Aberdeen International Airport Limited
Annual report and financial statements for the year ended 31 December 2019

Company registration number SC096622

Aberdeen International Airport Limited

Contents

Aberdeen International Airport Limited

Officers and professional advisers

Directors

Ignacio Aitor Garcia Bilbao (resigned 26 March 2020)
John Bruen
Simon Geere
Derek Provan
Steve Szalay
Gonzalo Velasco Zabalza
Ignacio Castejon Hernandez (appointed 26 March 2020)

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

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 2019, along with the key factors likely to impact the Company in 2020.
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 2020 are detailed below.

COVID-19 and Flybe Administration
Since the year end two significant events have impacted the current year operations of the Company. Firstly, on 5 March 2020 Flybe entered administration, and secondly there has been the impact of the ongoing spread of the Coronavirus (COVID-19) pandemic.

The strict travel restrictions put in place by governments in response to the Coronavirus (COVID-19) pandemic have resulted in a widespread grounding of flights. During March 2020 airlines completed their repatriation flights and currently there are only a limited number of services from Aberdeen Airport. At Aberdeen Airport essential services have included lifeline services to the Highlands and Islands, NHS and air ambulance services, and helicopters for the oil and gas industry.

Paramount in these unprecedented times, is our duty of care to the Company's staff, business partners and airport passengers. Measures have included introducing temporary operating restrictions to reduce the number of people travelling to work and social distancing by keeping staffing in Aberdeen Airport to a minimum. Additionally, car parks at Aberdeen Airport are being used for Coronavirus (COVID-19) testing of NHS employees.

The directors have instituted measures to preserve cash and secure additional finance, but there remains uncertainty over the Company's future trading results and cashflows. Measures have included employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts and bonus pay-out cessation for all staff, options for unpaid leave and reduced hours. Additionally, the Company is negotiating with suppliers, the local council and tax authorities to reduce or defer costs and the Company has reprioritised its capital investment program.

Going forward when the travel restrictions are lifted, the Company will work with Government agencies to ensure that the Company can provide a safe environment to travel; this could involve addition requirements around passenger testing for Coronavirus (COVID-19), social distancing and stringent cleanliness requirements at Aberdeen Airport.

Prior to administration, Flybe constituted 17% of the Company's airline traffic. The Company had initial success backfilling Flybe's routes following Flybe's administration announcement; this included Loganair and Eastern Airways taking over 4 and 1 Aberdeen routes respectively. The Company continues to work with other airlines to establish further backfill arrangements, however, progress had been disrupted by the Coronavirus (COVID-19) restrictions.

Passenger numbers in January and February 2020 were in line with expectation however following the Flybe Bankruptcy in March and the impact of COVID-19, passenger numbers fell 86% and 88% against last year, during April and May 2020 respectively. Passenger numbers for the five months to May 2020 are therefore down by 49.7% on last year at 0.58m versus 1.12m. Passenger numbers are expected to be down on last year.

Strategic report (continued)

Passenger traffic
In the year ended 31 December 2019, passenger traffic decreased by 4.1% to 2.97million (2018: 3.09million). The performance reflects a 7% decrease in domestic traffic, partially offset by a 2.7% increase in international traffic.

The lower domestic passenger levels were primarily driven by the cancellation of the Aberdeen Gatwick route effective February 2019.

Financial overview

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Turnover	**56,515**	**55,941**
Adjusted operating costs [1]	**(34,968)**	**(34,462)**
Adjusted EBITDA [2]	**21,547**	**21,479**
Non-recurring items	**(67)**	**-**
Depreciation	**(5,832)**	**(5,884)**
Total operating costs	**(40,867)**	**(40,346)**
Fair value gain on investment properties	**579**	**4,027**
Operating profit	**16,227**	**19,622**
Interest receivable and similar income	**3,337**	**5,944**
Interest payable and similar charges	**(1,236)**	**(1,177)**
Profit before tax	**18,328**	**24,389**
Taxation	**(3,566)**	**(4,442)**
Profit for the year	**14,762**	**19,947**

1 Adjusted operating costs are stated before depreciation and non-recurring items.
2 Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, certain re-measurements (page 15) and non-recurring items.

In the year ended 31 December 2019, turnover increased by 1.0% to £56,515k (2018: £55,941k) mainly due to an increase in traffic serving the oil and gas sector and favourable retail and car park yield.

In the year ended 31 December 2019, adjusted operating costs increased by 1.5% to £34,968k (2018: £34,462k).

Adjusted EBITDA in the year ended 31 December 2019 increased by 0.3% to £21,547k (2018: £21,479k). Adjusted EBITDA includes certain non-recurring costs which are not considered material or requiring separate presentation.

Non-recurring items
Non-recurring items recognised in the profit and loss account relate to:
- costs associated with the closure of AGS Airports Limited's defined benefit pension scheme to future accrual £532k;
- past service credit associated with the closure of the defined benefit pension scheme of £878k; and
- industrial action costs 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 2019 resulted in a gain of £579k (2018: £4,027k).

Strategic report (continued)

Dividend
No dividend was paid or declared in the year ended 31 December 2019 (2018: £95,330k).

Pension scheme
At 31 December 2019, AGS Airports Limited's defined benefit pension scheme had a surplus of £1,814k (2018: £2,336k) as measured under IAS 19 Employee Benefits ("IAS 19"). The Company's share of this surplus amounts to £606k (2018: £780k). 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
During the year ended 31 December 2019 Aberdeen International Airport invested £10.4million (2018: £7.6million). Major projects included investment in hold baggage screening ("HBS") standard 3 equipment to replace the current infrastructure with the latest technology, taxiway rehabilitation works, which involved the rebuilding of our main aircraft taxiway leading to the main runway and the completion of phase 3 of the terminal transformation project.

The airport also invested in a Digital Twin innovation project. This being a virtual asset that allows our operational teams to have a holistic view of the entire operation to enable effective decision making. This was externally funded through European Institute of Innovation and Technology (EIT) with a minor contribution from the airport.

Service standards
The Company continues to focus on delivering consistently high service standards across its airport, a key strategic priority.

Punctuality levels (as measured by the proportion of aircraft departing within 15 minutes of schedule) increased by 2.4% to 89.6% (2018: 87.2%).

Aberdeen Airport participates in the Airport Council International's Airport Service Quality benchmarking survey which includes over 90 European airports and hundreds worldwide. Aberdeen Airport saw its average overall passenger satisfaction scores in the quarterly Airport Service Quality ('ASQ') survey increase to 3.98 out of 5 (2018: 3.86). There has been a significant increase in the following categories versus 2018:-

- Availability of washrooms/toilets
- Restaurant/eating facilities
- Shopping facilities
- Cleanliness of washrooms/toilets
- Overall Satisfaction Other + Leisure

Other strong scores versus 2018:-

- Internet access/Wi-Fi
- Availability of baggage carts/trolleys
- Ambience of the airport
- Waiting time at security inspection
- Passport/ID inspection
- Feeling of being safe and secure
- Cleanliness of airport terminal

The positive development in scores reflects the changes made through the terminal transformation project and the focus areas from the ASQ results. Scores relating to staff also continued to perform strongly.

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 revenue as a result of the Coronavirus (COVID-19) pandemic and the administration of Flybe.

The directors have instituted different measures to preserve cash and secure additional finance. Measures have included, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts and bonus pay-out cessation for all staff, 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.

The Company finances its activities through funds generated from operations and has access to inter group funding (within the AGS Airports Holdings Group) and external debt facilities. The facilities are due for renewal in 2022 and include covenants, a breach of which would result in the amounts drawn becoming payable on demand. The Group has successfully negotiated with its lenders to waive these covenants, due to the current situation, at both 30 June 2020 and

Strategic report (continued)

31 December 2020. Additionally, on 16 March and 18 March 2020 the Group secured further funding of £10m and £28m under its working capital and capital expenditure facilities respectively. This therefore leaves the Group with an unused capital expenditure facility of £36m.
The directors have prepared base cashflow forecasts for the remainder of 2020 and through to June 2021, which assumes a phased passenger recovery when the travel restrictions are eased, anticipated towards the beginning of the second half of 2020. 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 three material uncertainties.

These are:

1. Forecast uncertainty around timing of lockdown ending, pace of recovery, and ultimately uncertainty to what passenger numbers will return to compared to historic levels
2. Under a reasonable downside scenario the Group will require additional funding from the options available to management of which an example is the support schemes put in place by the government as a response to the pandemic
3. Ability to either comply with or obtain a waiver in respect to the June 2021 lending covenants currently in place. The waiver secured for December 2020 has conditions attached to it and management are reasonably confident that these will be satisfied.

The outlook for 2021 continues to be uncertain and highly dependent on the scale and pace of the recovery in trading in 2020. The Group has a further covenant test at June 2021 and has several options around addressing covenant compliance under a scenario where trading continues to be impacted by the effects of COVID-19 on the aviation sector. These include further operating cost initiatives and, if required, negotiating a further waiver for this period from the Group's lenders, on a similar basis to those secured for 2020.

The directors have also prepared a downside scenario forecast, which considers the impact of a possible downside relating to the timing and volume of passenger demand, and how this would impact on the Company's revenue and costs going forward. The directors have considered several options which are available to them to mitigate the impact of the downside scenario should it arise. These include securing finance under the available Bank of England Coronavirus Schemes, if available. Although possible, the downside scenario is not currently considered likely, however, it is difficult to predict the overall outcome and impact of the Coronavirus at this stage.

The directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its available liquidity and other options available to it in respect of additional funding such as the support schemes which the government has made available to companies in light of the Covid-19 pandemic. Accordingly, they 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 Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 over 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 2019 the principal decisions included investment in airport facilities. 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.

Strategic report (continued)

Business relationships

Airline and passenger service and safety 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 start audits in 2018, Aberdeen was awarded the "Sword of Honour" from the British Safety Council in 2019. Further details regarding service standards and 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. 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 airport is subject to regulations from the Civil Aviation Authority ("CAA"), Department for Transport ("DfT"), and the European Aviation Safety Agency ("EASA") and has staff dedicated ensuring full compliance with regulatory requirements, to establish a sound relationship with the regulator and to advise the Executive Committee and Board on regulatory matters.

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 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 our region to thrive.

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 it responsibilities to its various stakeholders.

Company's member activity

The Company's parent and ultimate parent relationships are disclosed in note 9.

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.

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 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 Managing Director and consists of heads of departments. 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.

The operation of the risk management process, including the individual risk registers, is subject to periodic review through the use of Internal Standards. The Company is currently certificated to ISOs 14001; 55001 and OHSAS 18001. The 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.

The principal corporate and reputational risks as identified by the Executive Committee 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 remains safe. Aberdeen Airport is certificated to the asset management standard, ISO 55001.

Governance, led by the Managing Responsibly Governance Group (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 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

Civil Aviation Authority ("CAA"), Department for Transport ("DfT") and European Aviation Safety Agency ("EASA") regulations

The Company's operations are currently subject to regulation by the EASA. The EASA regulations are overseen in the UK 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. The DfT oversees aviation security policy; whilst EASA sets the common standards for European 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 a sound relationship with the regulator and advise the Executive Committee and Board on regulatory matters.

Strategic report (continued)

Principal risks and uncertainties and risk management (continued)

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 to operate and to grow. Aberdeen Airport is certificated to ISO 14001, environmental management standard. The Company has a dedicated Sustainability Assurance 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 Company standards. In addition, the Company has commenced work on a new carbon management plan to enable the setting of an ambitious target to become carbon neutral. An independently audited carbon footprint report is published annually covering all areas of environmental performance. The Company is looking to gain 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.

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 & 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 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.

Coronavirus (COVID-19)
The outbreak and continued spread of the Coronavirus (COVID-19) is having 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 the Coronavirus (COVID-19), causing airlines to cancel flights and take measures to avoid financial failure.

The directors have instituted measures to preserve cash and secure additional finance, but there remains uncertainty over the Group's future trading results and cashflows. Measures have included employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts and bonus pay-out cessation for all staff, options for unpaid leave and reduced hours. Additionally, the Group is negotiating with suppliers, local councils and tax authorities to reduce or defer costs and the Group has reprioritised its capital investment program

The uncertainty and future impact of the Coronavirus (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 19 to 20.

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
Higher oil prices and lower fares have resulted in EU airline failures and other airlines to seek buyers or refinancing. Other 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.

Strategic report (continued)

Principal risks and uncertainties and risk management (continued)

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. Notwithstanding, Aberdeen Airport suffered a series of strikes in 2019. These were mitigated through robust contingency planning to ensure continuing operations throughout the periods of strike.

UK withdrawal from the EU
While the delays in reaching an exit agreement had the effect of increasing uncertainty for UK businesses, the aviation industry is well positioned as a result of the aviation agreements reached thus far. These agreements ensure that in a no deal scenario, airlines will be able to continue to fly between the EU and the UK. The Group therefore anticipates that there will be minimal impact on flights if the UK departs the EU without a deal on 31 December 2020.

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, the approval of funding 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 (2018: £793million) and shareholder loans totalling £183million (2018: £180million). The Group is cash positive after capital expenditure and interest on external debt. As at 31 December 2019, cash and cash equivalents were £24million (2018: £18million) and undrawn headroom under bank credit facilities was £74million (2018: £86million).

Covenants are standardised wherever possible and are monitored on an on-going 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

DocuSigned by:
Derek Provan
59DB005E2EE94D0...
Derek Provan
Director

23 June 2020

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 2019.

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 profit after taxation for the financial year amounted to £14,762k (2018: £19,947k). No dividends were proposed or paid during the year (2018: £95,330k). The statutory results are set out on page 15.

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)
John Bruen
Simon Geere
Derek Provan
Steve Szalay (appointed 28 March 2019) (resigned 1 June 2020)
Gonzalo Velasco Zabalza
Ignacio Castejon Hernandez (appointed 26 March 2020)

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.

Business relationships
Details of the Company's business relationship management and maintenance can be found on pages 5 to 6 in the section 172(1) disclosures within the Strategic report.

Political donations
No political donations have been made in the year (2018: £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. 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.

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 two significant non-adjusting post balance sheet events, which have impacted the Company Firstly, on 5 March 2020 Flybe entered administration, and secondly there has been the impact of the ongoing spread of the Coronavirus (COVID-19) pandemic. Whilst it is not possible to assess all possible future implications for the Group as a result of these events, the directors have made assessments based on a number of likely scenarios, and anticipate that the impact of Flybe's administration and COVID-19 will have a significant adverse EBITDA impact in 2020.

The directors have instituted different measures to preserve cash and secure additional finance. Measures have included employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts and bonus pay-out cessation for all staff, options for unpaid leave and reduced hours. Additionally, the Group has successfully negotiated with suppliers, local councils and tax authorities to reduce or defer costs and the Group has reprioritised its capital investment program.

AGS Airports Holdings Limited Group expects to breach its borrowing covenants at both 30 June 2020 and 31 December 2020, and has therefore negotiated a waiver from its lenders. This along with other matters are explained further in the Going Concern section of the Company's Accounting policies on page 19 to 20, and indicates the existence of a material uncertainty.

Additionally the directors anticipate, based on Flybe's administration and an estimated scenario that the virus subsides towards the beginning of the second half of 2020 there could be a revaluation loss recognised against investment properties.

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

DocuSigned by:
Derek Provan
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Derek Provan
Director

23 June 2020

Company registration number: SC096622

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.

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 2019 and of its profit 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 balance sheet;
- the statement of changes in equity;
- the statement of 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
The company finances its activities through funds generated from operations and has access to inter group funding through its parent company, AGS Airports Holdings Limited. We draw attention to the accounting policy note in the financial statements, which indicates that as a result of COVID-19 there is forecasting uncertainty in relation to the nature and extent of travel restrictions for both the airports and the source markets the group flies to, the length of lock down, the passenger number recovery rate and the level to which they will rise, uncertainty in relation to the ability of the company's parent to secure additional funding in its downside scenario forecast and uncertainty over the ability of company's parent to obtain a waiver for any potential breach of the June 2021 bank covenants. 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.

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.

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

We have nothing to report in respect of these matters.

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.

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. This description forms part of our auditor's report.

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

Alistair Pritchard FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, UK
24 June 2020

Aberdeen International Airport Limited

Profit and loss account for the year ended 31 December 2019

		Year ended 31 December 2019			Year ended 31 December 2018		
		Before certain re-measurements	**Certain re-measurements[1]**	**Total**	Before certain re-measurements	Certain re-measurements	Total
	Note	**£000**	**£000**	**£000**	£000	£000	£000
Turnover	*1*	**56,515**	**-**	**56,515**	55,941	-	55,941
Operating costs	*2/3*						
Recurring		**(40,800)**	**-**	**(40,800)**	(40,346)	-	(40,346)
Non-recurring		**(67)**	**-**	**(67)**	-	-	-
Total operating costs		**(40,867)**	**-**	**(40,867)**	(40,346)	-	(40,346)
Fair value gain on investment properties	*7*	**-**	**579**	**579**	-	4,027	4,027
Operating profit		**15,648**	**579**	**16,227**	15,595	4,027	19,622
Analysed as: Operating profit before non-recurring items		**15,715**	**579**	**16,294**	15,595	4,027	19,622
Non-recurring items	*3*	**(67)**	**-**	**(67)**	-	-	-
Financing							
Interest receivable and similar income	*4*	**3,337**	**-**	**3,337**	5,944	-	5,944
Interest payable and similar charges	*4*	**(1,236)**	**-**	**(1,236)**	(1,177)	-	(1,177)
Profit before tax		**17,749**	**579**	18,328	20,362	4,027	24,389
Taxation charge	*5*	**(3,482)**	**(84)**	**(3,566)**	(3,844)	(598)	(4,442)
Profit for the year	*16*	**14,267**	**495**	**14,762**	16,518	3,429	19,947

The notes on pages 19 to 37 form an integral part of these financial statements.

1 Certain re-measurements defined on page 21

Aberdeen International Airport Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	**Year ended 31 December 2019 £000**	Year ended 31 December 2018 £000
Profit for the year	*16*	**14,762**	**19,947**
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
Return on pension plan assets excluding interest income	*17*	**4,155**	**5,341**
Actuarial movements on defined benefit pension plan	*17*	**(4,401)**	**(3,404)**
Deferred tax on defined benefit pensions	*12*	**42**	**(329)**
Other comprehensive (loss)/income for the year net of tax		**(204)**	**1,608**
Total comprehensive income for the year		**14,558**	**21,555**

The notes on pages 19 to 37 form an integral part of these financial statements.

Aberdeen International Airport Limited

Statement of financial position for the year ended 31 December 2019

	Note	**31 December 2019 £000**	31 December 2018 £000
Assets			
Fixed assets			
Property, plant and equipment	*6*	**83,550**	**78,950**
Investment properties	*7*	**116,006**	**115,384**
Pension asset	*17*	**1,474**	**780**
		201,030	**195,114**
Current assets			
Stocks	*8*	**332**	**301**
Debtors due within one year	*9*	**25,455**	**15,442**
		25,787	**15,743**
Total assets		**226,817**	**210,857**
Liabilities			
Creditors: Amounts falling due after more than one year			
Deferred tax liabilities	*12*	**18,820**	**18,727**
		18,820	**18,727**
Creditors: Amounts falling due within one year			
Bank overdraft	*10*	**1**	**-**
Borrowings	*11*	**-**	**4,514**
Trade and other payables	*13*	**33,348**	**27,526**
		33,349	**32,040**
Net current liabilities		**(7,561)**	**(16,297)**
Total assets less current liabilities		**193,468**	**178,817**
Total liabilities		**52,169**	**50,767**
Net assets		**174,648**	**160,090**
EQUITY			
Capital and reserves			
Called up share capital	*14*	**12,000**	**12,000**
Revaluation reserve	*15*	**85,778**	**85,778**
Profit and loss account	*16*	**76,870**	**62,312**
Total shareholders' funds		**174,648**	**160,090**

The notes on pages 19 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 23 June 2020. Signed on behalf of the Board by:

DocuSigned by:
Derek Provan
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Derek Provan
Director

23 June 2020

Aberdeen International Airport Limited

Statement of changes in equity for the year ended 31 December 2019

	Attributable to the owner of the Company			
	Share capital £000	**Revaluation reserve[1] £000**	**Profit and loss account £000**	**Total £000**
Balance at 1 January 2018	**12,000**	**85,778**	**136,087**	**233,865**
Comprehensive income:				
Profit for the year	-	-	19,947	19,947
Other comprehensive income	-	-	1,608	1,608
Total comprehensive income	**-**	**-**	**21,555**	**21,555**
Transactions with owner:				
Dividends paid	-	-	(95,330)	(95,330)
Balance at 1 January 2019	**12,000**	**85,778**	**62,312**	**160,090**
Comprehensive income:				
Profit for the year	-	-	14,762	14,762
Other comprehensive loss	-	-	(204)	(204)
Total comprehensive income	**-**	**-**	**14,558**	**14,558**
Balance at 31 December 2019	**12,000**	**85,778**	**76,870**	**174,648**

[1] 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 19 to 37 form an integral part of these financial statements.

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. 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 1.38 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 disposals; 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 revenue as a result of the Coronavirus (COVID-19) pandemic and the administration of Flybe.

The directors have instituted different measures to preserve cash and secure additional finance. Measures have included, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts and bonus pay-out cessation for all staff, 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.

The Company finances its activities through funds generated from operations and has access to inter group funding (within the AGS Airports Holdings Group) and external debt facilities. The facilities are due for renewal in 2022 and include covenants, a breach of which would result in the amounts drawn becoming payable on demand. The Group has 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 £10m and £28m under its working capital and capital expenditure facilities respectively. This therefore leaves the Group with an unused capital expenditure facility of £36m.

Aberdeen International Airport Limited

Accounting policies for the year ended 31 December 2019 (continued)

Going concern (continued)
The directors have prepared base cashflow forecasts for the remainder of 2020 and through to June 2021, which assumes a phased passenger recovery when the travel restrictions are eased, anticipated towards the beginning of the second half of 2020. 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 three material uncertainties.
These are:

1. Forecast uncertainty around timing of lockdown ending, pace of recovery, and ultimately uncertainty to what passenger numbers will return to compared to historic levels
2. Under a reasonable downside scenario the Group will require additional funding from the options available to management of which an example is the support schemes put in place by the government as a response to the pandemic
3. Ability to either comply with or obtain a waiver in respect to the June 2021 lending covenants currently in place. The waiver secured for December 2020 has conditions attached to it and management are reasonably confident that these will be satisfied.

The outlook for 2021 continues to be uncertain and highly dependent on the scale and pace of the recovery in trading in 2020. The Group has a further covenant test at June 2021 and has several options around addressing covenant compliance under a scenario where trading continues to be impacted by the effects of COVID-19 on the aviation sector. These include further operating cost initiatives and, if required, negotiating a further waiver for this period from the Group's lenders, on a similar basis to those secured for 2020.

The directors have also prepared a downside scenario forecast, which considers the impact of a possible downside relating to the timing and volume of passenger demand, and how this would impact on the Company's revenue and costs going forward. The directors have considered several options which are available to them to mitigate the impact of the downside scenario should it arise. These include securing finance under the available Bank of England Coronavirus Schemes, if available. Although possible, the downside scenario is not currently considered likely, however, it is difficult to predict the overall outcome and impact of the Coronavirus at this stage.

The directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its available liquidity and other options available to it in respect of additional funding such as the support schemes which the government has made available to companies in light of the Covid-19 pandemic. Accordingly, they 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 Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Adoption of new and revised IFRSs
Adoption of IFRS 16
IFRS 16 replaces the existing standard, IAS 17 Leases ("IAS 17"), and related interpretations on accounting for leases, effective from 1 January 2019. The Company adopted this standard using the modified retrospective transition approach, which resulted in a right-of-use asset equal to the lease liability for leases existing at, or entered into after 1 January 2019 which were previously accounted for as operating leases under IAS 17 (subject to short-term and low-value asset practical expedients). Comparative amounts have not been restated and there was no resultant cumulative effect adjustment arising on adoption of the standard. Under IFRS 16, a liability of £69k has been recognised with an associated right-of-use asset of £69k (note [6]). The table below provides a reconciliation between the operating lease commitment disclosed at 31 December 2018 and the liability recognised under IFRS 16:

	£000
Operating lease commitment disclosed at 31 December 2018	72
Short-term leases recognised on a straight line as an expense	(2)
Discounting impact	(1)
1 January 2019 – liability recognised on conversion to IFRS 16	**69**

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

- Plan Amendments, Curtailments or Settlement – Amendments to IAS 19. The amendment clarified that after a plan event, a company should use updated assumptions to measure current service costs and net interest for the remainder of the reporting year after the plan event. Following the closure of the defined benefit scheme the Company has amended its assumptions to reflect the closure; and
- IFRIC 23 Uncertainty Over Income Tax Treatments.

Accounting policies for the year ended 31 December 2019 (continued)

The following amendments are not applicable to the Company:
- Prepayment Features with Negative Compensation- Amendments to IFRS 9;
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28; and
- Annual Improvements to IFRSs – 2015-2017 Cycle.

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 revenue.

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.

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. 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 7.

Operating profit
Operating profit 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.

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:

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 travellators	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	
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.

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

Policy applicable from 1 January 2019

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 reasonable 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.

Policy applicable before 1 January 2019

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 of the risk 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 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.

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.

Pension costs
Defined benefit 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 total recognised gains and losses, 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. This has resulted in a past service credit of £878k being recorded in the profit and loss account. The members of the scheme were thereafter entitled to participate in the company's defined contribution scheme, details of which are noted below. 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 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.

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.

Accounting policies for the year ended 31 December 2019 (continued)

Critical accounting judgements and key sources of estimation uncertainty for the year ended 31 December 2019

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 19 to 20, indicates that due to the unprecedented nature of the current situation regarding the future impact on the Company from the Coronavirus (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. Approximately 36% of the investment properties comprise airport car parks and airside assets that are considered less vulnerable than the other investment properties to market volatility. Further details are available in note 7.

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 2019

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 2019 £000	Year ended 31 December 2018 £000
Turnover	**56,515**	**55,941**
Other operating income		
Interest receivable and similar income (note 4)	**3,337**	**5,944**
Total revenue	**59,852**	**61,885**

2 Operating costs

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Operating costs (including non-recurring items) include the following:		
Employment costs		
Wages and salaries	**9,078**	9,275
Social security		
Recurring	**953**	975
Non-recurring (note 3)	**35**	-
Pensions		
Recurring	**1,435**	1,367
Non-recurring (note 3)	**(401)**	-
Other staff related costs	**306**	336
Employment costs	**11,406**	11,953
Depreciation of property, plant and equipment	**5,832**	5,884
Loss on disposal of fixed assets	**-**	11
Other operating costs		
Recurring	**23,196**	22,498
Non-recurring (note 3)	**433**	-
Total operating costs	**40,867**	40,346
Analysed as:		
Adjusted operating costs	**34,968**	34,462
Depreciation	**5,832**	5,884
Non-recurring items (note 3)	**67**	-
Total operating costs	**40,867**	40,346

Within operating costs the Company recognised an expense of £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 2019, the fees payable to the Company's auditor for the audit of the Company's annual accounts was £28k (2018: £28k). No non-audit fees payable to the Company's auditor were incurred in 2019 (2018: £nil).

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2019

2 Operating costs (continued)

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

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
Office and management	31	33
Airside, security and operations	189	213
Retail and commercial	6	8
	226	254

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 2019 £000	Year ended 31 December 2018 £000
Director's and highest paid director's remuneration		
Aggregate emoluments	**98**	162
Amounts receivable under long-term incentive plans	**7**	-
Payments for loss of office	**-**	174
Value of contributions to a defined contribution pension scheme	**-**	4
	105	340

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
Number of directors who:		
are members of a defined contribution pension scheme	**-**	1

3 Non-recurring items

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Pensions		
Closure costs (including social security)	**512**	-
Past service credit	**(878)**	-
Other pension costs	**20**	-
Other	**413**	-
	67	-

The AGS Airports Limited's defined benefit Scheme closed to future accrual from 30 June 2019. The costs associated with the closure, including related taxation, were £512k. Additionally, on closure a past service credit of £878k was recognised relating to members becoming deferred members and therefore their accrued benefits no longer being linked to future salary changes. Other pension costs of £20k relate to the Company's share of advisors fees incurred in relation to the closure of the defined benefit pension scheme.

Other non-recurring costs related to industrial action costs.

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2019

4 Interest

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Interest receivable and similar income		
AGS pension scheme	**1,262**	1,148
Interest receivable from group undertakings[1]	**2,075**	4,796
Total interest receivable and similar charges	**3,337**	5,944
Interest payable and similar charges		
AGS pension scheme	**(1,234)**	(1,175)
Interest on leases	**(2)**	(2)
Total interest payable and similar charges	**(1,236)**	(1,177)

1 These amounts relate to interest accrued on balances owed by Group undertakings (note 9).

5 Taxation

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Current tax		
Current year tax payable	**3,455**	3,892
Adjustments in respect of prior years	**(24)**	(191)
Total current tax charge	**3,431**	3,701
Deferred tax		
Current year	**144**	814
Adjustments in respect of prior years	**5**	(18)
Change in tax rate - impact on deferred tax balances	**(14)**	(55)
Total deferred tax charge	**135**	741
Taxation charge for the year	**3,566**	4,442

The tax charge on the Company's 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 2019 £000	Year ended 31 December 2018 £000
Profit before tax	**18,328**	24,389
Reconciliation of the tax charge		
Tax calculated at the UK statutory rate of 19.00% (2018: 19.00%)	**3,482**	4,634
Adjustments in respect of current income tax of previous years	**(24)**	(191)
Adjustments in respect of deferred tax of previous years	**5**	(18)
Change in tax rate - impact on deferred tax balances	**(14)**	(55)
Permanent differences	**117**	72
Taxation charge for the year	**3,566**	4,442

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2019

6 Property, plant and equipment

	31 December 2019 £000	31 December 2018 £000
Property, plant and equipment	**83,527**	78,950
Right-of-use assets	**23**	-
Total property, plant and equipment	**83,550**	78,950

Property, plant and equipment

	Terminal complexes £000	Airfields £000	Plant and equipment £000	Other land and buildings £000	Assets in the course of construction £000	Total £000
Cost						
At 1 January 2019	**70,106**	**54,249**	**19,617**	**4,690**	**3,130**	**151,792**
Additions	-	-	-	-	10,406	10,406
Transfer to completed assets	3,700	3,693	337	15	(7,745)	-
Transfer to investment properties (note 7)	-	-	-	-	(43)	(43)
Disposals	-	-	(719)	-	-	(719)
At 31 December 2019	**73,806**	**57,942**	**19,235**	**4,705**	**5,748**	**161,436**
Depreciation						
At 1 January 2019	**(29,861)**	**(26,196)**	**(15,035)**	**(1,750)**	**-**	**(72,842)**
Charge for the year	(2,243)	(2,311)	(1,074)	(158)	-	(5,786)
Disposals	-	-	719	-	-	719
At 31 December 2019	**(32,104)**	**(28,507)**	**(15,390)**	**(1,908)**	**-**	**(77,909)**
Net book value at 31 December 2019	**41,702**	**29,435**	**3,845**	**2,797**	**5,748**	**83,527**
Net book value at 31 December 2018	40,245	28,053	4,582	2,940	3,130	78,950

Assets in the course of construction

Assets in the course of construction comprise capital expenditure on on-going developments under the Company's capital investment programme. Projects in progress at 31 December 2019 at Aberdeen International Airport include the terminal transformation (awaiting final close out) and HBS standard 3 equipment.

Borrowing costs capitalised

£59k (2018: £45k) has been capitalised in the year at an average capitalisation rate of 2.43% (2018: 2.21%) based on a weighted average cost of borrowings.

Right-of-use assets

	Other land and buildings £000
Cost	
On adoption of IFRS 16 and at 31 December 2019	69
Depreciation	
Charge for the year	(46)
At 31 December 2019	**(46)**
Net book value at 31 December 2019	**23**
Net book value at 31 December 2018	-

Right-of-use asset

The Company adopted IFRS 16 using the modified retrospective transition approach, which resulted in a right-of-use asset equal to the lease liability for leases existing at, or entered into after 1 January 2019 which were previously accounted for as operating leases under IAS 17 (subject to short-term and low-value asset practical expedients). Comparative amounts have not been restated and there was no resultant cumulative effect adjustment arising on adoption of the standard. Under IFRS 16, a liability of £69k has been recognised for each lease with an associated right-of-use asset of £69k.

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2019

7 Investment properties

	Investment properties £000
Fair value	
At 1 January 2019	**115,384**
Transfers from property, plant and equipment (note 6)	43
Valuation gain	579
At 31 December 2019	**116,006**

Investment properties were valued at fair value at 31 December 2019 by CBRE Limited, Chartered Surveyors. Investment properties include £111k (2018: £111k) of assets acquired under a lease.

Details of valuations performed are provided below:

	31 December 2019 £000	31 December 2018 £000
CBRE Limited	**116,006**	**115,384**

Investment properties, which are all freehold, were valued to fair value at 31 December 2019 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.

The Investment Property portfolio includes Car Parks (for passengers and employees) and airside assets, which together account for 36% (2018: 37%) of the fair value of the investment property portfolio at 31 December 2019. The valuation of Maintenance Hangers is largely based on long term contractual terms.

Increase/(decrease) in asset valuation	
Car parks – Base revenue	
+10% pa	£4m
-10% pa	£(4)m
Car parks – Revenue growth	
+1.0% pa	£420k
-1.0% pa	£(420)k
Car parks – Operating costs growth	
+1.0% pa	£(90)k
-1.0% pa	£90k

The sensitivities 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 Company has historically had a low level of void properties. The property rental income earned by the Company from its investment property, amounted to £4.2 million (2018: £4.1 million). 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.

8 Stocks

	31 December 2019 £000	31 December 2018 £000
Consumables	**332**	301

The total amount of stock consumed in the year relating to continuing operations was £523k (2018: £661k).
There is no material difference between the statement of financial position value of stocks and their replacement cost.

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2019

9 Debtors

	31 December 2019 £000	31 December 2018 £000
Due within one year		
Trade receivables	**6,050**	5,622
Less: allowance for doubtful debts	**(57)**	(20)
Trade receivables – net	**5,993**	5,602
Amounts owed by group undertakings - interest bearing[1]	**19,130**	9,507
Prepayments	**332**	333
	25,455	15,442

[1] 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 2019, the balance accrues interest at a rate of 7% per annum (2018: 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.

10 Bank overdraft

	31 December 2019 £000	31 December 2018 £000
Bank overdraft	**1**	-

Cash at bank earns interest at floating rates based on daily bank deposit rates and is subject to interest rate risk.

11 Borrowings

	31 December 2019 £000	31 December 2018 £000
Current		
Amounts owed to group undertakings	**-**	4,514

12 Deferred tax liabilities

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

	31 December 2019 £000	31 December 2018 £000
1 January	**18,727**	17,657
Charged to profit and loss account	**149**	796
Credited to profit and loss account – change in tax rate	**(14)**	(55)
Tax charged to SOCI		
(Credited)/charged to SOCI - defined benefit pensions	**(42)**	329
31 December	**18,820**	18,727

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
1 January 2018	**12,213**	**6,176**	**(732)**	**17,657**
Charged to profit and loss account	598	85	58	741
Charged to SOCI	-	-	329	329
1 January 2019	**12,811**	**6,261**	**(345)**	**18,727**
Charged/(credited) to profit and loss account	**84**	**125**	**(74)**	**135**
Credited to SOCI	**-**	**-**	**(42)**	**(42)**
31 December 2019	**12,895**	**6,386**	**(461)**	**18,820**

Deferred tax (credited)/charged to SOCI during the year is as follows:

	31 December 2019 £000	31 December 2018 £000
Defined benefit pension scheme	**(42)**	329

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax liability as at 31 December has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £2,197k.

13 Trade and other payables

	31 December 2019 £000	31 December 2018 £000
Accruals	**3,609**	2,992
Deferred income	**1,529**	1,434
Trade payables	**1,210**	797
Other tax and social security	**208**	259
Other payables	**860**	898
Lease liabilities	**136**	113
Capital payables	**3,252**	2,561
Group tax relief payables	**13,791**	10,338
Corporation tax payable	**8,753**	8,134
	33,348	27,526

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

14 Share capital

	31 December 2019 £000	31 December 2018 £000
Allocated, called-up and fully-paid	**12,000**	12,000

12,000,002 (2018: 12,000,002) ordinary shares of £1 each.

15 Revaluation reserve

	31 December 2019 £000	31 December 2018 £000
31 December	**85,778**	85,778

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.

16 Profit and loss account

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
1 January	**62,312**	136,087
Profit for the year	**14,762**	19,947
Return on plan assets excluding interest income	**4,155**	5,341
Actuarial gains and losses on defined benefit pension scheme	**(4,401)**	(3,404)
Deferred tax on pension scheme	**42**	(329)
Dividends paid	**-**	(95,330)
31 December	**76,870**	62,312

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 will be 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, KPMG LLP, 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 2019 £000	31 December 2018 £000
Defined benefit obligation	**(47,677)**	(43,970)
Fair value of plan assets	**49,151**	44,750
Net asset for defined benefit obligations (see following table)	**1,474**	780

17 Employee benefits (continued)

Movements in net defined benefit asset/(liability)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset/(liability)	
	31 December 2019 £000	31 December 2018 £000	**31 December 2019 £000**	31 December 2018 £000	**31 December 2019 £000**	31 December 2018 £000
Balance at 1 January	**(43,970)**	(43,787)	**44,750**	42,542	**780**	(1,245)
Current service cost	**(269)**	(537)	**-**	-	**(269)**	(537)
Past service credit	**878**	240	**-**	-	**878**	240
Interest (cost)/income	**(1,234)**	(1,175)	**1,262**	1,148	**28**	(27)
Scheme administration expenses	**-**	-	**(10)**	(9)	**(10)**	(9)
Included in SOCI						
Actuarial loss	**(4,401)**	(3,404)	**-**	-	**(4,401)**	(3,404)
Return on plan assets excluding interest income	**-**	-	**4,155**	5,341	**4,155**	5,341
Other						
Employee contributions	**-**	(1)	**-**	1	**-**	-
Employer contributions	**-**	-	**313**	421	**313**	421
Benefits paid out	**1,319**	4,694	**(1,319)**	(4,694)	**-**	-
Balance at 31 December	**(47,677)**	(43,970)	**49,151**	44,750	**1,474**	780

Fair value of plan assets

	31 December 2019 £000	31 December 2018 £000
Property	**2,974**	2,801
Bonds	**5,698**	5,607
Cash	**789**	97
Liability Driven Investment	**22,380**	20,745
Diversified growth funds	**9,657**	9,233
Direct lending	**7,653**	6,267
Total	**49,151**	44,750

All plan assets (excluding Direct Lending) have market quoted prices. The return on plan assets was 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 2019 %	31 December 2018 %
Discount rate at 31 December	2.05	2.85
Future salary increases (before 1 September 2016)	-	2.25
Future salary increases (after 1 September 2016)	-	2.00
RPI inflation	2.95	3.20
Pension increases in payment	2.90	3.05

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Notes to the financial statements for the year ended 31 December 2019

17 Employee benefits (continued)

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), 28 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:

Impact on overall liabilities	Change in assumption	**31 December 2019 £000**	31 December 2018 £000
Discount rate	*by 1%*	**11,440**	10,550
Rate of inflation	*by 1%*	**9,150**	7,450
Life expectancy	*by 1 year*	**1,669**	1,055

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.

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 (2018: 24 years).

Defined contribution plan The Company operates a defined contribution pension plan for all employees who joined the Company (under the former ownership) after 15 June 2008. 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 £1,166k (2018: £1,070k).

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 amount to £900million (2018: £882million).

Non-cancellable lease commitments – Company as a lessor

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

	31 December 2019 Land and buildings £000	31 December 2018 Land and buildings £000
Within one year	**5,407**	5,117
Within two to five years	**16,628**	17,102
After five years	**26,379**	29,205
Total	**48,414**	51,424

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.

18 Commitments (continued)

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 £24k (2018: £2.5million).

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 2019, 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.

20 Events after the reporting date

Since the year end there have been two significant non-adjusting post balance sheet events, which have impacted the Company Firstly, on 5 March 2020 Flybe entered administration, and secondly there has been the impact of the ongoing spread of the Coronavirus (COVID-19) pandemic. Whilst it is not possible to assess all possible future implications for the Group as a result of these events, the directors have made assessments based on a number of likely scenarios, and anticipate that the impact of Flybe's administration and COVID-19 will have a significant adverse EBITDA impact in 2020.

The directors have instituted different measures to preserve cash and secure additional finance. Measures have included, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts and bonus pay-out cessation for all staff, options for unpaid leave and reduced hours. Additionally, the Group has successfully negotiated with suppliers, local councils and tax authorities to reduce or defer costs and the Group has reprioritised its capital investment program.

AGS Airports Holdings Limited Group expect to breach its borrowing covenants at both 30 June 2020 and 31 December 2020 and has therefore negotiated a waiver from its lenders. This along with other matters are explained further in the Going Concern section of the Company's Accounting policies on pages 19 to 20 indicates the existence of a material uncertainty.

Additionally the directors anticipate, based on Flybe's administration and an estimated scenario that the virus subsides towards the beginning of the second half of 2020 there could be a revaluation loss recognised against investment properties.