# Aberdeen International Airport Limited
# (formerly Aberdeen Airport Limited)
## Annual report and financial statements
## for the year ended 31 December 2012



Company registration number: SC096622

# Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

## Contents

# Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

## Officers and professional advisers

**Directors**
Jorge Lavin
Jim O'Sullivan
Nicholas Barton

**Registered office**
Aberdeen International Airport
Dyce
Aberdeen
Scotland
AB21 7DU

**Independent auditor**
Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London
EC4A 3BZ

**Bankers**
The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

# Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

## Directors' report

The Directors present their Annual report and the audited financial statements for Aberdeen International Airport Limited (the 'Company', formerly Aberdeen Airport Limited) for the year ended 31 December 2012.

### Principal activities

The Company is the owner and operator of Aberdeen airport and forms part of the Heathrow Airport Holdings Limited (formerly BAA Limited) group (the 'Heathrow Airport Holdings Group'). The Company's financial activities are aligned with Heathrow Airport Holdings Limited, and also with its immediate parent company, Airport Holdings NDH1 Limited (formerly BAA (NDH1) Limited), which is the parent undertaking of the smallest group to consolidate these financial statements.

Aberdeen Airport Limited re-registered as a private company under the name of Aberdeen International Airport Limited on 24 December 2012.

### Results and dividends

The profit after taxation for the financial year amounted to £6,112,000 (2011: £11,155,000). No dividends were proposed or paid during the year (2011: £nil). The statutory results for the year are set out on page 9.

### Review of business and future developments

Key events occurring during the year and developments since the beginning of 2013 are detailed below.

In the year ended 31 December 2012, passenger traffic increased 8.3% to 3.4 million (2011: 3.1 million). The performance reflects strong growth in both domestic and international traffic. Domestic traffic benefitted from increased frequency on the Flybe Manchester route and the launch of the British Airways CityFlyer rotations to London City airport. International growth was mainly driven by oil related traffic through new routes on Azerbaijan and Lufthansa airlines. A growth in North Sea oil developments also led to strong growth on helicopters traffic.

Turnover for the year ended 31 December 2012 totalled £57,342,000 (2011: £52,983,000) with aeronautical income accounting for 57.3% (2011: 58.5%) of total turnover and retail income (including car parking) accounting for a further 20.0% (2011: 19.1%).

Earnings before interest, tax, depreciation and amortisation ('EBITDA'), adjusted for exceptional charges, for the year ended 31 December 2012 totalled £20,684,000 (2010: £18,541,000).

For the year ended 31 December 2012, Aberdeen airport invested £4,229,000 (2011: £14,119,000) in capital expenditure. Major projects include a taxiway rewiring project and the construction of a new car rental building.

#### *Service standards*

Aberdeen airport achieved their highest levels of departure punctuality in over a decade, as measured by the proportion of aircraft departing within 15 minutes of schedule at 88.3% (2010: 82.5%). Aberdeen airport also saw their average overall passenger satisfaction scores in the quarterly Airport Service Quality ('ASQ') survey increase to 3.93 (2011: 3.90).

#### *Developments since beginning of 2013*

During the first two months of 2013, passenger traffic at Aberdeen airport declined 0.4%. Adjusting for the leap year in 2012 and the impact of weather disruption during January 2013, it is estimated that traffic was up around 3.3% on the same period of 2012.

### Outlook

The Company's passenger traffic is expected to show slight growth in 2013 but has been impacted by the helicopter incidents from last year. EBITDA will continue to show improvement.

## Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

### Directors' report *continued*

**Directors**
The Directors who served during the year and since year end, except as noted, are as follows:

| | |
|---|---|
| Nicholas Barton | Appointed 5 March 2013 |
| Jorge Lavin | |
| Fidel López | Resigned 8 October 2012 |
| Jim O'Sullivan | Appointed 8 October 2012 |
| Derek Provan | Resigned 5 March 2013 |

**Employment policies**
The Company has no direct employees. The staff are employed by LHR Airports Limited (formerly BAA Airports Limited), a fellow subsidiary entity of the Heathrow Airport Holdings Group.

**Supplier payment policy**
The Company complies with the UK government's Better Payment Practice Code which states that responsible companies should:

- agree payment terms at the outset of a transaction and adhere to them;
- provide suppliers with clear guidance on payment procedures;
- pay bills in accordance with any contract agreed or as required by law; and
- advise suppliers without delay when invoices are contested and settle disputes quickly.

The Company had 12 days purchases outstanding at 31 December 2012 (2011: 8 days) based on the average daily amount invoiced by suppliers during the year.

**Risk management**
Risk management is a key element of the Heathrow Airport Holdings Group's corporate operations. The Executive Committee, Board and Audit Committee ('AC') referred to below relate to the Executive Committee, Board and AC of Heathrow Airport Holdings Limited.

Risk is locally overseen by the Company's Managing Responsibly Governance Group ('MRGG') which meets on a monthly basis, is chaired by the Head of Health and Safety and consists of all Heads of Department. The MRGG is linked with the key strategic intent to 'Run our Airport Responsibly, Safely and Securely'.

Heathrow Airport Holdings Group has updated its approach to risk management and issued a new risk management policy. The Heathrow Airport Holdings Group's risk management process is used to facilitate the identification, evaluation and effective management of the threats to the achievement of the Heathrow Airport Holdings Group'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.

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 Executive Committee level. The risk registers are also used to make informed 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.

The operation of the risk management process and the individual risk registers are subject to periodic review by the Heathrow Airport Holdings Group's Internal Audit function, 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.

Assurance is provided through reports to the AC, the management reporting processes and a specialist compliance audit function which reports directly to the Sustainability and Operational Risk Committee.

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

***Safety risks***
Health and safety 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 remain safe. Governance, led by the MRGG, and assurance processes are used to ensure the aforementioned remain effective and to encourage continuous improvement.

## Directors' report *continued*

**Risk management *continued***
***Security risks***
Security risks are regarded as critical risks to manage throughout the Heathrow Airport Holdings Group. 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 police and the UK Border Force building a 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.

Assurance is provided through management reporting processes and a specialist compliance audit function, reporting directly to the Sustainability and Operational Risk Committee.

***Regulatory environment, legal and other reputational risks***
*Civil Aviation Authority ('CAA') regulation*
The Company's operations are currently subject to regulation by the CAA. The CAA is concerned with air safety, economic and 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. Consequently the Company is exposed to the risk of changes in day to day operations resulting from regulatory guidelines issued by the CAA and mitigates this as far as possible. The airport is represented by dedicated Heathrow Airport Holdings Group staff that ensure full compliance with regulatory requirements, establish a sound relationship with the regulator and advise the Executive 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 Heathrow Airport Holdings Group as it has the potential to impact negatively upon the Heathrow Airport Holdings Group's reputation and jeopardise its licence to operate and to grow. The Company has a dedicated Environmental Manager whose remit covers noise, waste, air and water quality, and carbon emissions. This role ensures that Aberdeen airport's operations comply with legislative obligations and company standards. In addition, the Company has a defined CO2 strategy which takes Aberdeen airport up until 2020 and links in with the Scottish Government's published policy. Strategies are being put in place to ensure full compliance with the Climate Change Act 2009. An independently audited corporate social responsibility report is published annually covering all areas of environmental performance.

***Commercial and financial risk management objectives and policies***
*Operational disruption*
There are a number of circumstances that can pose short-term risks to the normal operations of Aberdeen airport 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 contingency plans to minimise disruption wherever possible.

*Development*
The Company recognises that failure to control key development costs and delivery could damage its financial standing and reputation. The Company mitigates this risk through adherence to a robust project process and by a system of assurance, consisting of project and programme reviews before approval and during construction. The process is continually improved incorporating lessons learnt and "best practice" distilled from knowledge sharing with other client programmes, expertise within its supply chain and guidance from professional bodies.

*Changes in demand*
The risk of unanticipated long-term changes in passenger demand for air travel could lead to 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.

*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's pay agreement reached in May 2011 established the pay structure for 2011 and 2012 – the next pay negotiations are in progress. 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 the UK Border Force.

### Directors' report *continued*

**Risk management *continued***
***Treasury***
The Company's financial risk management objectives are aligned with its immediate parent company, Airport Holdings NDH1 Limited, which is the parent undertaking of the smallest group to consolidate these financial statements, the entity where external funds are borrowed and on-lent to the Company and the level at which financial risks for the Company are managed. The treasury policies of the Airport Holdings NDH1 Limited group (the 'NDH1 Group') are in accordance with the wider Heathrow Airport Holdings Group and are set out below.

The Board of the Heathrow Airport Holdings Group approves prudent treasury policies and delegates certain responsibilities to senior management who 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 Heathrow Airport Holdings Group's business operations and funding. To achieve this, the Heathrow Airport Holdings Group's enters into interest rate swaps, index-linked swaps, cross-currency swaps and foreign exchange contracts to protect against interest rate and currency risks.

The primary treasury related financial risks faced by the NDH1 Group are:

(a) Interest rates
The NDH1 Group maintains a mix of fixed and floating rate debt. As at 31 December 2012, fixed rate debt after hedging with derivatives represented 75% of the NDH1 Group's total external nominal debt.

(b) Foreign currency
The NDH1 Group uses foreign exchange contracts to hedge material capital expenditure in foreign currencies once a project is certain to proceed.

(c) Funding and liquidity
The NDH1 Group is financed through term loan and revolving bank facilities totalling £418.8 million. The NDH1 Group is cash positive after capital expenditure. As at 31 December 2012, cash and cash equivalents were £49.8 million (excluding £24.7 million in restricted cash) and undrawn headroom under bank credit facilities was £42.8 million.

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

(d) Counterparty credit
The NDH1 Group 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 NDH1 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- and long-term credit ratings. Investment activity is reviewed on a regular basis and no cash or cash equivalents are placed with counterparties with short-term credit ratings lower than A-2/F1. The NDH1 Group monitors the credit rating of derivative counterparties on a daily basis and ensures no positions are entered into with counterparties with a long-term credit rating below BBB+ (S&P)/A (Fitch).

## 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.

### 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.

On behalf of the Board

**Nicholas Barton**
Director

21 March 2013

Company registration number: SC096622

## Aberdeen International Airport Limited (formerly Aberdeen 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

N. [signature]

**Nicholas Barton**
Director

21 March 2013

## Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

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

We have audited the financial statements of Aberdeen International Airport Limited for the year ended 31 December 2012 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Reconciliation of movements in shareholder's funds, the Balance sheet, the Accounting policies, the Significant accounting judgements and estimates and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

**Respective responsibilities of directors and auditor**
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of financial statements**
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

**Opinion on financial statements**
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on matters prescribed by the Companies Act 2006**
In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A J Kelly

**Andrew J Kelly FCA** (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

21 March 2013

## Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

**Profit and loss account** for the year ended 31 December 2012

| | Note | **Year ended 31 December 2012 £'000** | Year ended 31 December 2011 £'000 |
|---|---|---|---|
| **Turnover** | *1* | **57,342** | 52,983 |
| Operating costs – ordinary | *2* | **(41,806)** | (36,961) |
| Operating costs – exceptional | *3* | **(7,043)** | (1,650) |
| Total operating costs | | **(48,849)** | (38,611) |
| **Operating profit** | | **8,493** | 14,372 |
| Net interest receivable and similar income | *4* | **496** | 70 |
| **Profit on ordinary activities before taxation** | | **8,989** | 14,442 |
| Tax charge on profit on ordinary activities | *5* | **(2,877)** | (3,287) |
| **Profit on ordinary activities after taxation** | *13* | **6,112** | 11,155 |

All profits and losses recognised during the current and prior year are from continuing operations.

## Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

**Statement of total recognised gains and losses** for the year ended 31 December 2012

| | Note | Year ended 31 December 2012 £'000 | Year ended 31 December 2011 £'000 |
|---|---|---|---|
| **Profit for the financial year** | *13* | **6,112** | 11,155 |
| Unrealised gain on revaluation of investment properties and land held for development | *6,13* | **2,736** | 918 |
| **Total recognised gains and losses relating to the year** | | **8,848** | 12,073 |

**Reconciliation of movements in shareholder's funds** for the year ended 31 December 2012

| | Note | Year ended 31 December 2012 £'000 | Year ended 31 December 2011 £'000 |
|---|---|---|---|
| **Profit for the financial year** | *13* | **6,112** | 11,155 |
| Unrealised gain on revaluation of investment properties and land held for development | *6,13* | **2,736** | 918 |
| **Net movement in shareholder's funds** | | **8,848** | 12,073 |
| Opening shareholder's funds | | **143,646** | 131,573 |
| **Closing shareholder's funds** | | **152,494** | 143,646 |

There is no material difference between the historical cost profits and losses and the Profit and loss account.

## Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

**Balance sheet** as at 31 December 2012

| | Note | 31 December 2012 £'000 | 31 December 2011 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible fixed assets | 6 | **149,144** | 147,083 |
| **Total fixed assets** | | **149,144** | 147,083 |
| | | | |
| **Current assets** | | | |
| Stocks | 7 | **434** | 429 |
| Debtors: due within one year | 8 | **32,060** | 19,369 |
| Cash at bank | | **230** | - |
| **Total current assets** | | **32,724** | 19,798 |
| | | | |
| **Current liabilities** | | | |
| Creditors: amounts falling due within one year | 9 | **(13,076)** | (9,683) |
| **Net current assets** | | **19,648** | 10,115 |
| **Total assets less current liabilities** | | **168,792** | 157,198 |
| | | | |
| Creditors: amounts falling due after more than one year | 10 | **(11,688)** | (11,329) |
| Provisions for liabilities and charges | 11 | **(4,610)** | (2,223) |
| **Net assets** | | **152,494** | 143,646 |
| | | | |
| **Capital and reserves** | | | |
| Called up share capital | 12 | **12,000** | 12,000 |
| Revaluation reserve | 13 | **67,443** | 64,707 |
| Profit and loss reserve | 13 | **73,051** | 66,939 |
| **Total shareholder's funds** | | **152,494** | 143,646 |

The financial statements of Aberdeen International Airport Limited (Company registration number: SC096622) were approved by the Board of Directors and authorised for issue on 21 March 2013. They were signed on its behalf by:

**Jim O'Sullivan**
Director

**Nicholas Barton**
Director

# Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

**Accounting policies** for the year ended 31 December 2012

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

**Basis of preparation**
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets in accordance with the Companies Act 2006 and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice ('UK GAAP')).

**Going concern**
The Directors have prepared the financial statements on a going concern basis which requires the Directors to have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company forms part of the Airport Holdings NDH1 Limited (formerly BAA (NDH1) Limited) group (the 'NDH1 Group') which is the smallest group to consolidate these financial statements and the level at which the financial risks are managed for the Company.

Consequently the Directors have reviewed the cash flow projections of NDH1 Group, taking into account:
- the forecast revenue and operating cash flows from the underlying operations;
- the forecast level of capital expenditure; and
- the overall NDH1 Group liquidity position, including the projected up-streams of cash, remaining committed and uncommitted facilities available to it, its scheduled debt maturities, and its forecast financial ratios and ability to access debt markets.

As a result of the review, and having made appropriate enquiries of management, the Directors have a reasonable expectation that sufficient funds will be available to meet the Company's funding requirement for the next twelve months from the balance sheet signing date.

**Turnover**
Turnover represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes and consists primarily of:

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

***Retail***
- Concession fees from retail and commercial concessionaires at or around airports are based upon turnover certificate 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.

***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.

## Accounting policies for the year ended 31 December 2012 *continued*

**Exceptional items**
The Company separately presents certain items on the face of the profit and loss account as exceptional. Exceptional 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.

Such events may include gains or losses on the disposal of businesses or assets, major reorganisation of business, 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.

Provisions to recognise the Company's liability to fund the LHR Airports Limited (formerly BAA Airports Limited) defined benefit pension scheme deficit or surplus and Unfunded Retirement Benefit Scheme and Post-Retirement Medical Benefits pension related liabilities under the Shared Services Agreement are also treated as exceptional. Refer to the Shared Services Agreement accounting policy.

**Interest**
Interest payable and interest receivable are recognised in the profit and loss account in the period in which they are incurred.

**Tangible fixed assets**
***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 borrowing costs capitalised, own labour costs of construction-related project management and directly attributable overheads. Costs associated with 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, and at least every six months, 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.

***Investment properties***
Investment property, which is property held to earn rentals and/or for capital appreciation, is valued at the reporting date, as determined by external valuers. Any surplus or deficit on revaluation is transferred to the revaluation reserve with the exception of deficits below original cost which are expected to be permanent, which are charged to the profit and loss account in the period in which they arise.

Profits or losses arising from the sale of investment properties are calculated by reference to book value and treated as exceptional items. Profits or losses are recognised on completion.

In accordance with Statement of Standard Accounting Practice 19 *Accounting for Investment Properties*, no depreciation is provided in respect of freehold or long leasehold investment properties.

***Capitalisation of interest***
Interest payable resulting from financing tangible fixed assets 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.

**Accounting policies** for the year ended 31 December 2012 *continued*

**Tangible fixed assets *continued***
***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:

| *Terminal complexes* | *Fixed asset lives* |
|---|---|
| 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 travelators | 20 years |
| Other plant and equipment, including runway lighting and building plant | 5–20 years |
| Tunnels, bridges and subways | 50–100 years |
| | |
| *Airfields* | |
| Runway surfaces | 10–15 years |
| Runway bases | 100 years |
| Taxiways and aprons | 50 years |
| | |
| *Plant and equipment* | |
| 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 |
| | |
| *Other land and buildings* | |
| Short leasehold properties | period of lease |
| Leasehold improvements | lower of useful economic life or period of lease |

Asset 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 income-generating unit to which the asset belongs is estimated. Recoverable amount is the higher of an asset's net realisable value 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 an asset exceeds its recoverable amount, the asset 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 significant change in the circumstances underlying 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.

## **Accounting policies** for the year ended 31 December 2012 *continued*

**Leases**
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

***Company as a lessee***
Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

***Company as a lessor***
Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognised over the lease term on the same basis as the rental income.

**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.

**Debtors**
Debtors are recognised initially at cost less any provision for impairment.

**Cash**
Cash, for the purpose of the summary cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

**Creditors**
Creditors are recognised at cost.

**Amounts owed to group undertakings**
Amounts owed to group undertakings are recognised initially at fair value, net of transaction costs incurred. 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.

**Deferred income**
Contractual income is treated as deferred income and released to the profit and loss account as earned.

**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.

***Restructurings***
A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the on-going activities of the entity.

**Accounting policies** for the year ended 31 December 2012 *continued*

***Onerous contracts***
Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

**Shared Services Agreement ('SSA')**
All employees of the Company are employed directly by LHR Airports Limited which also acts as the provider of corporate and administrative services to the Company. LHR Airports Limited is the sponsor of the related defined benefit pension schemes and grants all employee benefits.

On 18 August 2008, the Company entered into a SSA with LHR Airports Limited by which the latter became the shared services provider of operational staff and corporate services.

***Operational staff***
LHR Airports Limited charges the Company for the provision of services in relation to staff costs, including wages and salaries, pension costs, medical costs and redundancy payments, as well as any other of its associated expenses properly incurred by the employees of LHR Airports Limited in providing the services. These costs include the cost of purchase of any shares in relation to share options granted and any hedging costs related to employee share options. All of the amounts included in the above mentioned costs are settled in cash except for pension costs and costs related to hedging of share options, which are only settled when the cash outflow is requested by LHR Airports Limited.

***Corporate and centralised services***
LHR Airports Limited also provides centralised airport support including IT applications, general business services, procurement and financial accounting. These services are charged in accordance with the SSA with a mark-up of 7.5% except for IT applications, or sub-contractor costs, where only full costs are recharged to the Company.

***Pension costs***
Under the SSA the current period service cost for the LHR Airports Limited pension schemes are recharged to the Company on the basis of their pensionable salaries. This charge is included within Operating costs – ordinary. Cash contributions are made directly by the company to the LHR Airports Limited pension schemes on behalf of LHR Airports Limited.

The Company has had an obligation since August 2008 to fund or benefit from their share of the LHR Airports Limited defined benefit pension scheme deficit or surplus and Unfunded Retirement Benefit Scheme and Post-Retirement Medical Benefits pension related liabilities under the SSA. These provisions or assets are based on the relevant share of the actuarial deficit or surplus and allocated on the basis of pensionable salaries. Movements in these provisions or assets are recorded as exceptional items due to their size and nature.

As more than one employer participates in the LHR Airports Limited defined benefit pension scheme and each employer is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis, the Company accounts for the scheme in accordance with the SSA. Additionally the Heathrow Airport Holdings Limited (formerly BAA limited) Group (the 'Heathrow Airport Holdings Group') discloses information about the total scheme surplus or deficit.

## Accounting policies for the year ended 31 December 2012 *continued*

**Current and deferred taxation**
The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in reserves. In this case, the tax is also recognised in reserves.

Current tax liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

In accordance with FRS 19 *Deferred Tax*, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of investment properties where there is no commitment to sell the asset.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Deferred taxation is determined using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date and are expected to apply in the periods in which the timing differences are expected to reverse.

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

**Foreign currency**
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Sterling, which is the Company's functional currency.

Transactions denominated in foreign currencies are translated into Sterling using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Sterling at the rates of exchange ruling at the reporting date. Differences arising on translation are charged or credited to the profit and loss account.

**Cash flow statement and related party transactions**
The ultimate parent entity in the UK is FGP Topco Limited, a company registered in England and Wales. The results of the Company are included in the audited consolidated financial statements of FGP Topco Limited for the year ended 31 December 2012. The results are also included in the audited consolidated financial statements of Airport Holdings NDH1 Limited for the year ended 31 December 2012 (immediate parent entity and the smallest group to consolidate these financial statements). They are also included in the audited consolidated financial statements of Heathrow Airport Holdings Limited for the year ended 31 December 2012. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 *Cash Flow Statements (revised 1996).* Instead, a summary cash flow statement has been provided on a voluntary basis in a note to the financial statements.

The Company is exempt under the terms of FRS 8 *Related Party Disclosures* from disclosing related party transactions with entities that are wholly owned subsidiaries of the FGP Topco Limited group.

# Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

**Significant accounting judgements and estimates** for the year ended 31 December 2012

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

**Investment properties**
Investment properties were valued at a fair value by CBRE Limited, Chartered Surveyors. The valuations were prepared in accordance with relevant accounting standards and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence. Approximately 76% (2011: 75%) of the investment properties comprise car parks and airside assets at Aberdeen airport that are considered less vulnerable to market volatility than the overall market. Independent valuations were obtained for 100% of the investment properties.

## Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

**Notes to the financial statements** for the year ended 31 December 2012

### 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. Additional details of the turnover generated by each of the Company's key activities are given below:

| | **Year ended 31 December 2012 £'000** | Year ended 31 December 2011 £'000 |
|---|---|---|
| **Turnover** | | |
| Aeronautical income | **32,839** | 30,998 |
| Retail income | **11,452** | 10,096 |
| Operational facilities and utilities income | **2,900** | 2,696 |
| Property rental income | **4,788** | 4,642 |
| Other income | **5,363** | 4,551 |
| | **57,342** | 52,983 |

### 2 Operating costs – ordinary

| | **Year ended 31 December 2012 £'000** | Restated[1] Year ended 31 December 2011 £'000 |
|---|---|---|
| Wages and salaries | **10,049** | 9,305 |
| Social security | **1,073** | 815 |
| Pensions | **1,509** | 1,209 |
| Contract and agency staff | **36** | 47 |
| Other staff related costs | **428** | 543 |
| Employment costs[2] | **13,095** | 11,919 |
| | | |
| Maintenance expenditure | **4,249** | 3,063 |
| Utility costs | **2,425** | 2,381 |
| Rents and rates | **1,964** | 1,858 |
| General expenses | **2,918** | 2,646 |
| Retail expenditure | **1,008** | 1,070 |
| Intra-group charges/other | **1,409** | 2,021 |
| Police | **750** | 770 |
| Aerodrome navigation service charges | **8,840** | 8,710 |
| Depreciation | **5,169** | 2,523 |
| Gain on disposal of tangible fixed assets | **(21)** | - |
| | **41,806** | 36,961 |

[1] The presentation of certain balances for the year ended 31 December 2011 has been restated to be consistent with current year disclosures.
[2] Employment costs includes recharges from LHR Airports Limited for employee services to the Company. Refer to the SSA in the Accounting policies.

***Rentals under operating leases***

| | **Year ended 31 December 2012 £'000** | Year ended 31 December 2011 £'000 |
|---|---|---|
| *Operating costs include:* | | |
| Plant and machinery | **-** | 10 |
| Other operating leases | **322** | 141 |

## Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

**Notes to the financial statements** for the year ended 31 December 2012 *continued*

**2 Operating costs – ordinary *continued***

***Auditor's remuneration***

Audit fees and non-audit fees for the current and preceding financial years were borne by LHR Airports Limited and recharged in accordance with the SSA as described within the Accounting policies.

| | **Year ended 31 December 2012 £'000** | Restated[1] Year ended 31 December 2011 £'000 |
|---|---|---|
| **Fees payable to the Company's auditor for the audit of the Company's annual accounts:** | | |
| Audit of the Company pursuant to legislation | 8 | 5 |
| **Non-audit fees payable to the Company's auditor and their associates for other services specific to the Company:** | | |
| Audit related assurance services | 3 | 1 |
| Tax compliance services | - | 1 |
| Other tax services | - | 1 |
| Other assurance services | 4 | 17 |
| **Total non-audit fees** | 7 | 20 |
| **Total fees** | 15 | 25 |

[1] The presentation has been restated to consistent with amended disclosure requirements.

***Employee information***

The Company has no employees (2011: none). Staff engaged in the operation of Aberdeen airport are employed by LHR Airports Limited which bears the related staff costs and recharges all such costs directly to the Company as a part of the SSA as described in the Accounting policies. The average number of employees of LHR Airports Limited engaged in the operation of Aberdeen airport during the year was 250 (2011: 238). The number of employees does not include headcount related to central support functions for the Company which are rendered by LHR Airports Limited and charged as intra-group charges in accordance with the SSA.

***Directors' remuneration***

| | **Year ended 31 December 2012 £'000** | Year ended 31 December 2011 £'000 |
|---|---|---|
| **Directors' remuneration** | | |
| Aggregate emoluments | 197 | 162 |
| Value of company pension contributions to defined benefit scheme | 21 | 5 |
| | 218 | 167 |

| | **Year ended 31 December 2012 Number** | Year ended 31 December 2011 Number |
|---|---|---|
| **Number of Directors who:** | | |
| are members of a defined benefit pension scheme | 1 | 1 |

Jim O'Sullivan and Jorge Lavin were directors of a number of companies within the Heathrow Airport Holdings Group. Jim O'Sullivan was paid by and is a director of LHR Airports Limited. Jorge Lavin was paid by, but is not a director of, LHR Airports Limited. The directors do not believe it is possible to accurately apportion their remuneration to individual companies within the Heathrow Airport Holdings Group based on services provided.

The directors participate in various Long Term Incentive Performance Cash Plans (the 'Plans') operated by LHR Airports Limited. In respect of the Plans, a cash amount is granted which could vest in future periods contingent on achieving or surpassing earnings before interest, tax, depreciation and amortisation, Return on equity and other operational targets over a three year period. For the year ended 31 December 2012, the directors' remuneration includes £11,000 payable in 2013 (2011: £2,000 paid in 2012) in respect of the 2010 Plans after certain targets were met over the three year period from 2010 to 2012. As the financial performance in respect of the 2011 and 2012 Plans is uncertain at this stage, no value in relation to these awards is included above.

None of the directors (2011: none) exercised any share options during the year in respect of their services to the Heathrow Airport Holdings Group and no shares (2011: none) were received or became receivable under long term incentive plans.

**Notes to the financial statements** for the year ended 31 December 2012 *continued*

### 3 Operating costs – exceptional

| | **Year ended 31 December 2012 £'000** | Year ended 31 December 2011 £'000 |
|---|---|---|
| Pension charge | **7,043** | 1,650 |

During 2012 there was a net exceptional pension charge of £7,043,000 (2011: £1,650,000). This includes the Company's share of the movement in the LHR Airports Limited defined benefit pension scheme, Unfunded Retirement Benefit Scheme and Post-Retirement Medical Benefits pension related liabilities.

### 4 Net interest receivable and similar income

| | | **Year ended 31 December 2012 £'000** | Year ended 31 December 2011 £'000 |
|---|---|---|---|
| Interest receivable from group undertakings[1] | | **592** | 262 |
| Interest payable to group undertakings[2] | | **(355)** | (310) |
| Foreign exchange loss | | **(7)** | - |
| Interest capitalised[3] | *6* | **266** | 118 |
| **Net interest receivable and similar income** | | **496** | 70 |

[1] These amounts relate mainly to interest accrued on balances due from Airport Holdings NDH1 Limited (Note 8).
[2] These amounts relate to interest due on the loan from Airport Holdings NDH1 Limited (Note 10).
[3] Following significant refinancing activity during the year, the Company has reassessed the applicable pool of general borrowing costs upon which interest has been capitalised. This has led to an increase in the capitalised interest rate to 5.30% compared to 2.60% for the previous year.

**Notes to the financial statements** for the year ended 31 December 2012 *continued*

## 5 Tax charge on profit on ordinary activities

| | | Year ended 31 December 2012 £'000 | Year ended 31 December 2011 £'000 |
|---|---|---|---|
| **Current tax** | | | |
| Group tax relief payable | | **3,996** | 3,229 |
| Adjustments in respect of prior periods | | **94** | (38) |
| Total current tax charge | | **4,090** | 3,191 |
| **Deferred tax** | | | |
| Origination and reversal of timing differences | | **(1,091)** | 211 |
| Adjustments in respect of prior periods | | **(20)** | (28) |
| Change in tax rate | | **(102)** | (87) |
| Total deferred tax (credit)/charge | *11* | **(1,213)** | 96 |
| **Tax charge on profit on ordinary activities** | | **2,877** | 3,287 |

***Reconciliation of tax charge***

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 24.5% (2011: 26.5%). The actual tax charge for the current and prior years differs from the standard rate for the reasons set out in the following reconciliation:

| | Year ended 31 December 2012 £'000 | Year ended 31 December 2011 £'000 |
|---|---|---|
| Profit on ordinary activities before tax | **8,989** | 14,442 |
| Tax on profit on ordinary activities at 24.5% (2011: 26.5%) | **2,202** | 3,827 |
| Effect of: | | |
| Permanent differences | **596** | (387) |
| Capital allowances for the year less than/(in excess of) depreciation | **26** | (299) |
| Capitalised interest | **(61)** | (29) |
| Other short-term timing differences | **1,233** | 117 |
| Adjustments to tax charge in respect of prior periods | **94** | (38) |
| **Current tax charge for the year** | **4,090** | 3,191 |

It was substantively enacted at the reporting date that the standard rate of corporation tax in the UK will change to 23% with effect from 1 April 2013. Other than this change and the unprovided deferred tax discussed in Note 11, there are no items which would materially affect the future tax charge.

**Notes to the financial statements** for the year ended 31 December 2012 *continued*

### 6 Tangible fixed assets

| | Note | Investment properties £'000 | Land held for development £'000 | Terminal complexes £'000 | Airfield £'000 | Other land and buildings £'000 | Plant, equipment and other assets £'000 | Assets in the course of construction £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | | | |
| 1 January 2012 | | 75,343 | 2,612 | 43,849 | 34,463 | 2,793 | 12,170 | 14,251 | 185,481 |
| Additions at cost | | - | - | - | - | - | 813 | 3,416 | 4,229 |
| Interest capitalised | *4* | - | - | - | - | - | - | 266 | 266 |
| Other[1] | | - | - | 1,553 | 534 | - | 97 | - | 2,184 |
| Reclassifications | | (15) | 1 | 90 | (264) | 279 | (91) | - | - |
| Revaluation | *13* | 2,636 | 100 | - | - | - | - | - | 2,736 |
| Transfer to completed Assets | | 92 | - | 1,121 | 9,373 | 321 | 1,154 | (12,061) | - |
| **31 December 2012** | | **78,056** | **2,713** | **46,613** | **44,106** | **3,393** | **14,143** | **5,872** | **194,896** |
| **Depreciation** | | | | | | | | | |
| 1 January 2012 | | - | - | (15,802) | (12,074) | (1,027) | (9,495) | - | (38,398) |
| Depreciation charge | | - | - | (1,921) | (1,950) | (114) | (1,184) | - | (5,169) |
| Other[1] | | - | - | (1,553) | (534) | - | (97) | - | (2,184) |
| Reclassifications | | - | - | (4) | 2 | (2) | 3 | - | (1) |
| **31 December 2012** | | **-** | **-** | **(19,280)** | **(14,556)** | **(1,143)** | **(10,773)** | **-** | **(45,752)** |
| **Net book value 31 December 2012** | | **78,056** | **2,713** | **27,333** | **29,550** | **2,250** | **3,370** | **5,872** | **149,144** |
| Net book value 31 December 2011 | | 75,343 | 2,612 | 28,047 | 22,389 | 1,766 | 2,675 | 14,251 | 147,083 |

[1] A review of the fixed asset register in the current year has identified government grants held for fully written down assets which have been previously disposed of. These government grants have now been removed from the fixed asset register.

**Notes to the financial statements** for the year ended 31 December 2012 *continued*

**6 Tangible fixed assets *continued***

***Valuation***

Investment properties and land held for development were valued at open market value by CBRE Limited, Chartered Surveryors at £80,769,000 (2011: £79,508,000). These valuations were prepared in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors taking account, inter alia, of planning constraints and reflecting the demand for airport related uses. As a result of the valuation, a surplus of £2,736,000 (2011: £918,000) has been recognised in the revaluation reserve.

Remaining terminal complexes, airfield infrastructure, plant and equipment, other land and buildings and other assets have been shown at historical cost.

***Historical cost***

The historical cost of investment properties and land held for development at 31 December 2012 was £13,326,000 (2011: £13,040,000).

***Other land and buildings***

Other land and buildings are all freehold.

***Assets in the course of construction***

Assets in the course of construction comprises of capital expenditure on on-going developments under the Company's capital investment project. Projects in progress at 31 December 2012 include complete rewire of airfield lighting systems and replacement with energy efficient LED units, construction of a consolidated car rental building, purchase of a replacement fleet of snow vehicles and installation of a priority security lane in the terminal.

***Capitalised interest***

Included in the net book value of assets after depreciation are interest costs of £1,059,000 (2011: £832,000). £266,000 (2011: £118,000) has been capitalised in the year at an average capitalisation rate of 5.30% (2011: 2.60%) based on a weighted average cost of borrowings.

A tax deduction of £266,000 (2011: £118,000) for capitalised interest was taken in the year. Subsequent depreciation of the capitalised interest is disallowed for tax purposes. Consequently, the capitalised interest gives rise to a deferred tax liability, which is released each year in line with the depreciation charged on the relevant assets.

***Leased assets***

The Company had assets rented to third parties under operating leases as follows:

| | **31 December 2012<br>£'000** | 31 December 2011<br>£'000 |
|---|---|---|
| Cost or valuation | **83,927** | 82,648 |
| Accumulated depreciation | **(1,373)** | (1,269) |
| **Net book amount** | **82,554** | 81,379 |

A significant proportion of freehold property is occupied by third parties under concession and management agreements.

**7 Stock**

| | **31 December 2012<br>£'000** | 31 December 2011<br>£'000 |
|---|---|---|
| Raw materials and consumables | **434** | 429 |

The replacement cost of raw materials and consumables at 31 December 2012 and 31 December 2011 was not materially different from the amount at which they are included in the accounts.

**Notes to the financial statements** for the year ended 31 December 2012 *continued*

## 8 Debtors

| | 31 December 2012 £'000 | 31 December 2011 £'000 |
|---|---|---|
| **Due within one year:** | | |
| Trade debtors | **6,170** | 6,428 |
| Amounts owed by group undertakings - interest bearing[1] | **25,214** | 11,281 |
| Amounts owed by group undertakings - pensions[2] | **-** | 1,302 |
| Other debtors | **36** | - |
| Prepayments | **332** | 230 |
| Interest receivable from group undertakings | **260** | 128 |
| Corporation tax receivable | **48** | - |
| | **32,060** | 19,369 |

[1] Amounts owed by group undertakings - interest bearing relate to the cash sweeps transferred to Airport Holdings NDH1 Limited. Cash is swept between the companies on a regular basis. As at 31 December 2012, the balance accrues interest at a rate of 2.78% per annum (2011: 3.36%).

[2] During 2012, LHR Airports Limited defined benefit pension scheme went into a deficit position (2011: surplus) and as such, its share allocated to the Company sits within Provisions (2011: Debtors - Amounts owed by group undertakings – pensions).

## 9 Creditors: amounts falling due within one year

| | 31 December 2012 £'000 | 31 December 2011 £'000 |
|---|---|---|
| Bank overdraft | **-** | 4 |
| Trade creditors[1] | **6,772** | 4,781 |
| Capital creditors | **1,496** | 1,212 |
| Amounts owed to group undertakings - interest free[2] | **463** | - |
| Corporation tax payable | **-** | 126 |
| Group relief payable | **2,021** | 1,538 |
| Other creditors | **276** | 543 |
| *Other taxes and social security costs* | **261** | 241 |
| Deferred income | **1,665** | 1,108 |
| Interest payable to group undertakings | **122** | 130 |
| | **13,076** | 9,683 |

[1] Trade creditors are non-interest bearing and generally on 30-day terms.

[2] Amounts owed to group undertakings - interest free largely relate to external payments made by LHR Airports Limited under the SSA on behalf of the Company which will be settled in due course.

## 10 Creditors: amounts falling due after more than one year

| | 31 December 2012 £'000 | 31 December 2011 £'000 |
|---|---|---|
| Amounts owed to group undertakings - interest bearing[1] | **11,688** | 11,326 |
| Deferred income | **-** | 3 |
| | **11,688** | 11,329 |

[1] Amounts owed to group undertakings - interest bearing relate to loans from Airport Holdings NDH1 Limited. The interest on the loans is set at 0.125% above the rate of Airport Holdings NDH1 Limited's debt facility. As at 31 December 2012, the balance accrues interest at a rate of 2.78% per annum (2011: 3.36%).

## Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

**Notes to the financial statements** for the year ended 31 December 2012 *continued*

### 11 Provisions for liabilities and charges

| | Deferred tax (a) | Pension costs (b) | Reorganisation costs (c) | Other | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 1 January 2012 | 1,277 | 855 | 64 | 27 | 2,223 |
| Utilised in the year | - | - | (13) | (7) | (20) |
| Charged to Profit and loss account | | - | - | 36 | 36 |
| Released to profit and loss account | (1,213) | - | - | - | (1,213) |
| Movement in pensions | - | 3,584 | - | - | 3,584 |
| **31 December 2012** | **64** | **4,439** | **51** | **56** | **4,610** |

***(a) Deferred tax***
Analysis of the deferred tax balance is as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| | **£'000** | £'000 |
| Excess of capital allowances over depreciation | **894** | 955 |
| Other timing differences | **(830)** | 322 |
| | **64** | 1,277 |

| | **Unprovided 31 December 2012** | Unprovided 31 December 2011 |
|---|---|---|
| | **£'000** | £'000 |
| Tax on chargeable gains if investment properties were sold at their current valuations | **9,980** | 9,915 |

Provision has been made for deferred taxation in accordance with FRS 19 *Deferred Tax*.

No provision has been made for deferred tax on gains recognised on revaluing investment properties to their market value or on the sale of properties where taxable gains have been rolled over into replacement assets. The total amount of tax unprovided for is £9,980,000 (2011: £9,915,000). At present it is not envisaged that this tax will become payable in the foreseeable future.

The Finance Act 2012 enacted a reduction in the main rate of corporation tax to 24% from 1 April 2012 and 23% from 1 April 2013. As a result the Company's deferred tax balances, which were previously provided at 25%, have been re-measured at the rate of 23%. This has resulted in a reduction in the net deferred tax liability of £102,000, with £102,000 credited to the profit and loss account.

***(b) Pension costs***
The closing provision is the share of the net deficit of the LHR Airports Limited defined benefit pension scheme, Unfunded Retirement Benefit Scheme and Post-Retirement Medical Benefits pension related liabilities allocated to the Company.

At 31 December 2012, £3,561,000 represents the share of the LHR Airports Limited defined benefit pension scheme deficit (2011: surplus of £1,302,000 classified in Debtors – Amounts owed to group undertakings – pensions). The remaining £878,000 (2011: £855,000) is held for historical accumulated past service pension costs borne by LHR Airports Limited in relation to Unfunded Retirement Benefit Scheme and Post-Retirement Medical Benefits pension related liabilities. The movement in the year is mainly due to the LHR Airports Limited defined benefit pension scheme moving from a surplus to a deficit position.

***(c) Reorganisation costs***
The costs associated with the Company's reorganisation programme are for severance and pension payments only. All amounts are expected to be utilised in 2013.

**Notes to the financial statements** for the year ended 31 December 2012 *continued*

### 12 Share capital

| | £'000 |
|---|---|
| **Authorised** | |
| 1 January and 31 December 2012 | |
| 12,050,000 ordinary shares of £1 each | 12,050 |
| | |
| **Called up, allotted and fully paid** | |
| 1 January and 31 December 2012 | |
| 12,000,002 ordinary shares of £1 each | **12,000** |

### 13 Reserves

| | Note | Revaluation reserve £'000 | Profit and loss reserve £'000 | Total £'000 |
|---|---|---|---|---|
| 1 January 2012 | | 64,707 | 66,939 | 131,646 |
| Profit for the financial year | | - | 6,112 | 6,112 |
| Unrealised gain on revaluation of investment properties and land held for development | *6* | 2,736 | - | 2,736 |
| **31 December 2012** | | 67,443 | 73,051 | 140,494 |

### 14 Commitments

***Commitments for capital expenditure***

Contracted capital expenditure commitments amount to £1,187,000 (2011: £1,221,000).

***Commitments under operating leases***

At 31 December 2012, the Company was committed to making the following payments during the next year in respect of operating leases.

| | **31 December 2012 Land and buildings £'000** | 31 December 2011 Land and buildings £'000 |
|---|---|---|
| *Leases which expire:* | | |
| within one year | **67** | 10 |
| within two to five years | **101** | 101 |
| | **168** | 111 |

***Commitments under contractual obligations***

The Company has a contractual commitment to purchase electricity that is used to satisfy physical delivery requirements for electricity usage of the Company until March 2013. Such commitments are for the normal purchase, sale or usage and hence are accounted for as ordinary purchase contracts. At 31 December 2012 the estimated minimum commitment for the future purchase of electricity under this contract totalled £79,000 (2011: £720,000).

***Other commitments***

The trustees of the LHR Airports Limited defined benefit pension scheme and the Heathrow Airport Holdings Group concluded the pension scheme's 30 September 2010 triennial valuation in December 2011 and agreed a schedule of cash contributions of £97 million per annum (out of which £24 million related to the deficit recovery) that became effective from 1 January 2012. Following the disposal of Edinburgh Airport Limited, the schedule of cash contributions has been reduced to £94 million per annum for 2013 and 2014. Approximately £2,949,000 of the new amount will be met by the Company.

### 15 Contingent liabilities

The Company, together with Non Des Topco Limited (formerly BAA (Non Des Topco) Limited) and each of its fellow subsidiaries (other than BAA Lynton Limited), together the 'Non-Designated Obligors', have granted security over their assets to secure their obligations to the lenders under their financing agreements. Each Non-Designated Obligor, other than Non Des Topco Limited, has provided a cross-guarantee of the obligations of the other Non-Designated Obligors. The BAA Pension Trust Company Limited has a right to receive up to £50 million out of the proceeds of enforcement of the security granted by the Non-Designated Obligors, such right ranking pari passu with the senior creditors to the Non-Designated Obligors.

# Aberdeen International Airport Limited (formerly Aberdeen Airport Limited)

**Notes to the financial statements** for the year ended 31 December 2012 *continued*

### 16 Ultimate parent undertaking

The shares of the Company are held by Glyns Nominees Limited however the beneficial owner of the Company's shares is Airport Holdings NDH1 Limited, a company registered in England and Wales.

The ultimate parent entity is FGP Topco Limited, which is the parent undertaking of the largest group to consolidate these financial statements. The shareholders of FGP Topco Limited are Hubco Netherlands B.V. (33.65%) (an indirect subsidiary of Ferrovial, S.A., Spain), Qatar Holding Aviation (20.00%) (a wholly owned subsidiary of Qatar Holding LLC), Caisse de dépôt et placement du Québec (13.29%), Baker Street Investment Pte Ltd (11.88%) (an investment vehicle of the Government of Singapore Investment Corporation), Alinda Airports UK L.P. and Alinda Airports L.P. (11.18%) (investment vehicles managed by Alinda Capital Partners) and Stable Investment Corporation (10.00%) (an investment vehicle of the China Investment Corporation).

The Company's results are also included in the audited consolidated financial statements of Airport Holdings NDH1 Limited for the year ended 31 December 2012, which is the parent undertaking of the smallest group to consolidate these financial statements. They are also included in the audited consolidated financial statements of Heathrow Airport Holdings Limited and FGP Topco Limited for the year ended 31 December 2012.

Copies of the financial statements of FGP Topco Limited, Heathrow Airport Holdings Limited and Airport Holdings NDH1 Limited may be obtained by writing to the Company Secretarial Department at The Compass Centre, Nelson Road, Hounslow, Middlesex, TW6 2GW.

### 17 Summary cash flow statement

| | **Year ended 31 December 2012 £'000** | Restated[1] Year ended 31 December 2011 £'000 |
|---|---|---|
| Operating profit | **8,493** | 14,372 |
| *Adjustments for:* | | |
| Depreciation | **5,169** | 2,523 |
| Gain on disposal of fixed assets | **(21)** | - |
| *Working capital changes:* | | |
| Decrease in stock and debtors | **114** | 117 |
| Increase in creditors | **2,300** | 2,158 |
| Increase/(decrease) in provisions | **16** | (162) |
| Difference between pension charge and cash contributions | **(1,695)** | (1,404) |
| Exceptional pension charge | **7,043** | 1,650 |
| Increase in amounts owed by group undertakings – interest bearing | **(13,474)** | (5,872) |
| **Net cash inflow from operating activities** | **7,945** | 13,382 |
| Taxation - group relief paid | **(3,781)** | (1,990) |
| Net capital expenditure | **(3,930)** | (11,396) |
| **Increase/(decrease) in cash[2]** | **234** | (4) |

[1] The presentation of certain balances for the year ended 31 December 2011 has been restated to be consistent with current year disclosures.
[2] For the year ended 31 December 2012, included in Creditors: amounts falling due within one year is a bank overdraft of £nil (2011: £4,000).