

**Aberdeen International Airport Limited  
Annual report and financial statements  
for the year ended 31 December 2020**

# Aberdeen International Airport Limited

## Contents

<b>Officers and professional advisers</b>	1
<b>Strategic report</b>	
Management review	2
Statement under section 172(1) of the Companies Act 2006	5
Internal controls and risk management	6
<b>Directors' report</b>	10
<b>Directors' responsibilities statement</b>	12
<b>Independent auditor's report</b>	13
<b>Financial statements</b>	
Profit and loss account	16
Statement of comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Accounting policies	20
Notes to the financial statements	27

# **Aberdeen International Airport Limited**

## **Officers and professional advisers**

### **Directors**

Ignacio Aitor Garcia Bilbao (resigned 26 March 2020)  
Mark Beveridge (appointed 2 November 2020)  
John Bruen  
Simon Geere  
Ignacio Castejon Hernandez (appointed 26 March 2020)  
Roger Hunt (appointed 19 June 2020, resigned 2 November 2020)  
Derek Provan  
Stephen Szalay (resigned 19 June 2020)  
Gonzalo Velasco Zabalza

### **Registered office**

Aberdeen Airport  
Dyce  
Aberdeen  
Scotland  
AB21 7DU

### **Independent auditor**

Deloitte LLP  
Statutory Auditor  
110 Queen Street  
Glasgow  
G1 3BX

### **Bankers**

The Royal Bank of Scotland plc  
280 Bishopsgate  
London  
EC2M 4RB

# Aberdeen International Airport Limited

## Strategic report

Aberdeen International Airport Limited (the “Company”) is the owner and operator of Aberdeen International Airport and forms part of the AGS Airports Holdings Group (the “Group”).

This strategic report is presented under three sections:

**Management review** – overview of the year ended 31 December 2020, along with the key factors likely to impact the Company in 2021.

**Statement under section 172(1) of the Companies Act 2006** – summarises the factors the directors have considered regarding their duties to promote the success of the Company.

**Internal controls and risk management** – outline of the Company’s internal controls, approach to risk management and highlights of the key business risks identified by the Group Executive Committee.

## Management review

### Review of business and future developments

Key events occurring during the year and developments since the beginning of 2021 are detailed below.

### Passenger traffic

In the year ended 31 December 2020, passenger traffic decreased by 65.3% to 1.03million (2019: 2.97million). The performance reflects a 61.2% decrease in domestic traffic and a 74.0% decrease in international traffic.

In March 2020 passenger numbers declined significantly as a result of COVID-19 becoming a global pandemic, with travel restrictions, countries closing borders and the UK’s first lockdown, in addition to the impact on the Company of Flybe’s administration at the start of the same month.

Aberdeen Airport has continued to operate throughout 2020, but at significantly reduced levels. In March 2020 there were mainly repatriation flights, essential lifeline services to the Highlands and Islands and helicopters for the oil and gas industry. During the summer of 2020 travel restrictions were eased with travel corridors being introduced and a variety of quarantine rules, which resulted in a slight increase in passengers. Then in the autumn and winter of 2020 with the spread of COVID-19 variants further restrictions were imposed, followed by a further full lockdown in January 2021, which has again significantly impacted passenger numbers at Aberdeen Airport.

Paramount in these unprecedented times, is our duty of care to Aberdeen Airport’s staff, business partners and airport passengers. Health measures to provide a safe environment at Aberdeen Airport have included specific COVID-19 risk assessments, mandating passenger face coverings, personal protective equipment for staff, installation of protective screens in key areas including at check-in desks and security halls, social distancing requirements, provision of hand sanitiser units and enhanced cleaning regimes especially for hard surfaces. Additionally, the carpark at Aberdeen Airport has been used for COVID-19 testing.

The directors have worked to conserve cash and secure additional finance, but there remains uncertainty over the Company’s future trading results and cashflows. Measures have included an organisational restructure at Aberdeen Airport, employee furloughs under the Government’s Coronavirus Job Retention Scheme, temporary pay cuts for senior management and bonus pay-out cessation, options for unpaid leave and reduced hours. Additionally, the Company has negotiated with suppliers, local councils and tax authorities to reduce or defer costs and the Company has reprioritised its capital investment program to the minimum required or committed. The Group secured further funding of £10million and £28million under its working capital and capital expenditure facilities respectively during 2020 and £50million from its shareholders during 2021. Additionally, on 18 June 2021 the Group successfully completed amending and extending its debt facility, including waivers of certain existing covenant tests. The Group received equity injections totalling £35million and loans of £35million from its shareholders, and repaid its £50million shareholders’ subordinated debt.

Looking forward, the outlook is more positive with travel restrictions expected to ease in light of international vaccination programs currently underway and improved testing regimes. The Company will work with Government agencies to ensure that the Company can continue to provide a safe environment for passengers to travel. It is anticipated that this will involve additional requirements around passenger testing for COVID-19, quarantine arrangements, continued social distancing, and stringent cleanliness requirements at the Company’s airport.

Prior to administration, Flybe constituted 17% of the Company’s airline traffic. The Company continues to work with other airlines to establish further backfill arrangements, however, progress has been disrupted by the COVID-19 restrictions.

Passenger numbers for the five months to 31 May 2021 are down by 49.7% at 0.29million compared to 0.58million for 2020, due to Flybe’s administration in early March 2020 and travel restrictions imposed by the COVID-19 pandemic. The Company anticipates that passenger numbers for the full year will be higher than last year, due to the successful international roll out of vaccines and the relaxation of travel restrictions expected towards the second half of the year.

# Aberdeen International Airport Limited

## Strategic report (continued)

### Financial overview

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Turnover	28,156	56,515
Adjusted operating costs <sup>1</sup>	(27,777)	(34,968)
<b>Adjusted EBITDA <sup>2</sup></b>	<b>379</b>	<b>21,547</b>
Non-recurring items	(1,655)	(67)
Depreciation	(5,681)	(5,832)
Total operating costs	(35,113)	(40,867)
Other income	429	-
Fair value (loss)/gain on investment properties	(10,465)	579
<b>Operating (loss)/profit</b>	<b>(16,993)</b>	<b>16,227</b>
Interest receivable and similar income	2,407	3,337
Interest payable and similar charges	(952)	(1,236)
<b>(Loss)/profit before tax</b>	<b>(15,538)</b>	<b>18,328</b>
Taxation	312	(3,566)
<b>(Loss)/profit for the year</b>	<b>(15,226)</b>	<b>14,762</b>

<sup>1</sup> Adjusted operating costs are stated before depreciation and non-recurring items (page 22).

<sup>2</sup> Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, certain re-measurements (page 22) and non-recurring items (page 22).

For the year ended 31 December 2020, turnover decreased by 50.2% to £28,156k (2019: £56,515k) mainly due to the decrease in passengers.

For the year ended 31 December 2020, adjusted operating costs decreased by 20.6% to £27,777k (2019: £34,968k).

Adjusted EBITDA for the year ended 31 December 2020 decreased to £379k (2019: £21,547k). Adjusted EBITDA includes certain non-recurring costs which are not considered material or requiring separate presentation.

### Non-recurring items

Non-recurring costs recognised in the profit and loss account primarily relate to £1,655k of organisational restructure costs, including £657k of costs borne by other Group companies and outsource providers, associated with the COVID-19 pandemic. Further details are provided in note 3 of the financial statements.

During 2019 non-recurring items related to £532k of costs and £878k of a past service credit associated with the closure of AGS Airports Limited's defined benefit pension scheme; and industrial action cost of £413k.

### Fair value movements on investment properties

Investment properties were valued at fair value by CBRE Limited, Chartered Surveyors. Investment properties comprise mainly car parks, third party occupied facilities and airside assets. The investment property valuation as at 31 December 2020 resulted in a loss of £10,465k (2019: £579k gain)

### Dividend

No dividend was paid or declared in the year ended 31 December 2020 (2019: £nil).

### Pension scheme

At 31 December 2020, AGS Airports Limited's defined benefit pension scheme had a surplus of £328k (2019: £4,415k) as measured under International Accounting Standards ("IAS") 19 Employee Benefits. The Company's share of this surplus amounts to £113k (2019: £1,474k). The AGS Airports Limited's defined benefit scheme was closed to future accrual with effect from 30 June 2019. Following the closure of the scheme to future accrual, the members of the scheme were entitled to participate in the Group's defined contribution pension plan.

### Investment in airport facilities

Aberdeen Airport has reprioritised its investment in infrastructure projects to preserve cash, due to the impact of the COVID-19 pandemic, to investments required for safety and compliance or those already committed. During the year ended 31 December 2020 Aberdeen International Airport Limited investment activity related to completing two key projects underway in 2019 – the hold baggage screening ("HBS") standard 3 equipment and a taxiway rehabilitation.

# Aberdeen International Airport Limited

## Strategic report (continued)

### Going concern

The financial statements are prepared on a going concern basis notwithstanding that the directors consider that the current economic outlook presents significant challenges in terms of the recovery of passenger numbers and thus turnover as a result of the COVID-19 pandemic and the administration of Flybe.

The directors have worked to conserve cash and secure additional finance, but there remains uncertainty over the Company's future trading results and cashflows. Measures have included an organisational restructure at Aberdeen Airport, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts for senior management and bonus pay-out cessation, options for unpaid leave and reduced hours. Additionally, the Company has negotiated with suppliers, local councils and tax authorities to reduce or defer costs and the Company has reprioritised its capital investment program to the minimum required or committed.

The Company finances its activities through funds generated from operations and has access to inter group funding (within the AGS Airports Holdings Group) from external debt and shareholders' subordinated debt facilities. The external debt facilities include covenants, a breach of which would result in the amounts drawn becoming payable on demand. The Group successfully negotiated with its lenders to waive these covenants, due to the current situation, at both 30 June 2020 and 31 December 2020. Additionally, on 16 March and 18 March 2020 the Group secured further funding of £10million and £28million under its working capital and capital expenditure facilities respectively.

On 30 November 2020 the Group obtained a £50million subordinated debt facility from its two shareholders and on 27 January 2021, 26 February 2021 and 22/25 March 2021 the Group utilised £3million, £4million and £43million of this facility, totalling £50million, for working capital requirements over the next twelve months. On 18 June 2021 the Group completed negotiations with lenders regarding amending and extending its external debt facility and the waiving of certain existing covenant tests at 30 June 2021, 31 December 2021 and 30 June 2022. Under the amended and extended debt facility agreement the Group's debt will now mature in June 2024, interest rates have been revised to Sterling overnight index rate (SONIA) plus a margin, the Group will maintain a debt service reserve of approximately £20million to cover the future 12 month debt service requirements and revised covenant tests have been established, including a minimum liquidity test which has been put in place and has not been waived. The Group's shareholders also provided a further £35million of equity, £35million of loans and a commitment to provide an additional £30million of equity callable to meet cashflow requirements. Additionally, on 18 June 2021 the Group repaid in full the shareholders' subordinated debt of £50million.

The directors have prepared base cashflow forecasts for the remainder of 2021 and through to June 2022, which assumes a phased passenger recovery when the travel restrictions are eased, anticipated towards the beginning of the second half of 2021. Those forecasts indicate that the Company can continue to operate for at least the next 12 months from the date of approval of these financial statements, however, management highlight two significant uncertainties.

These are:

1. Forecast uncertainty around timing of travel restrictions and lockdown ending, vaccine rollout, testing requirements, pace of recovery, and ultimately uncertainty regarding passenger number recovery and how comparable this will be to historic levels, and
2. Under certain scenarios of COVID-19 travel restrictions continuing longer than expected, the Group could have a requirement for additional funding, for which there are sources and options available to the directors, to meet the minimum liquidity test and operational needs.

The outlook for 2022 continues to be uncertain and highly dependent on the scale and pace of the recovery of trading in 2021.

The directors have considered the impact of a possible downside relating to the timing and volume of passenger demand, and how this would impact on the Group's revenue and costs going forward. The directors have considered several options which are available to them to mitigate this impact should it arise. These include further cost saving initiatives, securing additional finance and seeking further support from government schemes, if available. The possible downside is not currently considered likely, however, it is difficult to predict the overall outcome and impact of COVID-19 at this stage.

The directors believe that the Group should be able to manage its business risks successfully despite the current uncertain economic outlook. The Group's and Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group and Company should be able to operate within the level of its available liquidity. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements, however, the matters described above result in the existence of a material uncertainty which may cast significant doubt over the Group's and Company's ability to continue as a going concern and therefore the Group and Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

# Aberdeen International Airport Limited

## Strategic report (continued)

### Statement under section 172(1) of the Companies Act 2006 – Duty to promote the success of the Company

Each of the persons who is a director at the date of approval of this Annual report confirms that they have complied with the requirements of section 172(1), to act in a way he considers, in good faith, would be most likely to promote the success of the Company for the benefits of its members as a whole. The directors have considered the following factors:-

#### Decision making

The Board of Directors is responsible for, amongst other things, developing, reviewing and refreshing medium and long term business strategies, policies and development plans, and ensuring their delivery and reviewing the principal risks and risk management framework. Decisions taken by the Board of Directors follow extensive review and consideration regarding stakeholder impact, as well as the need to maintain high standards of business conduct and the need to act fairly.

During 2020 principal decisions included the Company's response to the COVID-19 pandemic, including an organisational restructure and reprioritisation of the Company's investment program. Further details regarding these decisions are included in the Business review and Financial overview sections of this report. Additionally, certain decisions impacting the Group as a whole were made by the Group's Board of Directors, with input as required by the Company's individual Board of Directors.

#### Employee interests and engagement

Employee involvement and consultation is managed in a number of ways including employee surveys, team updates, briefings, road shows and an intranet, while collective consultation takes place with the unions such as Unite and Prospect for those employee groups where unions are recognised. The Company also operates frameworks for consultation and is committed to managing people fairly through change.

Together these arrangements aim to provide a common awareness amongst employees of the financial and economic factors affecting the performance of their business. Bonuses paid to employees reflect the financial performance of the business. In addition, some senior management participate in a long term incentive plan which also rewards based on Group performance.

Communication with employees has been vital during the COVID-19 pandemic, with the Group Chief Executive Officer chairing live broadcasts with employees regularly throughout the pandemic and senior management engaging regularly with employee representative bodies and unions. COVID-19 has had a significant and unprecedented impact on Aberdeen Airport's operations, which has led to the organisational restructure to reduce staff numbers during 2020.

#### Business relationships

Airline and passenger service, safety and security are of critical importance to the Company, with passengers central to Company's activities. Health, Safety and Wellbeing is at the heart of everything we do. Following successfully gaining top rating in the 5 star audits in 2018, Aberdeen was awarded the "Sword of Honour" from the British Safety Council in 2019. Further details regarding investment in airport facilities are included in the Financial overview section of this report.

The Company aims to manage its business relationships as effectively and efficiently as possible. Regular engagement and communication occur with airlines to monitor, share plans, and ultimately ensure that the airport meets the airlines' required operating environment. For supplier contracts this is underpinned by robust and responsible procurement practices which consider the resilience and sustainability of suppliers before contracts are commenced with them, as well as frequently monitoring of their operational performance once they commence business with the airport. The Company continues to work closely with Government agencies to ensure that the Company is responsive to and fully complies with COVID-19 travel requirements and can therefore provide a safe environment for passengers to travel.

The airport is subject to regulations from the Civil Aviation Authority ("CAA"), Department for Transport ("DfT"), and until 31 December 2020, the European Aviation Safety Agency ("EASA") and has staff dedicated to ensure full compliance with regulatory requirements, to establish sound relationships with the regulators and to advise the Executive Committee, the Health, Safety, Security and Environment ("HSSE") Committee and Board on regulatory matters. EASA Regulations continue to be implemented through the European Union (Withdrawal) Act 2018 (as amended). New UK regulations will be introduced in 2021.

#### Community and environmental impact

Achieving the Aberdeen International Airport Limited's vision relies heavily on the Aberdeen Airport being managed in a socially responsible manner. This means enhancing the airport's social and economic benefits whilst reducing our environmental impacts. The airport's independently audited carbon footprint report is published annually. Aberdeen Airport takes pride in the valuable contribution it makes to the local economy in terms of generating employment and providing the vital connectivity that allows the local region to thrive. Aberdeen International Airport Limited took part along with the other AGS group airports in the GRESB assessment in 2019 and 2020. GRESB is recognised as the global ESG benchmark for real assets. In the 2020 ratings, Aberdeen International Airport Limited increased its scoring, taking it to second place overall out of eighteen for global airports and being awarded a five star rating.

# Aberdeen International Airport Limited

## Strategic report (continued)

### Business conduct

The Board of Directors determines the Company's long term strategy, to ensure that the Company acts ethically and has the necessary resources to meet its objectives, to monitor performance and to ensure the Company meets its responsibilities to its various stakeholders.

### Company's member activity

The Company's parent and ultimate parent relationships are disclosed in note 19.

### Internal controls and risk management

Internal control and risk management is the responsibility of the Directors. The Executive Committee, Board and Audit and Risk Committee ("ARC") referred to below relate to the Executive Committee, Board and ARC of AGS Airport Holdings Group. A separate sub-group of the board was formed to ensure governance over Health, Safety, Security and Environment through the HSSE Committee.

### Internal controls

The directors are responsible for the system of internal controls designed to mitigate the risks faced by the Company and for reviewing the effectiveness of the system. This is implemented by applying the Group internal control procedures, supported by a Code of Professional Conduct Policy, appropriate segregation of duties, controls, organisational design and documented procedures. These internal controls and processes are designed to manage, to as low as reasonably practicable, rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatements or loss.

The key features of the Company's internal control and risk management systems in relation to the financial reporting process include:

- a Company-wide comprehensive system of financial reporting and financial planning and analysis;
- documented procedures and policies;
- defined and documented levels of delegated financial authority;
- an organisational structure with clearly defined and delegated authority thresholds and segregation of duties;
- a formal risk management process that includes the identification of financial risks;
- detailed reviews by the Executive Committee and the Board of monthly management accounts measuring actual performance against both budgets and forecasts on key metrics;
- the ARC review of financial results, press releases and key interim and annual financial statements, before submission to the Board, scrutinising amongst other items;
  - compliance with accounting, legal, regulatory and lending requirements;
  - critical accounting policies and the going concern assumption; and
  - significant areas of judgement;
- independent review of controls by the internal audit function; and
- a confidential whistleblowing process.

In addition, the ARC:

- considers the appointment of the external auditor, making appropriate recommendations to the Board, and assesses the independence of the external auditor;
- ensures that the provision of non-audit services does not impair the external auditor's independence or objectivity;
- discusses with the external auditor, before the audit commences, the nature and the scope of the audit and reviews the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- reviews external auditor management letters and responses from management;
- has a standing agenda to meet privately with the external auditor independent of the executive directors; and
- reviewed the scope, operations and reports of the Company's internal audit function on the effectiveness of systems for internal financial control, financial reporting and risk management.

### Principal risks and uncertainties and risk management

The Company's risk management process is used to facilitate the identification, evaluation and effective management of the threats to the achievement of the Company's purpose, vision, objectives, goals and strategies. The vision of risk management is to embed the awareness of risk at all levels of the organisation, in such a way that day to day activities are managed effectively and all significant business decisions are risk-informed.

Risk forms part of the Company's Managing Responsibly System ("MRS") which is locally governed by the Company's Managing Responsibly Governance Group ("MRGG"). The MRGG meets on a monthly basis, and is chaired by the Company's Operations Director and consists of the airport's heads of departments and Group Head of Assurance. The MRS is linked with the key strategic intent to run our airport responsibly by being "Safe, Secure and Sustainable".

The risk management process is evidenced in risk registers which are used as the basis for regular review of risks and their management, up to AGS Airports Holdings Limited Board level. The risk registers are also used to inform decisions relating to the procurement of insurance cover. The risk management process also supports clear accountabilities, processes and reporting formats that deliver efficient and effective management assurance to the Board to ensure statutory compliance whilst supporting business units to successfully manage their operations.



# Aberdeen International Airport Limited

## Strategic report (continued)

The operation of the risk management process and the individual risk registers are subject to periodic review by the ARC, whose primary responsibility is to provide independent assurance to the Board that the controls put in place by management to mitigate risks are working effectively. In addition to the ARC, a new sub Group of the AGS Airports Holdings Limited Board was formed in 2020, the HSSE Committee. This committee is a governance group overseeing all aspects of HSSE and receives reports from the respective MRGG meetings. The Company is currently certificated to ISOs 14001; 55001 and 45001. Its primary responsibility is to provide independent assurance that the controls put in place by management to mitigate risks are working effectively.

Assurance is provided through the management reporting processes and reports to the Group Executive Committee and the HSSE Committee.

The principal corporate and reputational risks as identified by the Executive Committee are:

### **Safety risks**

Health, Safety and Wellbeing is a core value of the business and the Company actively promotes the role of safety leadership in creating a safety culture that is intolerant of accidents and incidents.

The Company's Safety Management System includes risk assessment processes for all activities entailing significant risk and proportionate control measures employed to safeguard everyone impacted by the Company's business. The Company also operates robust asset management processes to ensure property and equipment remains safe. Compliance oversight of the MRS is provided by the Group Head of Assurance, who is deemed competent and holds suitable and sufficient qualifications and provides regular updates to the AGS Airports Holdings Limited Board. Aberdeen Airport is certificated to the asset management standard, ISO 55001.

Governance, led by the MRGG, and assurance processes are used to ensure the aforementioned remain effective and to encourage continuous improvement.

### **Security risks**

Security risks are regarded as critical risks to manage. The Company mitigates these risks by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in leading-edge security technology. The Company works closely with government agencies, including the DfT, the police and the UK Border Force through a statutory framework to establish joint accountabilities for airport security and shared ownership of risk, thus ensuring security measures remain both flexible and proportionate to the prevailing threat environment.

### **Regulatory environment, legal and other reputational risks**

#### *CAA and DfT regulations*

From 1 January 2021, following the Brexit transition period, the Company's operations are no longer subject to regulation by the EASA. The EASA regulations will be adopted by the UK through the European Union Withdrawal Act 2018 (as amended), which will be overseen in the UK by the CAA. The CAA is concerned with air safety, airspace regulation, consumer protection and environmental research and consultancy. The CAA also advises the government on aviation issues and ensures that consumer interests are represented. The DfT oversees aviation security policy, whilst the CAA sets the common standards for UK airports in the field of aviation and airport safety. Consequently, the Company is exposed to the risk of changes in day to day operations resulting from regulatory guidelines issued by the various regulators and mitigates this as far as possible. The airport is represented by dedicated AGS Airports Group staff that ensure full compliance with regulatory requirements, establish sound relationships with regulators and advise the Executive Committee, HSSE Committee and Board on regulatory matters.

#### *Competition rules*

The penalties for failing to comply with the 1998 Competition Act and relevant EU law are recognised as risks to manage within the Company, given its position in certain markets. Clear policy direction, which includes compulsory awareness training and close support from the internal legal department, reduces the risk of the Company breaching these regulations.

#### *Environmental risks*

Environmental risk is managed throughout the Group as it has the potential to impact negatively upon the AGS Airports Group's reputation and jeopardise the airports' licences/certification to operate and to grow. Aberdeen Airport is certificated to ISO 14001, environmental management standard. The Company has a dedicated Environmental Advisor resource whose remit covers noise, waste, air and water quality, and carbon emissions. This role ensures that Aberdeen International Airport's operations comply with legislative obligations and the Company's standards. In addition, the Company has a carbon management plan to enable the setting of an ambitious target to support its carbon neutral status, which it attained in 2020 through PAS 2060 which sets out requirements for quantification, reduction and offsetting of greenhouse gas emissions for organisations, products and events. An independently audited carbon footprint report is published annually covering all areas of environmental performance. The Company gained the Airport Carbon Accreditation certificate from ACI Europe in 2020. All of the Group's airports have been assessed against the GRESB standard which is part of their external corporate social responsibility verification process with the three airports gaining the top three marks for UK and European airports. Aberdeen airport fared well in the 2020 benchmark, coming in second place in the UK and Europe and attaining 5 star status.

# Aberdeen International Airport Limited

## Strategic report (continued)

The Company endeavours that all activities undertaken are conducted in a manner that promotes environmental, economic and social responsibility and aims to achieve continuity of supply chain.

### *Slavery and human trafficking risks*

The Company is committed to ensuring that there is no modern-day slavery or human trafficking in its supply chains or in any part of its business. The Group's Sustainable and Ethical Procurement Policy has been updated to include anti-slavery legislation. The Company's supplier base has been reviewed to identify slavery and human trafficking risks and processes have been established to mitigate those risks. The Company's supplier base is mainly UK companies and branches. The Company expects these entities to comply with the Modern Slavery Act 2015 and have suitable anti-slavery and human trafficking policies and processes in place and has updated its sourcing process to ensure suitable evidence of this is provided.

### **Commercial and financial risks**

#### *Operational disruption*

There are a number of circumstances that can pose short term risks to the normal operations of Aberdeen International Airport Limited such as shocks to the macroeconomic environment, terrorism, wars, airline bankruptcies, human health scares, weather conditions and natural disasters whose cause may be remote from the location of the airport. Where possible the Company seeks to anticipate the effects of these events on its operations and also maintains continuity and/or contingency plans to minimise disruption wherever possible.

#### *COVID-19*

The outbreak and continued spread of COVID-19 is continuing to have a direct impact on the operations of the Company and the aviation industry. Demand for airline travel has reduced significantly as many countries have enforced travel restrictions as part of lockdown measures to control the spread of COVID-19, causing airlines to cancel flights and take measures to avoid financial failure.

The directors have worked to preserve cash and secure additional finance, however, there remains uncertainty over the Group's future trading results and cashflows. The measures taken have included an organisational restructure at Aberdeen Airport, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts for senior management and bonus pay-out cessation, options for unpaid leave and reduced hours. Additionally, the Company continues to negotiate with suppliers, local councils and tax authorities to reduce or defer costs and the Company has reprioritised its capital investment program

The uncertainty and future impact of COVID-19 has been considered as part of the Company's adoption of the going concern basis. For further details on going concern refer to the Company's Accounting Policies Going Concern section on pages 20 to 21.

#### *Changes in demand*

The risk of unanticipated long term changes in passenger demand for air travel could lead to a shortfall in turnover and misaligned operational capacity within the Company. Since it is not possible to identify the timing or period of such an effect, the Company carries out evaluations through a series of scenario planning exercises.

#### *Airline consolidation*

COVID-19 and other pressures within the industry have resulted in EU airline failures and other airlines seeking buyers or refinancing. Airlines have also cut or closed bases in response to overcapacity in the European market. Similar to demand changes, it is not possible to identify the timing or period of such an effect and so the Group reviews this risk as part of its scenario planning exercises.

#### *Industrial relations*

The risk of industrial action by key staff that affects critical services, curtails operations and has an adverse financial and reputational impact on the Company is recognised. The Company has a range of formal national and local consultative bodies to discuss pay, employment conditions and business issues with the Trade Unions. The Company has robust and well tested contingency plans in place should there be a need to implement them in the event of industrial action. The Company could also be exposed in the short term to the effect of industrial action involving other key stakeholders in the aviation sector such as airlines, air traffic controllers, baggage handlers and Border Force.

#### *UK withdrawal from the EU*

The Brexit transition period ended on 31 December 2020 with the UK and EU agreeing a Comprehensive Trade Agreement, which included an aviation chapter. This has allowed Aberdeen Airport to operate without disruption in 2021.

# Aberdeen International Airport Limited

## Strategic report (continued)

As a result of Brexit, on the 1 January 2021 in UK the Airside Extra Statutory Concession Scheme ceased to exist, which means no tax free sales for vatable goods and impacts both duty free operators and airside specialist shops. On 25 May 2021 the Judicial review concluded with the High Court and Court of Appeal judges upholding the Government position, rejecting claims about its decision making process and approach. This is disappointing for the industry, however, the return of duty free for all passengers leaving the UK should assist the duty free operators to partially offset the losses from tax free. The conclusion of the Judicial Review also allows the industry to increase efforts on lobbying the Treasury and Government on the introduction of arrivals duty free, which would allow UK airports and duty free operators to take advantage of the increased arrivals allowances that the government reintroduced as part of Brexit. If successful, this will increase duty free sales.

### *Treasury*

The Company's financial risk management objectives are aligned with its ultimate parent company, AGS Airports Holdings Limited, which is the parent undertaking that consolidates these financial statements. AGS Airports Limited (the "AGS Group") is the entity where external funds are borrowed and lent on to the Company and the level at which financial risks for the Company are managed. The Company's treasury policies are in compliance with the wider AGS Group and are set out below.

The Group Board approves prudent treasury policies and delegates certain responsibilities including changes to treasury policies, and the implementation of funding and risk strategy to the AGS Group Finance Team. Senior management directly control day to day treasury operations on a centralised basis.

The treasury function is not permitted to speculate in financial instruments. Its purpose is to identify, mitigate and hedge treasury related financial risks inherent in the AGS Group's business operations and funding. To achieve this, the AGS Group enters into interest rate swaps to protect against interest rate risks.

The primary treasury related financial risks faced by the AGS Group are:

(a) Interest rates

The Group has floating rate debt and manages the risk through use of interest rate hedging instruments.

(b) Funding and liquidity

The Group is financed through bank facilities totalling £793million (2019: £793million), shareholder loans totalling £196million (2019: £183million) and shareholders' subordinated debt facilities £50million (2019: £nil). For 2020 the Group has a negative cashflow after capital expenditure and interest on external debt, as a result of the impact of the COVID-19 pandemic. As at 31 December 2020, cash and cash equivalents were £18million (2019: £24million). The undrawn headroom under bank credit facilities was £36million (2019: £74million) and £50million (2019: £nil) under shareholders' subordinated debt facilities at 31 December 2020.

Covenants are standardised wherever possible and are monitored on an ongoing basis with formal testing reported to the Executive Committee, ARC and the Board.

(c) Counterparty credit

The Group's exposure to credit related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument.

The Group maintains a prudent split of cash and cash equivalents across market counterparties in order to mitigate counterparty credit risk. Board approved investment policies and relevant debt facility agreements provide counterparty investment limits, based on short term and long term credit ratings.

Approved by the Board and signed on its behalf by

**Derek Provan**  
Director

25 June 2021

Company registration number: SC096622

# Aberdeen International Airport Limited

## Directors' report

The directors present their Annual report and the audited financial statements for Aberdeen International Airport Limited for the year ended 31 December 2020.

### Principal activities

The Company is the owner and operator of Aberdeen Airport and forms part of the AGS Airports Holdings Limited group.

### Results and dividends

The loss after taxation for the financial year amounted to £15,226k (2019: £14,762k profit). No dividends were proposed or paid during the year (2019: £nil). The statutory results are set out on page 16.

### Directors

The directors who served during the year and to the date of this report, except as noted, are as follows:

Ignacio Aitor Garcia Bilbao (resigned 26 March 2020)  
Mark Beveridge (appointed 2 November 2020)  
John Bruen  
Simon Geere  
Ignacio Castejon Hernandez (appointed 26 March 2020)  
Roger Hunt (appointed 19 June 2020, resigned 2 November 2020)  
Derek Provan  
Stephen Szalay (resigned 19 June 2020)  
Gonzalo Velasco Zabalza

### Employment policies

The Company has defined a set of guiding principles to ensure fair recruitment and selection. The Company continues to aim to recruit, retain and develop high calibre people and has talent and succession management programmes for managerial roles.

The Company is committed to giving full and fair consideration to applicants for employment. Every applicant or employee will be treated equally whatever their race, colour, nationality, ethnic or national origin, sex, marital status, sexual orientation, religious belief, disability, age or community background. The Company actively encourages a diverse range of applicants and commits to fair treatment of all applicants. The Company's investment in learning and development is guided by senior line managers who ensure that the Company provides the learning opportunities to support the competencies that are seen as key to the Company's success.

Disabled persons have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities. The Company has further procedures to ensure that disabled colleagues are fairly treated and that their training and career development needs are carefully managed. Where employees have become disabled during the course of employment, the Company endeavours to ensure continuing employment through the arrangement of appropriate training.

### Employee engagement

Details of the Company's employee engagement policies and practices can be found on page 5 in the section 172(1) disclosures within the Strategic report.

### Business relationships

Details of the Company's business relationship management and maintenance can be found on page 5 in the section 172(1) disclosures within the Strategic report.

### Energy and carbon reporting

Details of the Company's energy consumption and carbon emissions are included within AGS Airports Holdings Limited's Strategic report, which can be obtained as disclosed in note 19.

### Political donations

No political donations have been made in the year (2019: £nil).

### Internal controls and risk management

The Company actively manages identified corporate risks and has in place a system of internal controls designed to mitigate these risks. The mitigation controls are identified within each Risk Register, with risk registers in place for each Group airport and function which are managed through their respective MRGG meeting. These are then reviewed, assessed and extrapolated to form the Group risk register. A full risk report is presented at each Audit and Risk Committee meeting and HSSE Committee meeting, providing an overview of the mitigating risk controls in place. Details of the Company's internal controls and risk management policies can be found on pages 6 to 9 in the internal controls and risk management section of the Strategic report.

### Financial risk management objectives and policies

The Company's financial risk management objectives and policies, along with the Company's exposure to risk have been disclosed in the Internal controls and risk management section of the Strategic report.

# Aberdeen International Airport Limited

## Directors' report (continued)

### Directors' indemnity

The Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, but without prejudice to any protection from liability which might otherwise apply, every director of the Company shall be indemnified out of the assets of the Company against any loss or liability incurred by him in defending any proceedings in which judgement is given in his favour, or in which he is acquitted or in connection with any application in which relief is granted to him by the court for any negligence, default, breach of duty or breach of trust by him in relation to the Company or otherwise in connection with his duties or powers or office.

### Events after the reporting date

Since the year end there have been the following non-adjusting post balance sheet events, which have impacted the Group:-

- during 2021 the Group drew down £50million of subordinated debt provided by AGS Airports Holdings Limited's shareholders (note 24), for working capital requirements over the next twelve months. The subordinated debt was repaid in full on 18 June 2021.
- on 18 June 2021 the Group negotiated amendments and an extension of its current £793million borrowings facility, including reducing the available facility by £36million from £793million to £757million. The maturity of the Group's borrowings has therefore been extended to June 2024 with a commitment to maintain, until maturity of the new facility, a debt service reserve of approximately £20million. Certain existing covenants on the borrowings at 30 June 2021, 31 December 2021 and 30 June 2022 were also agreed to be waived, and a new minimum liquidity requirement agreed.
- the Group's shareholders have committed to inject £100million into the Group, consisting of £35million of equity issued on 18 June 2021, £35million of additional loans received on 18 June 2021 and £30million of a deferred equity commitment, callable to meet cashflow requirements.

### Auditor

Pursuant to the provisions of section 485 of the Companies Act 2006, a resolution relating to the reappointment of the auditor Deloitte LLP will be proposed within the period set out in section 485, or Deloitte LLP will be re-appointed following the period set out in section 485 where no such resolution is proposed, in accordance with section 487.

### Statement of disclosure of information to the auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by

**Derek Provan**

Director

25 June 2021

Company registration number: SC096622

# **Aberdeen International Airport Limited**

## **Directors' responsibilities statement**

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 Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, 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.

# Aberdeen International Airport Limited

## Independent auditor's report for the members of Aberdeen International Airport Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of Aberdeen International Airport Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- accounting policies; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

#### Material uncertainty related to going concern

We draw attention to the accounting policy note in the financial statements, which indicates that as a result of COVID-19, there is forecast uncertainty around timing of travel restrictions and lockdown ending, vaccine rollout, testing requirements, pace of recovery, and ultimately uncertainty regarding passenger number recovery and how comparable this will be to historic levels and uncertainty in relation to the ability of the group to secure additional funding and meet the Group's minimum liquidity requirement in certain scenarios. As stated in the accounting policy note, these events or conditions, along with the other matters as set forth in the accounting policy note in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

The directors 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.

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.

#### Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Aberdeen International Airport Limited

## Independent auditor's report for the members of Aberdeen International Airport Limited

In preparing the financial statements, the directors are responsible for assessing the company'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 directors either intend to liquidate the company 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. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, and Tax Law; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included The Airports Act, Health and Safety Legislation and The Bribery Act.

We discussed among the audit engagement team including relevant internal specialists such as valuations, pensions, IT, and real estate specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address them are described below:

- Valuation of tangible assets: we have compared the projected passenger numbers to historic and current performance, and evaluated revenue growth rates and expenditure within the cash flow projections with reference to market predictions and historical data;
- Valuation of investment properties: we have engaged our own valuation specialists to assess and challenge the yield assumption underpinning the calculation for valuation of the investment properties; and
- Accuracy and completeness of aeronautical rebate accruals: we have reviewed the aeronautical contracts and recalculated the recorded rebate and accrual based on the corresponding departing tonnage and passenger key performance indicators.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.



# **Aberdeen International Airport Limited**

## **Independent auditor's report for the members of Aberdeen International Airport Limited**

### **Report on other legal and regulatory requirements**

#### **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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

#### **Use of our report**

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

#### **Alistair Pritchard FCA (Senior statutory auditor)**

For and on behalf of Deloitte LLP

Statutory Auditor

Glasgow, UK

25 June 2021

# Aberdeen International Airport Limited

## Profit and loss account for the year ended 31 December 2020

	Note	Year ended 31 December 2020			Year ended 31 December 2019		
		Before certain re-measurements	Certain re-measurements <sup>1</sup>	Total	Before certain re-measurements	Certain re-measurements <sup>1</sup>	Total
		£000	£000	£000	£000	£000	£000
<b>Turnover</b>	1	28,156	-	28,156	56,515	-	56,515
Operating costs	2/3						
Recurring		(33,458)	-	(33,458)	(40,800)	-	(40,800)
Non-recurring		(1,655)	-	(1,655)	(67)	-	(67)
Total operating costs		(35,113)	-	(35,113)	(40,867)	-	(40,867)
Other income	4	429	-	429	-	-	-
Fair value (loss)/gain on investment properties	8	-	(10,465)	(10,465)	-	579	579
<b>Operating (loss)/profit</b>		<b>(6,528)</b>	<b>(10,465)</b>	<b>(16,993)</b>	15,648	579	16,227
<i>Analysed as:</i>							
Operating (loss)/profit before non-recurring items		(4,873)	(10,465)	(15,338)	15,715	579	16,294
Non-recurring items	3	(1,655)	-	(1,655)	(67)	-	(67)
<b>Financing</b>							
Interest receivable and similar income	5	2,407	-	2,407	3,337	-	3,337
Interest payable and similar charges	5	(952)	-	(952)	(1,236)	-	(1,236)
<b>(Loss)/profit before tax</b>		<b>(5,073)</b>	<b>(10,465)</b>	<b>(15,538)</b>	17,749	579	18,328
Taxation (charge)/credit	6	(57)	369	312	(3,482)	(84)	(3,566)
<b>(Loss)/profit for the year</b>	16	<b>(5,130)</b>	<b>(10,096)</b>	<b>(15,226)</b>	14,267	495	14,762

The notes on pages 20 to 37 form an integral part of these financial statements.

1 Certain re-measurements defined on page 22

# Aberdeen International Airport Limited

Statement of comprehensive income for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
<b>(Loss)/profit for the year</b>	16	<b>(15,226)</b>	14,762
<b>Other comprehensive (loss)/income</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Return on pension plan assets excluding interest income	17	<b>5,918</b>	4,155
Actuarial movements on defined benefit pension plan	17	<b>(7,273)</b>	(4,401)
Deferred tax on defined benefit pensions	12	<b>337</b>	42
<b>Other comprehensive loss for the year net of tax</b>		<b>(1,018)</b>	(204)
<b>Total comprehensive (loss)/income for the year</b>		<b>(16,244)</b>	14,558

The notes on pages 20 to 37 form an integral part of these financial statements.

# Aberdeen International Airport Limited

## Statement of financial position as at 31 December 2020

	Note	31 December 2020 £000	31 December 2019 £000
<b>Assets</b>			
<b>Fixed assets</b>			
Property, plant and equipment	7	77,804	83,550
Investment properties	8	105,541	116,006
Pension asset	17	113	1,474
		<b>183,458</b>	<b>201,030</b>
<b>Current assets</b>			
Stocks	9	281	332
Debtors due within one year	10	23,032	25,455
		<b>23,313</b>	<b>25,787</b>
<b>Total assets</b>		<b>206,771</b>	<b>226,817</b>
<b>Liabilities</b>			
<b>Creditors: Amounts falling due after more than one year</b>			
Deferred tax liabilities	12	(18,728)	(18,820)
		<b>(18,728)</b>	<b>(18,820)</b>
<b>Creditors: Amounts falling due within one year</b>			
Bank overdraft	11	-	(1)
Trade and other payables	13	(29,639)	(33,348)
		<b>(29,639)</b>	<b>(33,349)</b>
<b>Total liabilities</b>		<b>(48,367)</b>	<b>(52,169)</b>
<b>Net current liabilities</b>		<b>(6,326)</b>	<b>(7,561)</b>
<b>Total assets less current liabilities</b>		<b>177,132</b>	<b>193,468</b>
<b>Net assets</b>		<b>158,404</b>	<b>174,648</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Called up share capital	14	12,000	12,000
Revaluation reserve	15	85,778	85,778
Profit and loss account	16	60,626	76,870
<b>Total shareholders' funds</b>		<b>158,404</b>	<b>174,648</b>

The notes on pages 20 to 37 form an integral part of these financial statements.

The financial statements of Aberdeen International Airport Limited (Company registration number: SC096622) were approved by the Board of Directors and authorised for issue on 25 June 2021. Signed on behalf of the Board by:

**Derek Provan**  
Director

25 June 2021

# Aberdeen International Airport Limited

Statement of changes in equity for the year ended 31 December 2020

	Attributable to the owner of the Company			
	Share capital £000	Revaluation reserve <sup>1</sup> £000	Profit and loss account £000	Total £000
<b>Balance at 1 January 2019</b>	12,000	85,778	62,312	160,090
<b>Comprehensive income:</b>				
Profit for the year	-	-	14,762	14,762
Other comprehensive loss	-	-	(204)	(204)
Total comprehensive income	-	-	14,558	14,558
<b>Balance at 1 January 2020</b>	<b>12,000</b>	<b>85,778</b>	<b>76,870</b>	<b>174,648</b>
<b>Comprehensive loss:</b>				
Loss for the year	-	-	(15,226)	(15,226)
Other comprehensive loss	-	-	(1,018)	(1,018)
Total comprehensive loss	-	-	<b>(16,244)</b>	<b>(16,244)</b>
<b>Balance at 31 December 2020</b>	<b>12,000</b>	<b>85,778</b>	<b>60,626</b>	<b>158,404</b>

<sup>1</sup> The revaluation reserve relates to the historic revaluation of investment properties. Current revaluations of investment properties are included in the profit and loss account.

The notes on pages 20 to 37 form an integral part of these financial statements.

# Aberdeen International Airport Limited

## Accounting policies for the year ended 31 December 2020

The principal accounting policies applied in the preparation of the financial statements of Aberdeen International Airport Limited are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

### Basis of preparation

Aberdeen International Airport Limited is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 and 3 and directors' report on pages 10 and 11. The Company is a private company, limited by shares and is registered in Scotland.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of International Financial Reporting Standard ("IFRS") 16 Leases ("IFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

These financial statements are separate financial statements. Details of the parent in whose consolidated financial statements the Company is included are shown in note 19 to the financial statements.

The Company has taken advantage of certain disclosure exemptions in FRS 101 as its financial statements are included in the publicly available consolidated financial statements of AGS Airports Holdings Limited. The disclosure exemptions available under that standard are in relation to presentation of a cash-flow statement, standards not yet effective, the requirements of IFRS 7 Financial Instruments: Disclosures, the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement, related party transactions, the requirement set out in IAS 1 Presentation of Financial Statements ("IAS 1") para 38 to present comparative information in respect of property, plant and equipment and investment properties and certain requirements under IFRS 16.

### Primary financial statements format

A columnar approach has been adopted in the profit and loss account and the impact of two principal groups of items is shown in a separate column ("certain re-measurements"). This allows the presentation of the performance of the business before these specific fair value gains and losses. These items are:

- i fair value gains and losses on investment property revaluations; and
- ii the associated tax impacts of item (i) above.

### Going concern

The financial statements are prepared on a going concern basis notwithstanding that the directors consider that the current economic outlook presents significant challenges in terms of the recovery of passenger numbers and thus turnover as a result of the COVID-19 pandemic and the administration of Flybe.

The directors have worked to conserve cash and secure additional finance, but there remains uncertainty over the Company's future trading results and cashflows. Measures have included an organisational restructure at Aberdeen Airport, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts for senior management and bonus pay-out cessation, options for unpaid leave and reduced hours. Additionally, the Company has negotiated with suppliers, local councils and tax authorities to reduce or defer costs and the Company has reprioritised its capital investment program to the minimum required or committed.

The Company finances its activities through funds generated from operations and has access to inter group funding (within the AGS Airports Holdings Group) from external debt and shareholders' subordinated debt facilities. The external debt facilities include covenants, a breach of which would result in the amounts drawn becoming payable on demand. The Group successfully negotiated with its lenders to waive these covenants, due to the current situation, at both 30 June 2020 and 31 December 2020. Additionally, on 16 March and 18 March 2020 the Group secured further funding of £10million and £28million under its working capital and capital expenditure facilities respectively.

# Aberdeen International Airport Limited

## Accounting policies for the year ended 31 December 2020

### Going concern (continued)

On 30 November 2020 the Group obtained a £50million subordinated debt facility from its two shareholders and on 27 January 2021, 26 February 2021 and 22/25 March 2021 the Group utilised £3million, £4million and £43million of this facility, totalling £50million, for working capital requirements over the next twelve months. On 18 June 2021 the Group completed negotiations with lenders regarding amending and extending its external debt facility and the waiving of certain existing covenant tests at 30 June 2021, 31 December 2021 and 30 June 2022. Under the amended and extended debt facility agreement the Group's debt will now mature in June 2024, interest rates have been revised to Sterling overnight index rate (SONIA) plus a margin, the Group will maintain a debt service reserve of approximately £20million to cover the future 12 month debt service requirements and revised covenant tests have been established, including a minimum liquidity test which has been put in place and has not been waived. The Group's shareholders also provided a further £35million of equity, £35million of loans and a commitment to provide an additional £30million of equity callable to meet cashflow requirements. Additionally, on 18 June 2021 the Group repaid in full the shareholders' subordinated debt of £50million.

The directors have prepared base cashflow forecasts for the remainder of 2021 and through to June 2022, which assumes a phased passenger recovery when the travel restrictions are eased, anticipated towards the beginning of the second half of 2021. Those forecasts indicate that the Company can continue to operate for at least the next 12 months from the date of approval of these financial statements, however, management highlight two significant uncertainties.

These are:

1. Forecast uncertainty around timing of travel restrictions and lockdown ending, vaccine rollout, testing requirements, pace of recovery, and ultimately uncertainty regarding passenger number recovery and how comparable this will be to historic levels, and
2. Under certain scenarios of COVID-19 travel restrictions continuing longer than expected, the Group could have a requirement for additional funding, for which there are sources and options available to the directors, to meet the minimum liquidity test and operational needs.

The outlook for 2022 continues to be uncertain and highly dependent on the scale and pace of the recovery of trading in 2021.

The directors have considered the impact of a possible downside relating to the timing and volume of passenger demand, and how this would impact on the Group's revenue and costs going forward. The directors have considered several options which are available to them to mitigate this impact should it arise. These include further cost saving initiatives, securing additional finance and seeking further support from government schemes, if available. The possible downside is not currently considered likely, however, it is difficult to predict the overall outcome and impact of COVID-19 at this stage.

The directors believe that the Group should be able to manage its business risks successfully despite the current uncertain economic outlook. The Group's and Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group and Company should be able to operate within the level of its available liquidity. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements, however, the matters described above result in the existence of a material uncertainty which may cast significant doubt over the Group's and Company's ability to continue as a going concern and therefore the Group and Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

### Adoption of new and revised IFRSs

During the year, the Company adopted the following amendments to IFRSs issued by the International Accounting Standards Board that are mandatorily effective for accounting periods beginning on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The following amendments, although relevant to the Company, have no impact on the Company's results:

- Amendments to IAS 1 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

The following amendments and standard are not applicable to the Company:

- Interest Rate Benchmark Reform amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Interest Rate Benchmark Reform
- IFRS 3 Business Combinations
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions
- Annual Improvements to IFRSs 2018-2020 Cycle

# Aberdeen International Airport Limited

**Accounting policies** for the year ended 31 December 2020

## **Turnover**

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

### ***Aeronautical***

- Passenger charges based on the number of departing passengers.
- Aircraft departure charges levied according to weight of departing aircraft.
- Aircraft landing charges levied according to weight recognised on landing.
- Aircraft parking charges based on a combination of weight and time parked as provided.
- Other charges levied for passenger and baggage operation when these services are rendered.

### ***Retail***

- Concession fees from retail and commercial concessionaires at or around airports are based upon turnover certificates supplied by concessionaires and are recognised in the period to which they relate.
- Car parking income is recognised at the time of exiting the car park in accordance with operator management fee arrangements. Pre-booked car parking income is recognised at the time of entering the car park.

### ***Property and operational facilities***

- Property letting rentals, recognised on a straight line basis over the term of the rental period.
- Proceeds from the sale of trading properties, recognised on the unconditional completion of the sale.
- Usage charges made for operational systems (e.g. check-in desks), recognised as each service is provided.
- Other invoiced sales, recognised on the performance of the service.

### ***Other***

- Charges related to passengers with restricted mobility and various other services, recognised at the time of delivery.

### **Aeronautical rebates**

Airline contracts may include short term pricing arrangements such as discounts or rebates. These may include volume related discounts or rebates which are based on target passenger numbers. Management will make judgements at the year end to determine whether the targets have been or will be met and accordingly will make an accrual which results in a debit to turnover.

### **Grants and contributions**

On occasion, the Company may receive grants to provide financial incentives to improve airport infrastructure considered to be in the best interest of the public. Grants received are treated as a reduction in the cost of the related fixed assets.

Grants that compensate the Company for expenses incurred are recognised in the profit and loss account in "Other income" over the periods when the related costs are incurred.

### **Non-recurring items and certain re-measurements**

On the face of the profit and loss account, the Company presents non-recurring items and certain re-measurements separately. Non-recurring items are material items of income or expense that, because of their size or incidence, merit separate presentation to allow an understanding of the Company's financial performance.

Re-measurements may include fair value gains and losses on investment property revaluations, and the associated tax impacts and non-recurring items may include gains or losses on the disposal of businesses or assets that do not qualify as discontinued operations, major reorganisation of businesses, closure or mothballing of terminals and costs incurred in bringing new airport terminal complexes and airfields to operational readiness that are not able to be capitalised as part of the project.

Details of non-recurring items and certain re-measurements are provided in notes 3 and 8.

### **Operating profit/(loss)**

Operating profit/(loss) is stated after the fair value gain on investment properties but before financing.

### **Interest**

Interest receivable is recognised when it is probable that the economic benefits will flow to the Company and the amount of interest can be measured reliably. Interest receivable is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.



# Aberdeen International Airport Limited

## Accounting policies for the year ended 31 December 2020

### Property, plant and equipment

#### Operational assets

Terminal complexes, airfield assets, plant and equipment and other land and buildings are stated at cost less accumulated depreciation and impairment losses.

Assets in the course of construction are stated at cost less provision for impairment. Assets in the course of construction are transferred to completed assets when substantially all the activities necessary to get the asset ready for use are complete and the asset is available for use. Where appropriate, cost includes finance costs capitalised, own labour costs of construction-related project management and directly attributable overheads. Projects that are in the early stages of planning are capitalised where the directors are satisfied that it is probable the necessary consents will be received and the projects will be developed to achieve a successful delivery of an asset such that future commercial returns will flow to the Company. The Company reviews these projects on a regular basis to determine whether events or circumstances have arisen that may indicate that the carrying amount of the asset may not be recoverable, at which point the asset would be assessed for impairment.

#### Depreciation

Depreciation is provided on operational assets, other than land and assets in the course of construction, to write off the cost of the assets less estimated residual value, by equal instalments over their expected useful lives as set out below:

<i>Terminal complexes</i>	<i>Fixed asset lives</i>
Terminal building, pier and satellite structures	20–60 years
Terminal fixtures and fittings	5–20 years
Airport plant and equipment	
Baggage systems	15 years
Screening equipment	7 years
Lifts, escalators and travellers	20 years
Other plant and equipment, including runway lighting and building plant	5–20 years
Tunnels, bridges and subways	50–100 years
<i>Airfields</i>	
Runway surfaces	10–15 years
Runway bases	100 years
Taxiways and aprons	50 years
<i>Plant and equipment</i>	
Motor vehicles	4–8 years
Office equipment	5–10 years
Computer equipment	4–5 years
Computer software	3–7 years
Fixtures and fittings	5–10 years
Other plant and equipment	5–10 years
<i>Other land and buildings</i>	
Freehold property	10–50 years
Right-of-use asset	Lower of useful economic life or lease period

The asset's residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

#### Impairment of assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. Where the asset does not generate cash flows independent of other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of a cash-generating unit exceeds its recoverable amount, the cash-generating unit is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a straight line basis over its remaining useful life.

# Aberdeen International Airport Limited

## Accounting policies for the year ended 31 December 2020

### Investment properties

Investment properties, which is property held to earn rentals and/or for capital appreciation, are initially measured at cost and subsequently measured at fair value at the reporting date, as determined by the directors and by external valuers every year. Gains or losses arising from changes in the fair value of investment property are recognised in the profit and loss account in the period in which they arise. Gains or losses on disposal of an investment property are recognised in the profit and loss account on the unconditional completion of the sale.

### Capitalisation of interest

Interest costs resulting from financing property, plant and equipment that are in the course of construction is capitalised whilst projects are in progress. Where assets in the course of construction are financed by specific borrowing facilities the interest rate relating to those specific borrowing facilities is used to calculate the amount to capitalise, otherwise an interest rate based on the weighted average cost of debt is used. Capitalisation of interest ceases once the asset is complete and available for use. Interest is then charged to the profit and loss account as a depreciation expense over the life of the relevant asset.

### Leases

#### **Company as a lessee**

The Company recognises a right-of-use asset, with the exception of short term (12 months or less) and low value leases, and a lease liability at the lease commencement date on the balance sheet.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as the Company's other property, plant and equipment. Right-of-use assets are included in the review for impairment of property, plant and equipment, if there is an indication that the carrying amount of a cash generating unit may be impaired.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments include fixed lease payments, variable lease payments that depend on an index or rate, amounts payable under a residual value guarantee and extension options expected to be exercised. Where a lease contains an extension option which the Company can exercise without negotiation, lease payments for the extension period are included in the liability if the Company is reasonably certain that it will exercise the option. When the lease liability is remeasured when there is a change in future lease payments a corresponding adjustment is made to the right-of-use asset.

The Company recognises lease payments associated with for short term and low value leases as an expense on a straight line basis over the lease term.

#### **Company as a lessor**

Rental income from leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating a lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

### Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables expected credit losses ("ECL") are calculated using an approach which reflects the previous history of credit losses on the financial assets, applying different provision levels based on the age of the receivable. For other receivables, where there is a history of no credit losses, and where this is expected to persist into the future, no ECL is recognised.

### Stocks

Raw materials and consumables consist of engineering spares and other consumable stores and are valued at the lower of cost and net realisable value and include all costs to bring inventories to their present location and condition.

### Deferred income

Contractual income received in advance is treated as deferred income and released to the profit and loss account as earned.

# Aberdeen International Airport Limited

## Accounting policies for the year ended 31 December 2020

### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless part of a fair value hedge relationship. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest rate method. Borrowings being novated or cancelled and re-issued, with a substantial modification of the terms, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any resulting gain or loss recognised in the profit and loss account.

### Trade and other payables

Trade and other payables are non-interest bearing and are stated at their fair value and subsequently measured at amortised cost using the effective interest rate method.

### Pension costs

#### **Defined benefit pension plan**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Company is a participating employer in the AGS Airports defined benefit pension scheme.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of other comprehensive income, actuarial gains and losses.

The Company's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The Company determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA which have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Following consultation with its members and trustees, the defined benefit pension scheme was closed to future accrual with effect from 30 June 2019. The members of the scheme were thereafter entitled to participate in the Company's defined contribution scheme, details of which are noted below. The value of a net defined benefit pension asset is restricted to the sum of any amount the Company expects to recover by way of refunds from the plan or reductions in future contributions. The Company is able to recognise any potential surplus in respect of the pension scheme as the pension scheme Trust Deeds and Rules state that the Company has the right to the assets once its obligations have been met.

#### **Defined contribution plan**

Contributions due in relation to the defined contribution plan are recognised in operating costs in the profit and loss account when payable.

### Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

# Aberdeen International Airport Limited

## Accounting policies for the year ended 31 December 2020

Deferred income taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company's financial statements. Deferred income taxation is not provided on the initial recognition of an asset or liability in a transaction, other than a business combination, if at the time of the transaction there is no effect on either accounting or taxable profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income taxation is determined using the tax rates and laws that have been enacted or substantively enacted, by the reporting date, and are expected to apply when the related deferred tax asset or liability is realised or settled.

Income tax relating to items recognised directly in equity and other comprehensive income is recognised in equity and other comprehensive income and not in the profit and loss account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### Share capital

Ordinary shares are classified as equity and are recorded at the fair value of proceeds received, net of direct issue costs. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

### Dividend distribution

A dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the period in which the shareholder's right to receive payment of the dividend is established. Interim dividends are recognised when paid.

## Critical accounting judgements and key sources of estimation uncertainty for the year ended 31 December 2020

In applying the Company's accounting policies, management have made estimates in a number of key areas. Actual results may, however, differ from the estimates calculated and management believe that the following areas present the greatest level of uncertainty.

### Key sources of estimation uncertainty

#### Going concern

The Going Concern section of the Company's Accounting policies on pages 20 to 21, indicates that due to the unprecedented nature of the current situation regarding the future impact on the Company from COVID-19, the directors have highlighted a material uncertainty which may cast significant doubt regarding the Company's ability to continue as a going concern.

#### Investment properties

Investment properties were valued at fair value by CBRE Limited. The valuations were prepared in consideration of IFRS and in accordance with the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence relevant to each specific property or class of properties. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence. Independent valuations were obtained for 100% of the investment properties. Further details are available in note 8.

#### Pensions

Certain assumptions have been adopted for factors that determine the valuation of the Company's liability for pension obligations at period end and charges to the profit and loss account. The factors have been determined in consultation with the Company's actuary, taking into account market and economic conditions. Changes in assumptions can vary from period to period as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Company's liability for pension obligations. The objective when setting pension scheme assumptions for future periods is to reflect the expected actual outcomes, other than the discount rate which must be set by reference to the yield on high quality corporate bonds with a term consistent with the obligations. Actuarial gains and losses due to the change in actuarial assumptions are recorded in other comprehensive income. Further details are available in note 17.

### Critical judgements in applying the Company's accounting policies

No judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the financial statements.

# Aberdeen International Airport Limited

## Notes to the financial statements for the year ended 31 December 2020

### 1 Segment information

The directors consider the business has only one segment. All of the Company's turnover arises in the United Kingdom and relates to continuing operations.

	Year ended 31 December 2020	Year ended 31 December 2019
	£000	£000
<b>Turnover</b>	<b>28,156</b>	56,515
<b>Other income</b>		
Other income (note 4)	429	-
Interest receivable and similar income (note 5)	2,407	3,337
<b>Total</b>	<b>30,992</b>	59,852

### 2 Operating costs

	Year ended 31 December 2020	Year ended 31 December 2019
	£000	£000
Operating costs (including non-recurring items) include the following:		
Employment costs		
Wages and salaries		
Recurring	3,418	9,078
Non-recurring (note 3)	893	-
Social security		
Recurring	317	953
Non-recurring (note 3)	105	35
Pensions		
Recurring	537	1,435
Non-recurring (note 3)	-	(401)
Other staff related costs	78	306
<b>Employment costs</b>	<b>5,348</b>	11,406
Depreciation of property, plant and equipment	5,681	5,832
Other operating costs		
Recurring	23,427	23,196
Non-recurring (note 3)	657	433
<b>Total operating costs</b>	<b>35,113</b>	40,867
Analysed as:		
Adjusted operating costs	27,777	34,968
Depreciation - recurring	5,681	5,832
Non-recurring items (note 3)	1,655	67
<b>Total operating costs</b>	<b>35,113</b>	40,867

Within operating costs the Company recognised an expense of £3k (2019: £4k) relating to short term leases.

#### **Auditor remuneration**

Audit fees and non-audit fees for the current financial year were borne by AGS Airports Limited and recharged in accordance with the Shared Services Agreement.

For the year ended 31 December 2020, the fee payable to the Company's auditor for the audit of the Company's annual accounts was £39k (2019: £28k). No non-audit fees payable to the Company's auditor were incurred in 2020 (2019: £nil).

# Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2020

## 2 Operating costs (continued)

### Employee numbers

The average monthly number of employees (including executive directors) during the year was:

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
Office and management	25	31
Airside, security and operations	55	189
Retail and commercial	5	6
	<b>85</b>	<b>226</b>

This does not include headcount relating to central support functions for the Company which are rendered by AGS Airports Limited and charged as intra-group charges in accordance with the Shared Service Agreement.

### Director's remuneration

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
<b>Director's remuneration</b>		
Aggregate emoluments	91	98
Amounts receivable under long term incentive plans	-	7
Value of pension contributions to a defined contribution pension scheme	3	-
	<b>94</b>	<b>105</b>

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
<b>Number of directors who:</b>		
are members of a defined contribution pension scheme	1	1

## 3 Non-recurring items

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Organisational restructuring (including social security)	1,655	-
Pensions		
Closure costs (including social security)	-	512
Past service credit	-	(878)
Other pension costs	-	20
Other	-	413
	<b>1,655</b>	<b>67</b>

The Company incurred direct employment costs of £998k for severance (2019: £nil) and other costs of £657k (2019: £nil) for recharged severance costs borne by other Group companies and outsource providers, in relation to the Company's organisational restructure, as a result of the COVID-19 pandemic.

During 2019 the AGS Airports Limited's defined benefit Scheme closed to future accrual with associated costs of £512k, including related taxation, a past service credit of £878k relating to members becoming deferred members and therefore their accrued benefits no longer being linked to future salary changes and £20k of advisor fees. Additionally, for the year ended 31 December 2019 other non-recurring costs related to industrial action costs.

## 4 Other income

During the year to 31 December 2020, the Company utilised the Coronavirus Job Retention Scheme implemented by the United Kingdom government, where employees designated as being "furloughed workers" were eligible to have 80% of their wage costs paid up to a maximum of £2,500 per month. The total amount of such relief received by the Company amounted to £429k (2019: £nil) and is offset within employment costs in the profit and loss account. There are no unfulfilled conditions or contingencies relating to this scheme.

# Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2020

## 5 Interest

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
<b>Interest receivable and similar income</b>		
AGS pension scheme (note 17)	981	1,262
Interest receivable from Group undertakings <sup>1</sup>	1,426	2,075
<b>Total interest receivable and similar income</b>	<b>2,407</b>	<b>3,337</b>
<b>Interest payable and similar charges</b>		
AGS pension scheme (note 17)	(951)	(1,234)
Interest on leases	(1)	(2)
<b>Total interest payable and similar charges</b>	<b>(952)</b>	<b>(1,236)</b>

1 These amounts relate to interest accrued on balances owed by Group undertakings (note 10).

## 6 Taxation

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
<b>Current tax</b>		
Current year	(548)	3,455
Adjustments in respect of prior years	(9)	(24)
<b>Total current tax (credit)/charge</b>	<b>(557)</b>	<b>3,431</b>
<b>Deferred tax</b>		
Current year	(2,055)	144
Adjustments in respect of prior years	5	5
Change in tax rate - impact on deferred tax balances	2,295	(14)
<b>Total deferred tax charge</b>	<b>245</b>	<b>135</b>
<b>Taxation (credit)/charge for the year</b>	<b>(312)</b>	<b>3,566</b>

The tax (credit)/charge on the Company's (loss)/profit before tax differs from the theoretical amount that would arise by applying the UK statutory tax rate due to the following:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
<b>(Loss)/profit before tax</b>	<b>(15,538)</b>	<b>18,328</b>
<b>Reconciliation of the tax charge</b>		
Tax calculated at the UK statutory rate of 19.00% (2019: 19.00%)	(2,952)	3,482
Adjustments in respect of current income tax of previous years	(9)	(24)
Adjustments in respect of deferred tax of previous years	5	5
Change in tax rate - impact on deferred tax balances	2,295	(14)
Permanent differences	349	117
<b>Taxation (credit)/charge for the year</b>	<b>(312)</b>	<b>3,566</b>

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Company's future tax charge. If the rate had been substantively enacted at the current balance sheet date, it is estimated the deferred tax liability recognised would have increased by £5.9million.

# Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2020

## 7 Property, plant and equipment

	31 December 2020	31 December 2019
	£000	£000
Property, plant and equipment	77,749	83,527
Right-of-use assets	55	23
<b>Total property, plant and equipment</b>	<b>77,804</b>	<b>83,550</b>

### Property, plant and equipment

	Terminal complexes	Airfields	Plant and equipment	Other land and buildings	Assets in the course of construction	Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At 1 January 2020	73,806	57,942	19,235	4,705	5,748	161,436
Additions	-	-	-	-	(139)	(139)
Transfer to completed assets	84	225	4,453	15	(4,777)	-
Disposals	(1,142)	-	(1)	-	-	(1,143)
<b>At 31 December 2020</b>	<b>72,748</b>	<b>58,167</b>	<b>23,687</b>	<b>4,720</b>	<b>832</b>	<b>160,154</b>
<b>Depreciation</b>						
At 1 January 2020	(32,104)	(28,507)	(15,390)	(1,908)	-	(77,909)
Charge for the year	(2,152)	(2,417)	(924)	(146)	-	(5,639)
Disposals	1,142	-	1	-	-	1,143
<b>At 31 December 2020</b>	<b>(33,114)</b>	<b>(30,924)</b>	<b>(16,313)</b>	<b>(2,054)</b>	<b>-</b>	<b>(82,405)</b>
<b>Net book value at 31 December 2020</b>	<b>39,634</b>	<b>27,243</b>	<b>7,374</b>	<b>2,666</b>	<b>832</b>	<b>77,749</b>
Net book value at 31 December 2019	41,702	29,435	3,845	2,797	5,748	83,527

The directors have reviewed the Company's property, plant and equipment for impairment at 31 December 2020 and concluded that no impairment is required.

### Assets in the course of construction

Assets in the course of construction comprise capital expenditure on ongoing developments under the Company's capital investment programme. Projects in progress at 31 December 2020 at Aberdeen International Airport include airfield survey works, taxiway resurfacing and upgrades to customer self-service machines.

### Borrowing costs capitalised

£61k (2019: £59k) has been capitalised in the year at an average capitalisation rate of 2.27% (2019: 2.43%) based on a weighted average cost of borrowings.

### Right-of-use assets

	Other land and buildings
	£000
<b>Cost</b>	
At 1 January 2020	69
Additions	74
Disposals	(69)
<b>31 December 2020</b>	<b>74</b>
<b>Depreciation</b>	
At 1 January 2020	(46)
Charge for the year	(42)
Disposals	69
<b>At 31 December 2020</b>	<b>(19)</b>
<b>Net book value at 31 December 2020</b>	<b>55</b>
Net book value at 31 December 2019	23



# Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2020

## 8 Investment properties

	Investment properties £000
<b>Fair value</b>	
At 1 January 2020	116,006
Valuation loss	(10,465)
<b>At 31 December 2020</b>	<b>105,541</b>

Investment properties were valued at fair value at 31 December 2020 by CBRE Limited, Chartered Surveyors. Investment properties include £111k (2019: £111k) of assets acquired under a lease.

Details of valuations performed are provided below:

	31 December 2020 £000	31 December 2019 £000
<b>CBRE Limited</b>	<b>105,541</b>	<b>116,006</b>

Investment properties, which are all freehold, were valued to fair value at 31 December 2020 by CBRE Limited, Chartered Surveyors. All valuations were prepared in consideration of IFRS and in accordance with the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence relevant to each specific property or class of properties. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence relevant to each specific property or class of properties. There were no restrictions on the realisability or remittance of income or proceeds on disposal. The fair value measurement hierarchy used in calculating fair value has been classified as Level 3. The higher the discount rate, terminal yield and expected vacancy rate, the lower the fair value. The higher the current and potential future income or rental growth rate, the higher the fair value.

Investment properties are let on either full repair and insuring leases, under which all outgoings are the responsibility of the lessee, or under tenancies, where costs are recovered through a service charge levied on tenants during their period of occupation.

### Sensitivity analysis

The investment property portfolio includes car parks (for passengers and employees) and airside assets, which together account for 34% (2019: 36%) of the fair value of the investment property portfolio at 31 December 2020. The valuation of maintenance hangers is largely based on long term contractual terms. The following table summarises the impact on the valuation of car parks to changes in certain assumptions:

	Change in assumption	Increase/(decrease) in asset valuation 31 December 2020 £000	Increase/(decrease) in asset valuation 31 December 2019 £000
Car parks – Base revenue	<i>by +10% pa</i>	4,390	4,000
	<i>by -10% pa</i>	(4,390)	(4,000)
Car parks – Revenue growth	<i>by +1% pa</i>	5,090	420
	<i>by -1% pa</i>	(4,570)	(420)
Car parks – Operating costs growth	<i>by +1% pa</i>	(890)	(90)
	<i>by -1% pa</i>	800	90

The sensitivity analysis above relating to the valuation of car parks has been determined based on reasonably possible changes to the respective assumptions, holding all other assumptions constant. The methodology used in arriving at the incremental changes shown above is consistent with that used for the valuation at the year end.

The property rental income earned by the Company from its investment property, amounted to £4.8million (2019: £4.2million).

# Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2020

## 9 Stocks

	31 December 2020 £000	31 December 2019 £000
<b>Consumables</b>	<b>281</b>	332

The total amount of stock consumed in the year relating to continuing operations was £445k (2019: £523k).

There is no material difference between the statement of financial position value of stocks and their replacement cost.

## 10 Debtors

	31 December 2020 £000	31 December 2019 £000
<b>Due within one year</b>		
Trade receivables	3,034	6,050
Less: allowance for doubtful debts	(166)	(57)
<b>Trade receivables – net</b>	<b>2,868</b>	5,993
Amounts owed by Group undertakings - interest bearing <sup>1</sup>	20,061	19,130
Prepayments	103	332
	<b>23,032</b>	25,455

<sup>1</sup> Amounts owed by Group undertakings – are payable on demand, interest bearing and mainly relate to cash sweeps transferred to AGS Airports Limited. Cash is swept between the companies on a regular basis. As at 31 December 2020, the balance accrues interest at a rate of 7% per annum (2019: 7%).

The fair value of trade and other receivables is not materially different from the carrying value.

Unless otherwise stated, trade and other receivables do not contain impaired assets.

Trade receivables are non-interest bearing and are generally on 14 day terms. No collateral is held as security.

## 11 Bank overdraft

	31 December 2020 £000	31 December 2019 £000
<b>Bank overdraft</b>	<b>-</b>	1

## 12 Deferred tax liabilities

The net movement on the deferred tax liability is as follows:

	31 December 2020 £000	31 December 2019 £000
<b>1 January</b>	<b>18,820</b>	18,727
(Credited)/charged to profit and loss account	(2,050)	149
Charged/(credited) to profit and loss account – change in tax rate	2,295	(14)
Tax credited to SOCI		
Credited to SOCI - defined benefit pensions	(337)	(42)
<b>31 December</b>	<b>18,728</b>	18,820

# Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2020

## 12 Deferred tax liabilities (continued)

The amounts of deferred tax provided are detailed below:

	Revaluation of investment properties fair value £000	IBAs £000	Other £000	Total £000
<b>1 January 2019</b>	12,811	6,261	(345)	18,727
Charged/(credited) to profit and loss account	84	125	(74)	135
Credited to SOCI	-	-	(42)	(42)
<b>1 January 2020</b>	12,895	6,386	(461)	18,820
(Credited)/charged to profit and loss account	(369)	888	(274)	245
Credited to SOCI	-	-	(337)	(337)
<b>31 December 2020</b>	12,526	7,274	(1,072)	18,728

Deferred tax credited to SOCI during the year is as follows:

	31 December 2020 £000	31 December 2019 £000
<b>Defined benefit pension scheme</b>	<b>(337)</b>	<b>(42)</b>

Deferred tax includes the impact of the previously enacted UK tax rate reduction from 19% to 17% being cancelled.

## 13 Trade and other payables

	31 December 2020 £000	31 December 2019 £000
Accruals	2,632	3,609
Deferred income	1,301	1,529
Trade payables	1,648	1,210
Other tax and social security	147	208
Other payables	289	860
Lease liabilities	166	136
Capital payables	1,197	3,252
Group tax relief payables	13,038	13,791
Corporation tax payable	9,221	8,753
	<b>29,639</b>	<b>33,348</b>

Trade payables are non-interest bearing and are generally on 30-day terms.

## 14 Share capital

	31 December 2020 £000	31 December 2019 £000
<b>Allocated, called up and fully paid</b>	<b>12,000</b>	<b>12,000</b>

12,000,002 (2019: 12,000,002) ordinary shares of £1 each.

## 15 Revaluation reserve

	31 December 2020 £000	31 December 2019 £000
<b>31 December</b>	<b>85,778</b>	<b>85,778</b>

The revaluation reserve relates to the historic revaluation of investment properties and is non-distributable to the shareholders. Current revaluations of investment properties are included in the profit and loss account.

# Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2020

## 16 Profit and loss account

	Year ended 31 December 2020	Year ended 31 December 2019
	£000	£000
<b>1 January</b>	<b>76,870</b>	62,312
(Loss)/profit for the year	<b>(15,226)</b>	14,762
Return on plan assets excluding interest income	<b>5,918</b>	4,155
Remeasurements of defined benefit pension scheme	<b>(7,273)</b>	(4,401)
Deferred tax on pension scheme	<b>337</b>	42
<b>31 December</b>	<b>60,626</b>	76,870

## 17 Employee benefits

### Pension plans

#### Defined benefit scheme

The Company is a participating employer in the AGS Airports Limited defined benefit pension scheme.

The Group's defined benefit pension fund is a self-administered defined benefit scheme (the "AGS Airports Pension Scheme" or the "Scheme") and was closed to future accrual with effect from 30 June 2019 and was previously closed to new employees. Following the closure of the Scheme to future accrual, the members of the Scheme were entitled to participate in the Group's defined contribution pension plan, details of which are noted below. The Scheme is based on a final salary arrangement. As required by UK pension law, a Pension Trustee's Board has been established, which together with the Group, is responsible for governance of the Scheme. The Trustee Board is comprised of Company and employee nominated Trustees. Employee Trustees are nominated and elected by the employees who are members of the Scheme.

The employer's contributions have been calculated based on advice received from the Scheme's actuaries, ISIO Group Limited, and assumptions determined by the Trustee and agreed by the Group. The pension fund is subject to triennial valuations and the defined obligation or surplus calculated twice a year by the Scheme's actuaries.

The information disclosed below is in respect of the whole of the plan for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed Group policy throughout the periods shown.

	31 December 2020	31 December 2019
	£000	£000
Defined benefit obligation	<b>(53,325)</b>	(47,677)
Fair value of plan assets	<b>53,438</b>	49,151
<b>Net asset for defined benefit obligations (see following table)</b>	<b>113</b>	1,474

#### Movements in net defined benefit asset/(liability)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset/(liability)	
	31 December 2020 £000	31 December 2019 £000	31 December 2020 £000	31 December 2019 £000	31 December 2020 £000	31 December 2019 £000
<b>Balance at 1 January</b>	<b>(47,677)</b>	(43,970)	<b>49,151</b>	44,750	<b>1,474</b>	780
Current service cost	-	(269)	-	-	-	(269)
Past service (cost)/credit	<b>(17)</b>	878	-	-	<b>(17)</b>	878
Interest (cost)/income	<b>(951)</b>	(1,234)	<b>981</b>	1,262	<b>30</b>	28
Scheme administration expenses	-	-	<b>(19)</b>	(10)	<b>(19)</b>	(10)
<b>Included in SOCI</b>						
Actuarial loss	<b>(7,273)</b>	(4,401)	-	-	<b>(7,273)</b>	(4,401)
Return on plan assets excluding interest income	-	-	<b>5,918</b>	4,155	<b>5,918</b>	4,155
<b>Other</b>						
Employer contributions	-	-	-	313	-	313
Benefits paid out	<b>2,593</b>	1,319	<b>(2,593)</b>	(1,319)	-	-
<b>Balance at 31 December</b>	<b>(53,325)</b>	(47,677)	<b>53,438</b>	49,151	<b>113</b>	1,474

# Aberdeen International Airport Limited

## Notes to the financial statements for the year ended 31 December 2020

### 17 Employee benefits (continued)

#### Fair value of plan assets

	31 December 2020	31 December 2019
	£000	£000
Property	3,009	2,974
Bonds	9,311	5,698
Cash	2,721	789
Liability Driven Investment	20,451	22,380
Diversified growth funds	10,185	9,657
Direct lending	7,761	7,653
<b>Total</b>	<b>53,438</b>	<b>49,151</b>

All plan assets (excluding Direct Lending) have market quoted prices. The return on plan assets was 13.1% (2019: 11.5%).

The Scheme invests in a Liability Driven Investment (“LDI”) mandate with BMO. LDI is a risk management investment approach, which aims to hedge the movement of the Scheme liabilities and provides protection from adverse movements in interest rates and inflation. The aim of the mandate is to hedge 100% of the movement in the Scheme’s technical provisions liability value.

The pension Scheme’s Trustee investment policy is guided by an overall objective of achieving, over the long term, a rate of return on the investments which is consistent with the long term assumptions made by the actuary in determining the funding of the Scheme. Over the shorter term, the objective is to achieve a favourable return against an appropriate benchmark return. All decisions about the day to day management of the assets have been delegated to the investment managers via a written agreement.

#### Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	31 December 2020	31 December 2019
	%	%
Discount rate at 31 December	1.35	2.05
RPI inflation	2.90	2.95
Pension increases in payment	2.85	2.90

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60-year old to live for a number of years as follows:

Current pensioner aged 60: 26 years (male), 29 years (female).

Future retiree upon reaching 60: 28 years (male), 30 years (female).

The accounting standard requires that the discount rate used to discount the liability is determined by reference to market yields at the reporting date on high quality corporate bond investments. The currency and terms of these should be consistent with the currency and estimated term of the post-employment obligations. The discount rate has been based on the yield on AA rated corporate bonds of a term similar to the liabilities.

The expected rate of inflation is an important assumption for the salary growth and pension increase assumptions. A rate of inflation is “implied” by the difference between the yields on fixed and index-linked government bonds.

As required under the accounting standard, interest income on the plan assets is calculated by multiplying the fair value of the plan assets by the discount rate as discussed above.

#### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions:

	Change in assumption	31 December 2020	31 December 2019
<b>Impact on overall liabilities</b>		<b>£000</b>	<b>£000</b>
Discount rate	<i>by 1%</i>	12,840	11,440
Rate of inflation	<i>by 1%</i>	12,350	9,150
Life expectancy	<i>by 1 year</i>	1,941	1,669

Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

# Aberdeen International Airport Limited

## Notes to the financial statements for the year ended 31 December 2020

### 17 Employee benefits (continued)

A full actuarial valuation of the Scheme is conducted at least every three years. The most recent full actuarial valuation was carried out at 30 June 2018. The valuation results showed a funding level of 99% and no further funding was required.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 24 years (2019: 24 years).

#### **Defined contribution plan**

The Company operates a defined contribution pension plan for all employees. The total cost of defined contribution pension arrangements is fully expensed as employment costs.

The total expense relating to the defined contribution pension plan was £520k (2019: £1,166k).

### 18 Commitments

The Company, together with AGS Airports Limited and each of its fellow subsidiaries (other than BAA Lynton Limited), together, have granted security over their assets to secure their obligations to the lenders under the Senior Facilities Agreement dated 24 February 2017. Total Group borrowings at 31 December 2020 amount to £953million (2019: £900million).

#### **Non-cancellable lease commitments – Company as a lessor**

Total future minimum rentals receivable as at the year end are as follows:

	<b>31 December 2020</b>	31 December 2019
	<b>Land and buildings</b>	Land and buildings
	<b>£000</b>	£000
Within one year	<b>5,218</b>	5,407
Within two to five years	<b>16,391</b>	16,628
After five years	<b>23,713</b>	26,379
<b>Total</b>	<b>45,322</b>	48,414

The Company uses a number of different leasing and contractual structures depending on the type and location of the investment property. Typically in multi-let offices and industrial premises a standard indefinite tenancy is used, which is terminable by the tenant on three months' notice at any time. However, it is common for the accommodation to remain let or be quickly re-let should it be vacated. For larger, standalone premises, e.g. cargo sheds, longer leases of multiples of three years are used. A number of the larger property leases such as helicopter complexes are built on ground leases which have a longer term i.e. 20-25 years plus.

Car rental facilities are operated under concession agreements subject to minimum guaranteed payments and the amounts are included above. Concession contracts on the public car parks have been replaced by operator management fee arrangements.

#### **Company commitments for capital expenditure**

Contracted capital expenditure commitments amount to £10k (2019: £24k).

### 19 Ultimate parent undertaking

The shares of the Company are held by Airport Holdings NDH1 Limited, a company incorporated in England and Wales. Copies of its financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate parent entity is AGS Airports Holdings Limited. The shareholders of AGS Airports Holdings Limited are AGS Ventures Airports Limited (an entity managed by Macquarie Infrastructure and Real Assets (Europe) Limited) (50%) and Faero UK Holding Limited (an indirect subsidiary of Ferrovial, S.A., Spain) (50%).

The Company's results are included in the audited consolidated financial statements of AGS Airports Limited for the year ended 31 December 2020, which is the parent undertaking of the smallest group to consolidate these financial statements. AGS Airports Holdings Limited is the largest Group to consolidate these financial statements. Both AGS Airports Holdings Limited and AGS Airports Limited are incorporated in England and Wales and copies of their financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Cardiff, CF14 3UZ. The registered office address of both companies is 1 Park Row, Leeds, LS1 5AB.

# Aberdeen International Airport Limited

**Notes to the financial statements** for the year ended 31 December 2020

## 20 Events after the reporting date

Since the year end there have been the following non-adjusting post balance sheet events, which have impacted the Group:-

- during 2021 the Group drew down £50million of subordinated debt provided by AGS Airports Holdings Limited's shareholders (note 24), for working capital requirements over the next twelve months. The subordinated debt was repaid in full on 18 June 2021.
- on 18 June 2021 the Group negotiated amendments and an extension of its current £793million borrowings facility, including reducing the available facility by £36million from £793million to £757million. The maturity of the Group's borrowings has therefore been extended to June 2024 with a commitment to maintain, until maturity of the new facility, a debt service reserve of approximately £20million. Certain existing covenants on the borrowings at 30 June 2021, 31 December 2021 and 30 June 2022 were also agreed to be waived, and a new minimum liquidity requirement agreed.
- the Group's shareholders have committed to inject £100million into the Group, consisting of £35million of equity issued on 18 June 2021, £35million of additional loans received on 18 June 2021 and £30million of a deferred equity commitment, callable to meet cashflow requirements.