Airbase Community Company

Notes to the Consolidated Financial Statements (Cont.)

For the year to 31 March 2018

9. Fixed assets (cont.)	Investment property	Office equipment & furniture	Charity		Total
			Plant & machinery	Solar Panels	
	£	£	£	£	£
Cost					
As at 31 March 2017	232,048	25,826	7,437	-	265,311
Additions	-	-	-	115,249	115,249
As at 31 March 2018	232,048	25,826	7,437	115,249	380,560
Depreciation					
As at 31 March 2017	-	8,551	5,553	-	14,104
Charge for period	-	3,625	1,487	-	5,112
As at 31 March 2018	-	12,176	7,040	-	19,216
Net book value					
As at 31 March 2018	232,048	13,650	397	115,249	361,344
As at 31 March 2017	232,048	17,275	1,884	-	251,207

It is the Directors' belief that the carrying value of the investment property of the charity is the fair value (Note 1f).

10. Debtors	Group		Charity	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	170,733	175,480	200	57,528
Amounts due from subsidiary undertaking (note 17)	-	-	24,565	24,798
VAT receivable	-	-	12,237	11,197
	170,733	175,480	37,002	93,523

Machrihanish Airbase Community (

Notes to the Consolidated Financial Statements (Cont.)

For the year to 31 March 2018

11. Creditors	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Trade creditors	229,690	113,610	100,632	45,742
Other creditors	42,754	11,374	39,506	8,124
Deferred income (see below)	83,215	89,704	-	-
VAT, PAYE & NI	6,323	21,552	-	-
	<u>361,982</u>	<u>236,240</u>	<u>140,138</u>	<u>53,866</u>

Deferred income

Deferred income comprises rental payments received in advance for the next financial year.

Balance at 1 April 2017	89,704	58,322	-	-
Amount released to income during the period	(89,704)	(58,322)	-	-
Amount deferred during in year	83,215	89,704	-	-
Balance at 31 March 2018	<u>83,215</u>	<u>89,704</u>	<u>-</u>	<u>-</u>

12. Pension commitments

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 costs charge represents contributions payable by the company to the fund and amounted to £1,333 (2017 - £nil). Contributions totalling £nil (2017 - £nil) were payable to the fund at the balance sheet date.

13. Future minimum lease receipts under non-cancellable operating leases

	2018	2017
Due in less than 1 year	465,410	557,410
Due in more than one year and less than five years	1,534,318	1,902,318
Due in more than five years	6,159,641	7,885,879
	<u>8,159,369</u>	<u>10,345,607</u>

MACC Developments Limited rent the Airbase site from Machrishanish Airbase Community Company for £25,000 per annum and lease the buildings to third parties by way of lease agreements. Long term leases are non-cancellable and therefore tenants are committed to future payments until their lease expires.

Machrihanish Airbase Community Company

Notes to the Consolidated Financial Statements (Cont.)

For the year to 31 March 2018

14. Analysis of group net assets between funds	Unrestricted General Funds	Unrestricted Designated Funds	Restricted Funds	Total Funds
	£	£	£	£
Fixed assets	100,091	115,249	205,580	420,920
Current assets	564,090	455,578	40,000	1,059,668
Current liabilities	(361,982)	-	-	- 361,982
Net assets at 31 March 2018	<u>302,199</u>	<u>570,827</u>	<u>245,580</u>	<u>1,118,606</u>

15. Analysis of charitable funds

Analysis of group fund movements	1 April 2017	Income/Gains	Expenditure	Transfers	31 March 2018
	£	£	£	£	£
General	633,291	1,220,366	(1,175,854)	(375,604)	302,199
Designated reserves	195,223	-	-	375,604	570,827
Unrestricted funds	<u>828,514</u>	<u>1,220,366</u>	<u>(1,175,854)</u>	<u>-</u>	<u>873,026</u>
Property improvement fund	245,580	46,303	(46,303)	-	245,580
Restricted funds	<u>245,580</u>	<u>46,303</u>	<u>(46,303)</u>	<u>-</u>	<u>245,580</u>

Analysis of charity fund movements	1 April 2017	Income/Gains	Expenditure	Transfers	31 March 2018
	£	£	£	£	£
General	369,641	305,045	(202,388)	(375,604)	96,694
Designated reserves	195,223	-	-	375,604	570,827
Unrestricted funds	<u>564,864</u>	<u>305,045</u>	<u>(202,388)</u>	<u>-</u>	<u>667,521</u>
Property improvement fund	245,580	46,303	(46,303)	-	245,580
Restricted funds	<u>245,580</u>	<u>46,303</u>	<u>(46,303)</u>	<u>-</u>	<u>245,580</u>

Machrihanish Airbase Community Company

Notes to the Consolidated Financial Statements (Cont.) For the year to 31 March 2018

15. Analysis of charitable funds (cont.)

Group and charity - analysis of designated reserves

	£
Electrical Improvements	195,223
Solar panels	200,604
Water pipes	175,000
	<u>570,827</u>

The restricted funds relate to grant income received and include amounts used for the long term maintenance and repair of the site infrastructure. The balance of the funds represents the net book value of fixed assets financed by the grants.

At 31 March 2016, £200,000 of unrestricted funds were held in a designated reserve in respect of anticipated expenditure on electrical capabilities. During the year to 31 March 2017, £4,777 was spent towards achieving this outcome, and it is anticipated that in the year ended 31 March 2019 much of this reserve will be spent.

During the year ended 31st March 2018 designated reserves were set up for the acquisition of solar panels, and for the the installation of water pipes as noted above.

16. Subsidiary companies

MACC Developments Limited is a wholly owned subsidiary of the charity. The company was incorporated on 19 December 2011 and commenced trading on 11 May 2012. The principal activity of the company is that of property rental and operation of the Machrihanish airbase. All profits made by the limited company are gifted to the charity for the purpose of delivering lasting economic and social benefit to the local community by taking advantage of the resources and potential the airbase offers.

Discover Space UK Limited is a wholly owned subsidiary of the charity. The company was incorporated on 2 March 2015, and is currently dormant. The purpose of this company is to be the main operator in a UK spaceports project, should the appropriate licences be granted.

17. Related party transactions

During the year, the charity received donations of £274,343 (2017 - £220,000) from MACC Developments Limited, a wholly owned subsidiary of Machrihanish Airbase Community Company, in respect of the profits of the previous period.

As at 31 March 2018, included within the charity balance sheet are amounts owed by the subsidiary of £24,565 (2017: £24,798). No interest is charged on the balance from MACC Developments Limited. The balance has been eliminated on consolidation.

During the year, MACC Developments Limited, paid head lease rentals of £25,000 (2017 - £25,000) to Machrihanish Airbase Community Company. There is a formal lease in place for MACC Developments Limited to pay Machrihanish Airbase Community Company annual lease payments of £25,000. MACC Developments Limited also recharged payroll costs of £nil (2017 - £13,280) to Machrihanish Airbase Community Company for payroll costs relating to the Charity. These intercompany transactions have been eliminated on consolidation.

Machrihanish Airbase Community Company

Notes to the Consolidated Financial Statements (Cont.)

For the year to 31 March 2018

17. Related party transactions (cont.)

During the year, the group paid £24,560 (2017 - £27,900) to McFadyens Contractors (Campbeltown) Limited, of which T Millar (Director of the charity) is a director, for road surface repairs. Also during the year £8,012 (2017 - £4,136) was paid to Jim Martin Supplies, which is owned by J Martin (Director of the subsidiary). Also during the year £65 (2017 - £nil) was paid to Dugald Graham (Director of the subsidiary), and £nil (2017: £113) was paid to Peter Paterson (who is married to a Director of the subsidiary) for services.

All transactions, which were on normal commercial terms, were approved by committees which did not include the directors concerned.

18. Ultimate controlling party

In the directors' opinion, there is no ultimate controlling party.

19. Comparative Statement of Financial Activities

	Unrestricted General Funds 2017 £	Unrestricted Designated Funds 2017 £	Restricted Funds 2017 £	Total Funds 2017 £
Income and endowments from:				
Investment rental income	532,811	-	-	532,811
Investment recharges income	648,360	-	-	648,360
Other incoming resources	19,884	-	-	19,884
Voluntary income - grants	-	-	112,910	112,910
Total income	1,201,055	-	112,910	1,313,965
Expenditure on:				
Raising funds	621,098	-	72,910	694,008
Charitable activities	414,360	4,777	-	419,137
Total expenditure	1,035,458	4,777	72,910	1,113,145
Net income / (expenditure)	165,597	(4,777)	40,000	200,820
Transfers between funds	-	-	-	-
Net movement in funds	165,597	(4,777)	40,000	200,820
Reconciliation of funds:				
Total funds brought forward	467,694	200,000	205,580	873,274
Total funds carried forward	633,291	195,223	245,580	1,074,094

Machrihanish Airbase Community Company

Notes to the Consolidated Financial Statements (Cont.) For the year to 31 March 2018

20. Charity only Statement of Financial Activities

	Unrestricted General Funds 2018 £	Unrestricted Designated Funds 2018 £	Restricted Funds 2018 £	Total Funds 2018 £	Total Funds 2017 £
Income and endowments from:					
Donations	274,823	-	-	274,823	220,174
Voluntary income - grants	-	-	46,303	46,303	25,000
Rental income	25,000	-	-	25,000	4,013
Officers mess	5,222	-	-	5,222	112,910
Total income	305,045	-	46,303	351,348	362,097
Expenditure on:					
Raising funds	-	-	-	-	103
Charitable activities	202,388	-	46,303	248,691	205,240
Total expenditure	202,388	-	46,303	248,691	205,343
Net income / (expenditure)	102,657	-	-	102,657	156,754
Transfers between funds	-	-	-	-	-
Net movement in funds	102,657	-	-	102,657	156,754
Reconciliation of funds:					
Total funds brought forward	369,641	195,223	245,580	810,444	653,690
Total funds carried forward	472,298	195,223	245,580	913,101	810,444