Aberdeen International Airport Limited
Annual report and financial statements for the year ended 31 December 2013

Company registration number: SC096622

Aberdeen International Airport Limited

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Aberdeen International Airport Limited

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Aberdeen International Airport Limited

Strategic report

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

The financial statements of the Company have been prepared in accordance with UK Generally Accepted Accounting Practice and Company Law. The accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

This strategic report is presented under three sections:
Management review – overview of the year ended 31 December 2013, along with the key factors likely to impact the Company in 2014.
Financial review – presentation and explanation of the key drivers behind the financial performance reported for the year ended 31 December 2013 and analysis of the financial position of the Company's as at that date. The Company's accounting and reporting policies and procedures are also considered.
Internal controls and risk management – outline of the Heathrow Airport Holdings Group's internal controls, approach to risk management, sources of assurance and highlights of the key business risks identified by the Heathrow Airport Holdings Group Executive Committee.

Management Review
Review of business and future developments
Key events occurring during the year and developments since the beginning of 2014 are detailed below.

Passenger traffic trends
Passenger traffic for the year ended 31 December 2013 is analysed below:

	Year ended 31 December 2013	Year ended 31 December 2012	Change[1] %
Passengers by market served (millions)			
UK	**2.5**	2.4	4.4
Europe	**1.0**	1.0	2.1
Total passengers	**3.5**	3.4	3.8

[1] These figures have been calculated using un-rounded passenger numbers.

In the year ended 31 December 2013, passenger traffic increased 3.8% to 3.5 million (2012: 3.4 million). The performance reflects 4.4% growth (equivalent to 106,000 passengers) in domestic traffic and 2.1% growth (20,000 passengers) in international traffic. Domestic traffic benefitted from a new route to Heathrow operated by Virgin Little Red, a full year of operation for the British Airways CityFlyer rotations to London City airport and an increase in oil & gas related charters. International growth was mainly driven by increased load factors on KLM and Lufthansa routes. The North Sea helicopter incident in August 2013 resulted in slight reduction in helicopter traffic as operations of the affected fleet were temporarily suspended pending investigation. However traffic has now returned to levels experienced prior to this incident.

Investment in airport facilities
For the year ended 31 December 2013, Aberdeen airport capitalised £4,363,000 (2012: £4,229,000) of costs. Major projects included rewiring of the airfield, purchase of snow and fire vehicles and an upgrade to LED lighting.

In December 2013, plans for a £13m terminal redevelopment were approved. The redevelopment, which is due to be complete by 2017, will include a larger lounge area, more retail opportunities, new reclaims belts for both domestic and international passengers, and a state-of-the-art new security search area.

Service standards
The Company continues to focus on delivering consistently high service standards across its airport, a key strategic priority. It also expects improving service standards to play a key part in driving cost efficiency.

Strategic report *continued*

Management review continued
Service standards continued
Punctuality levels (as measured by the proportion of aircraft departing within 15 minutes of schedule) decreased 1.3% to 87% (2012: 88.3%).

Aberdeen airport saw its average overall passenger satisfaction scores in the quarterly Airport Service Quality ('ASQ') survey decrease to 3.76 (2012: 3.93) caused partly by an ageing asset base and retail offerings not meeting passenger requirements. Many factors contributing to the reduction should be addressed by the terminal redevelopment programme. Action to improve other aspects of customer experience has already begun (for example, a new vestibule entrance, introduction of free wi-fi and increased number of check-in desks).

Aberdeen airport won the best airport for marketing support award at Routes Europe and was the first airport in the UK to gain Customer-First accreditation.

Developments since beginning of 2014
January and February 2014 traffic was up 9.8% and 6.5%, respectively, on the same periods in 2013. There was growth across the board with both the fixed-wing and helicopter operations reporting an increase: both due in part to unseasonal mild weather for the period.

Outlook
The Company's passenger traffic is expected to show steady growth in 2014, primarily through new scheduled Non-EU routes and holiday charters.

In 2013 the Company recognised income of £10,582,000 in relation to the provision of air navigation services. In the same period the Company incurred expenditure of £8,182,000, via its contract with NATS Ltd, who provides the air navigation services. It is the intent of management to reduce the Company's air navigation charges in future periods such that total income and total costs relating to air navigation service are equal over life the of the contract with NATS Ltd, which ends on 31st March 2018.

Strategic report *continued*

Financial Review
Introduction

The following financial review provides commentary on the performance of the Company during the year ended 31 December 2013.

	Year ended 31 December 2013 £'000	Restated[1] Year ended 31 December 2012 £'000
Turnover	**62,109**	57,342
Adjusted operating costs[2]	**(37,031)**	(37,137)
EBITDA - before exceptional items[3]	**25,078**	20,205
Exceptional items	**(3,282)**	(7,043)
EBITDA	**21,796**	13,162
Depreciation	**(5,050)**	(5,169)
Operating profit	**16,746**	7,993
Net interest receivable and similar income	**857**	996
Profit on ordinary activities before taxation	**17,603**	8,989
Tax charge on profit on ordinary activities	**(5,250)**	(2,877)
Profit on ordinary activities after taxation	**12,353**	6,112

[1] The presentation of adjusted operating costs (specifically pensions costs), for the year ended 31 December 2013, have been restated following a change in accounting policy as explained in the accounting policies note.

[2] Adjusted operating costs are stated before depreciation, amortisation and exceptional items.

[3] EBITDA before exceptional items is earnings before interest, tax, depreciation, amortisation and exceptional items.

Turnover

Turnover for the year ended 31 December 2013 increased 8.3% to £62,109,000 (2012: £57,342,000).

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000	Change %
Aeronautical income	**34,695**	32,839	5.7
Retail income	**12,885**	11,452	12.5
Other income[1]	**14,529**	13,051	11.3
Total turnover	**62,109**	57,342	8.3

[1] Other income includes operational facilities and utilities income, property rental income, check in/baggage rents and training course income.

Aeronautical income

Aeronautical income increased 5.7% to £34,695,000 (2012: £32,839,000). This was driven by a 3.8% increase in passenger volumes and a 1.8% increase in income per passenger. Average income per passenger in 2013 was £9.95 (2012: £9.77).

In 2013 the Company recognised income of £10,582,000 in relation to the provision of air navigation services.

In the same period the Company incurred expenditure of £8,182,000, via its contract with NATS Ltd, who provides the air navigation services. It is the intent of management to reduce the Company's air navigation charges in future periods such that total income and total costs relating to air navigation service are equal over life the of the contract with NATS Ltd, which ends on 31st March 2018.

Aeronautical income per passenger[1]		
Year ended 31 December 2013 £	Year ended 31 December 2012 £	Change %
9.95	9.77	1.8

[1] Figures calculated using un-rounded numbers.

Retail income

Gross retail income (including car parking) increased 12.5% to £12,885,000 (2012: £11,452,000) and NRI per passenger increased 8.7% to £4.00 (2012: £3.68). This increase was driven by strong performance from car rental, car parking and higher demand for advertising. There was no significant impact on retail sales at Aberdeen airport as a result of the introduction of new tobacco display legislation in Scotland.

Net retail income ('NRI') per passenger[1,2]		
Year ended 31 December 2013 £	Year ended 31 December 2012 £	Change %
4.00	3.68	8.7

[1] Figures calculated using un-rounded numbers.
[2] Excludes helicopter passengers of 0.5 million at Aberdeen airport that have no direct access to retail facilities.

Other income

Other income increased 11.3% to £14,529,000 (2012: £13,051,000). The result was due to improved property and facilities income, training courses, other transport charges, bus and coach and security services.

Adjusted operating costs – ordinary

Adjusted operating costs exclude depreciation and exceptional items to provide a more meaningful comparison of the Group's recurring expenditure year on year.

	Year ended 31 December 2013 £000	Restated[2] Year ended 31 December 2012 £000	Change %
Employment costs[1]	**14,265**	13,595	4.9
Maintenance expenditure	**4,550**	4,249	7.1
Utility costs	**2,190**	2,425	(9.7)
Rents and rates	**2,444**	1,964	24.4
General expenses	**12,631**	13,917	(9.2)
Retail expenditure	**974**	1,008	(3.4)
Disposal on fixed assets	**(23)**	(21)	9.5
Total adjusted operating costs	**37,031**	37,137	(0.3)

[1] Employment costs include recharges from Heathrow Airport Limited for employee services to the Company. Refer to the SSA in the Accounting policies.
[2] The presentation of pensions costs (within employment costs), for the year ended 31 December 2012, have been restated following a change in accounting policy as explained in the accounting policies note.

In the year ended 31 December 2013, ordinary operating costs decreased 0.3% to £37,031,000 (2012: £37,137,000). The main movements include a 4.9% increase in employment costs to £14,265,000 (2012: £13,595,000) and a 24.4% increase in rent and rates to £2,444,000 (2012: £1,964,000). This was offset by a 9.2% fall in general expenses to £12,631,000 (2012: £13,917,000).

Exceptional items

Exceptional operating costs of £3,282,000 (2012: £7,043,000) relate to a non-cash pension charge. This arose from the Company's share of the movement in the LHR Airports Limited defined benefit pension scheme, Unfunded Unapproved Retirement Benefit Scheme (UURBS) and Post-Retirement Medical Benefits pension (PRM) related liabilities.

Net interest receivable and similar charges

Net interest receivable has decreased 14.0% to £857,000 (2012: restated £996,000). This is as a result of a 59.4% fall in interest capitalised to £107,000 (2012: £266,000) due to the completion of major projects, and a 50% fall in net pensions finance income to £251,000 (2012: restated £500,000) offset by a 41.4% increase in interest receivable from group undertakings to £837,000 (2012: £592,000).

Taxation

The tax charge recognised for the year was £5,250,000 (2012: £2,877,000). Based on a profit before tax for the year of £17,603,000 (2012: £8,989,000), this results in an effective tax rate of 29.8% (2012: 32.0% effective tax rate).

The Finance Act 2013 enacted reductions in the main rate of UK corporation tax from 23.0% to 21.0% from 1 April 2014 and from 21% to 20% from 1 April 2015. As a result the Company's deferred tax balances which were previously provided at 23% have been re-measured at the rate of 20%. The deferred tax liability as at 31 December 2013 was £135,000 (2012: £64,000).

Dividend

No dividend was paid or declared in the year ended 31 December 2013 (2012: £nil).

Capital expenditure

During the year ended 31 December 2013, Aberdeen airport capitalised costs of £4,363,000 (2012: £4,229,000). Major projects include an airfield rewiring project, purchase of fire and snow vehicles, and upgrades to LED lighting.

Pension scheme
At 31 December 2013, LHR Airports Limited defined benefit pension scheme had a deficit of £92,785,000 as measured under FRS 17. The Company's share of this deficit amounts to £3,653,000 (2012: £3,561,000 deficit).

At 31 December 2013, LHR Airports Limited's UURBS and PRM schemes had a combined deficit of £28,608,000 (2012: deficit of £25,470.000) as measured under FRS17. The Company's share of this deficit amounts to £1,126,000 (2012: deficit of £878,000).

Internal controls and risk management
Internal control and risk management are centrally managed at the Heathrow Airport Holdings Limited level (the Heathrow Airport Holdings Group). The Executive Committee, Board, Audit Committee ('AC') and Heathrow Finance Committee referred to below relate to the Executive Committee, Board, AC and Heathrow Finance Committee of Heathrow Airport Holdings Limited.

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 Heathrow Airport Holdings 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 Heathrow Airport Holdings Group's internal control and risk management systems in relation to the financial reporting process include:
- a group-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;
- AC 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
    - significant areas of judgement;
- independent review of controls by the Internal Audit function, reporting to the AC; and
- a confidential whistleblowing process.

In addition, the AC:
- 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 Heathrow Airport Holdings Limited's executive directors; and
- reviews the scope, operations and reports of the Heathrow Airport Holdings Group'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 Heathrow Airport Holding Group's risk management process is used to facilitate the identification, evaluation and effective management of the threats to the achievement of the Heathrow Airport Holding Group's purpose, vision, objectives, goals and strategies. The vision of risk management is to embed the awareness of risk at all levels of the organisation, in such a way that day-to-day activities are managed effectively and all significant business decisions are risk-informed.

The risk management process is evidenced in risk registers which are used as the basis for regular review of risks and their management, up to Executive Committee level. The risk registers are also used to 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 and the individual risk registers are subject to periodic review by the Internal Audit function, whose primary responsibility is to provide independent assurance to the Board that the controls put in place by management to mitigate risks are working effectively.

Assurance is provided through the management reporting processes and reports to the AC including the Sustainability and Operational Risk Committee.

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.

Strategic report *continued*

Principal risks and uncertainties and risk management *continued*
Safety risks *continued*
The Company's Safety Management System includes risk assessment processes for all activities entailing significant risk and proportionate control measures employed to safeguard everyone impacted by the Company's business. The Company also operates robust asset management processes to ensure property and equipment remain safe. Governance, led by the Managing Responsibly Governance Group, 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 throughout the Heathrow Airport Holdings Group. The Company mitigates these risks by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in leading-edge security technology. The Company works closely with government agencies, including the police and Border Force building a framework to establish joint accountabilities for airport security and shared ownership of risk, thus ensuring security measures remain both flexible and proportionate to the prevailing threat environment.

Regulatory environment, legal and other reputational risks
Civil Aviation Authority ('CAA') regulation
The Company's operations are currently subject to regulation by the CAA. The CAA is concerned with air safety, airspace regulation, consumer protection and environmental research and consultancy. The CAA also advises the government on aviation issues and ensures that consumer interests are represented. Consequently the Company is exposed to the risk of changes in day to day operations resulting from regulatory guidelines issued by the CAA and mitigates this as far as possible. The airport is represented by dedicated Heathrow Airport Holdings Group staff that ensure full compliance with regulatory requirements, establish a sound relationship with the regulator and advise the Executive Committee and Board on regulatory matters.

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

Environmental risks
Environmental risk is managed throughout the Heathrow Airport Holdings Group as it has the potential to impact negatively upon the Heathrow Airport Holdings Group's reputation and jeopardise its licence to operate and to grow. The Company has a dedicated Environmental Manager whose remit covers noise, waste, air and water quality, and carbon emissions. This role ensures that Aberdeen airport's operations comply with legislative obligations and company standards. In addition, the Company has a defined CO_2 strategy which takes Aberdeen airport up until 2020 and links in with the Scottish Government's published policy. Strategies are being put in place to ensure full compliance with the Climate Change Act 2009. An independently audited corporate social responsibility report is published annually covering all areas of environmental performance.

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

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

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 Group is recognised. The Company has a range of formal national and local consultative bodies to discuss pay, employment conditions and business issues with the Trade Unions. The Company's pay agreement, which was reached in mid- 2013, established the pay structure for the remainder of 2013 and for 2014. The Company could also be exposed in the short-term to the effect of industrial action involving other key stakeholders in the aviation sector such as airlines, air traffic controllers, baggage handlers and Border Force.

Treasury
The Company's financial risk management objectives are aligned with its immediate parent company, Airport Holdings NDH1 Limited, which is the parent undertaking of the smallest group to consolidate these financial statements, the entity

Strategic report *continued*

Principal risks and uncertainties and risk management *continued*

Treasury continued

where external funds are borrowed and lent on to the Company and the level at which financial risks for the Company are managed. The treasury policies of the Airport Holdings NDH1 Limited group (the 'NDH1 Group') are in accordance with the wider Heathrow Airport Holdings Group and are set out below.

The Board 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 Heathrow Finance Committee. 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 Heathrow Airport Holdings Group's business operations and funding. To achieve this, the Heathrow Airport Holdings Group's enters into interest rate swaps, to protect against interest rate risks.

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

(a) Interest rates

The NDH1 Group maintains a mix of fixed and floating rate debt. As at 31 December 2013, fixed rate debt after hedging with derivatives represented 85% of the NDH1 Group's total external nominal debt.

(b) Funding and liquidity

The NDH1 Group is financed through term loan and revolving bank facilities totalling £342 million. The NDH1 Group is cash positive after capital expenditure and interest on external debt. As at 31 December 2013, cash and cash equivalents were £34 million (excluding £7 million in restricted cash) and undrawn headroom under bank credit facilities was £10 million.

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

(c) Counterparty credit

The NDH1 Group exposure to credit related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument.

The NDH1 Group maintains a prudent split of cash and cash equivalents across market counterparties in order to mitigate counterparty credit risk. Board approved investment policies and relevant debt facility agreements provide counterparty investment limits, based on short-term and long-term credit ratings. Investment activity is reviewed on a regular basis and no cash or cash equivalents are placed with counterparties with short-term credit ratings lower than A-2/F1. The NDH1 Group monitors the credit rating of derivative counterparties on a daily basis and ensures no positions are entered into with counterparties with a long-term credit rating below BBB+ (S&P)/A (Fitch).

On behalf of the Board

J O'Sull

Jim O'Sullivan
Director

29 May 2014

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 (the 'Company') for the year ended 31 December 2013.

In accordance with changes to the Companies Act 2006, the lay out of the Financial Statements for the year ended 31 December 2013 has been updated. The "Directors' report" has been replaced with "Strategic report and Directors' report" and the content of these reports have been set out in accordance with the changes introduced under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

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

Results and dividends
The profit after taxation for the financial year amounted to £12,353,000 (2012: £6,112,000). No dividends were proposed or paid during the year (2012: £nil). The statutory results for the year are set out on page 14.

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

Nicholas Barton	Resigned 21 August 2013
Jorge Lavin	Resigned 30 August 2013
Jim O'Sullivan	
Derek Provan	Resigned 5 March 2013
Jonathan Long	Appointed 2 September 2013
Carol Benzie	Appointed 1 October 2013

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

Supplier payment policy
The Company complies with the UK government's Better Payment Practice Code which states that responsible companies should:
- agree payment terms at the outset of a transaction and adhere to them;
- provide suppliers with clear guidance on payment procedures;
- pay bills in accordance with any contract agreed or as required by law; and
- advise suppliers without delay when invoices are contested and settle disputes quickly.

The Company had 7 days purchases outstanding at 31 December 2013 (2012: 10 days) based on the average daily amount invoiced by suppliers during the year.

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

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

Statement of disclosure of information to the Auditor
Each of the persons who is a director at the date of approval of this annual report confirms that:
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' report *continued*

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

On behalf of the Board

Jim O'Sullivan
Director

29 May 2014

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

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

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

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

On behalf of the Board

J O'Sullivan

Jim O'Sullivan
Director

29 May 2014

Aberdeen International Airport Limited

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

We have audited the financial statements of Aberdeen International Airport Limited for the year ended 31 December 2013 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Reconciliation of movements in shareholder's funds, the Balance sheet, the Accounting policies, the Significant accounting judgements and estimates and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

29 May 2014

Aberdeen International Airport Limited

Profit and loss account for the year ended 31 December 2013

	Note	**Year ended 31 December 2013 £'000**	Restated[1] Year ended 31 December 2012 £'000
Turnover	*1*	**62,109**	57,342
Operating costs – ordinary	*2*	**(42,081)**	(42,306)
Operating costs – exceptional	*3*	**(3,282)**	(7,043)
Total operating costs		**(45,363)**	(49,349)
Operating profit		**16,746**	7,993
Net interest receivable and similar income	*4*	**857**	996
Profit on ordinary activities before taxation		**17,603**	8,989
Tax charge on profit on ordinary activities	*5*	**(5,250)**	(2,877)
Profit on ordinary activities after taxation	*13*	**12,353**	6,112

[1] Comparative figures for the year ended 31 December 2012 have been restated following a change in accounting policy as explained in the accounting policies note.

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

Aberdeen International Airport Limited

Statement of total recognised gains and losses for the year ended 31 December 2013

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit for the financial year	*13*	**12,353**	6,112
Unrealised gain on revaluation of investment properties and land held for development	*6,13*	**18,335**	2,736
Total recognised gains and losses relating to the year		**30,688**	8,848

Reconciliation of movements in shareholder's funds for the year ended 31 December 2013

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit for the financial year	*13*	**12,353**	6,112
Unrealised gain on revaluation of investment properties and land held for development	*6,13*	**18,335**	2,736
Net movement in shareholder's funds		**30,688**	8,848
Opening shareholder's funds		**152,494**	143,646
Closing shareholder's funds		**183,182**	152,494

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

Aberdeen International Airport Limited

Balance sheet as at 31 December 2013

	Note	31 December 2013 £'000	31 December 2012 £'000
Fixed assets			
Tangible fixed assets	6	**166,899**	149,144
Total fixed assets		**166,899**	149,144
Current assets			
Stocks	7	**386**	434
Debtors: due within one year	8	**47,056**	32,060
Cash at bank		**292**	230
Total current assets		**47,734**	32,724
Current liabilities			
Creditors: amounts falling due within one year	9	**(14,454)**	(13,076)
Net current assets		**33,280**	19,648
Total assets less current liabilities		**200,179**	168,792
Creditors: amounts falling due after more than one year	10	**(12,012)**	(11,688)
Provisions for liabilities and charges	11	**(4,985)**	(4,610)
Net assets		**183,182**	152,494
Capital and reserves			
Called up share capital	12	**12,000**	12,000
Revaluation reserve	13	**85,778**	67,443
Profit and loss reserve	13	**85,404**	73,051
Total shareholder's funds		**183,182**	152,494

The financial statements of Aberdeen International Airport Limited (Company registration number: SC096622) were approved by the Board of Directors and authorised for issue on 29 May 2014. They were signed on its behalf by:

Jim O'Sullivan
Director

Carol Benzie
Director

Accounting policies for the year ended 31 December 2013

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

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

Changes in accounting policies
Following a review of accounting policies it was considered appropriate to amend the presentation of the Company's share of the net of the interest cost and the expected return on assets relating to the LHR Airports Limited Defined Benefit pension scheme in the profit and loss account. Previously the amount was presented as a component of employment costs, but it is considered it provides greater clarity and is consequently more appropriate for the amount to be included as a component of interest.

The prior year profit and loss account has been restated to reflect this change, increasing employment cost and reducing interest cost by £500,000 compared to the amounts previously reported and reducing operating profit to £7,993,000 from £8,493,000. The current year impact has been to increase employment costs, reduce the net interest cost and reduce operating profit by £251,000. There has been no impact on the balance sheet or cash flows of the Company from this change.

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

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

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

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

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

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.

Property and operational facilities
- Property lettings and rentals are 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) are recognised as each service is provided.
- Other invoiced sales are 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.

Exceptional items
The Company separately presents certain items on the face of the profit and loss account as exceptional. Exceptional items are material items of income or expense that, because of their size or incidence merit separate presentation to allow an understanding of the Company's financial performance.

Such events may include gains or losses on the disposal of businesses or assets, major reorganisation of business, closure or mothballing of terminals and costs incurred in bringing new airport terminal complexes and airfields to operational readiness that are not able to be capitalised as part of the project.

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

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

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

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

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

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

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

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

Tangible fixed assets *continued*

Depreciation

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

Terminal complexes	*Fixed asset lives*
Terminal building, pier and satellite structures	20–60 years
Terminal fixtures and fittings	5–20 years
Airport plant and equipment	
Baggage systems	15 years
Screening equipment	7 years
Lifts, escalators and travelators	20 years
Other plant and equipment, including runway lighting and building plant	5–20 years
Tunnels, bridges and subways	50–100 years
Airfields	
Runway surfaces	10–15 years
Runway bases	100 years
Taxiways and aprons	50 years
Plant and equipment	
Motor vehicles	4–8 years
Office equipment	5–10 years
Computer equipment	4–5 years
Computer software	3–7 years
Fixtures and fittings	5-10 years
Other plant and equipment	5-10 years
Other land and buildings	
Short leasehold properties	period of lease
Leasehold improvements	lower of useful economic life or period of lease

Asset residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Impairment of assets

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

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

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

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

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

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

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

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

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

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

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

Creditors
Creditors are recognised at cost.

Amounts owed to group undertakings
Amounts owed to group undertakings are recognised initially at fair value, net of transaction costs incurred. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest rate method.

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

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

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

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

Shared Services Agreement ('SSA')
LHR Airports Limited employs all staff that provide services to the Company. LHR Airports Limited is the sponsor of the defined benefit pension schemes and also acts as the provider of corporate and administrative services to the Company.

Operational staff
The Company directly incurs the employment cost of services provided to them that were previously paid for by LHR Airports and recharged into the Company. Employment costs include wages and salaries, pension costs, medical costs and redundancy payments, as well as any other of its associated expenses incurred by the employees of LHR Airports in providing services to the Company.

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

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

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

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

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

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

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

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

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

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

Accounting policies for the year ended 31 December 2013 *continued*

Cash flow statement and related party transactions
The ultimate parent entity in the UK is FGP Topco Limited, a company registered in England and Wales. The results of the Company are included in the audited consolidated financial statements of FGP Topco Limited for the year ended 31 December 2013. The results are also included in the audited consolidated financial statements of Airport Holdings NDH1 Limited, which is the immediate parent entity and the smallest group to consolidate these financial statements, and the audited consolidated financial statements of Heathrow Airport Holdings Limited, for the year ended 31 December 2013. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 *Cash Flow Statements (revised 1996)*. Instead, a summary cash flow statement has been provided on a voluntary basis in a note to the financial statements.

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

Significant accounting judgements and estimates for the year ended 31 December 2013

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

Investment properties
Investment properties were valued as at 31st December 2013 at fair value by CBRE Limited Chartered Surveyors. The valuations were prepared in consideration of UK GAAP 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. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence. Approximately 80% (2012: 76%) of the investment properties comprise airport car parks and airside assets that are considered less vulnerable to market volatility than the overall market. Independent valuations were obtained for 100% of the investment properties.

Capitalisation
Management are required to make judgements in relation to the capitalisation of costs. This relates to both when amounts may begin to be capitalised, where there may be doubt about planning consent or the ultimate completion of the asset, and in relation to the nature of costs incurred. Examples where judgement has been exercised in the year include capitalised interest, where judgement is exercised in relation to the applicable interest rate and the assessment of AICC projects on hold, and operational readiness activities where judgement is exercised to determine costs that are directly attributable to the assets under construction.

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 income statement. 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. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the exceptional item-pension line in the Profit and Loss Account.

Notes to the financial statements for the year ended 31 December 2013

1 Segment information

The Directors consider the business has only one segment. All of the Company's turnover arises in the United Kingdom and relates to continuing operations. Additional details of the turnover generated by each of the Company's key activities are given below:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Turnover		
Aeronautical income	**34,695**	32,839
Retail income	**12,885**	11,452
Operational facilities and utilities income	**3,063**	2,900
Property rental income	**5,262**	4,788
Other income	**6,204**	5,363
	62,109	57,342

2 Operating costs – ordinary

	Year ended 31 December 2013 £'000	Restated[2] Year ended 31 December 2012 £'000
Wages and salaries	**10,516**	10,049
Social security	**1,016**	1,073
Pensions[2]	**2,255**	2,009
Contract and agency staff	**89**	36
Other staff related costs	**389**	428
Employment costs[1]	**14,265**	13,595
Maintenance expenditure	**4,550**	4,249
Utility costs	**2,190**	2,425
Rents and rates	**2,444**	1,964
General expenses	**2,358**	2,918
Retail expenditure	**974**	1,008
Intra-group charges/other	**1,336**	1,409
Police	**754**	750
Aerodrome navigation service charges	**8,183**	8,840
Depreciation[1]	**5,050**	5,169
Gain on disposal of tangible fixed assets	**(23)**	(21)
	42,081	42,306

[1] Depreciation includes a £250,000 (2012:£nil) impairment charge on investment properties

[2] The presentation of pensions costs for the year ended 31 December 2012, has been restated following a change in accounting policy as explained in the accounting policies note.

For 2013 changes to the wider Heathrow Airport Holdings Group have led to the Group's airports incurring more of their operating costs directly, rather than through intra-group recharges. Operating costs have been presented above in a manner consistent with that presented in previous years. However, to enable more meaningful comparison the cost items have also been presented below by their underlying nature after taking into account the changes to group recharges and capitalisation of certain cost items.

	Year ended 31 December 2013 £m	Year ended 31 December 2012 £m
Employment costs[1]	**14,265**	13,595
Maintenance expenditure	**4,550**	4,249
Utility costs	**2,190**	2,425
Rents and rates	**2,444**	1,964
General expenses	**12,631**	13,917
Retail expenditure	**974**	1,008
Disposal of fixed assets	**(23)**	(21)
Total adjusted operating costs	**37,031**	37,137
Depreciation	**5,050**	5,169
Total operating costs after depreciation	**42,081**	42,306
Exceptional costs (Note 3)	**3,282**	7,043
Total operating costs	**45,363**	49,349

[1] Employment costs include recharges from Heathrow Airport Limited for employee services to the Company. Refer to the SSA in the Accounting policies.

Rentals under operating leases

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Operating costs include:		
Other operating leases	**192**	322

Notes to the financial statements for the year ended 31 December 2013 *continued*

2 Operating costs – ordinary *continued*

Auditor's remuneration

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts:		
Audit of the Company pursuant to legislation	8	8
Non-audit fees payable to the Company's auditor and their associates for other services specific to the Company:		
Audit related assurance services	6	3
Other tax services	1	-
Other assurance services	3	4
Total non-audit fees	10	7
Total fees	18	15

Employee information

The Company has no employees (2012: nil). Staff engaged in the operations of Aberdeen airport are employed by LHR Airports Limited but the Company bears the cost of these employees. The average number of employees of LHR Airports Limited engaged in the operation of Aberdeen airport during the year was 257 (2012: 250). The number of employees does not include headcount related to central support functions for the Company which are rendered by LHR Airports Limited and charged as intra-group charges in accordance with the SSA.

Directors' remuneration

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Directors' remuneration		
Aggregate emoluments	258	197
Value of company pension contributions to defined benefit scheme	344	21
	602	218

	Year ended 31 December 2013 Number	Year ended 31 December 2012 Number
Highest paid director's remuneration:		
Aggregate emoluments	116	197
Value of pensions contributions to defined contribution scheme	302	21
	418	218

	Year ended 31 December 2013 Number	Year ended 31 December 2012 Number
Number of Directors who:		
are members of a defined benefit pension scheme	3	1
are members of a defined contribution scheme	1	-

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

The directors participate in various Long Term Incentive Performance Cash Plans operated by LHR Airports Limited. In respect of the Plans, a cash amount is granted which could vest in future periods contingent on achieving or surpassing EBITDA, Return on Equity and other operational targets over a three year period. The directors' remuneration includes £14,000 payable in 2014 (2012: £11,000 paid in 2013) in respect of the 2011 LTIP Plan after certain targets were met over the three year period from 2011 to 2013. As the financial performance in respect of the 2012 and 2013 Plans is so uncertain at this stage, no value in relation to these awards is included above.

Two of the directors (2012: none) exercised share options during the year in respect of their services to the Heathrow Airport Holdings Group and no shares (2012: none) were received or became receivable under long term incentive plans.

3 Operating costs – exceptional

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Pension charge	3,282	7,043

During 2013 there was a net exceptional pension charge of £3,282.000 (2012: £7,043,000). This includes the Company's share of the movement in the LHR Airports Limited defined benefit pension scheme, Unfunded Unapproved Retirement Benefit Scheme and Post-Retirement Medical Benefits pension related liabilities.

4 Net interest receivable and similar income

	Note	Year ended 31 December 2013 £'000	Restated[1] Year ended 31 December 2012 £'000
Interest receivable and similar income			
Pensions finance income[1]		251	500
Interest receivable from group undertakings[2]		837	592
		1,088	1,092
Interest payable			
Interest payable to group undertakings[3]		(339)	(355)
		(339)	(355)
Fair value gain/(loss) on financial instruments		1	(7)
Interest capitalised[4]	*6*	107	266
Net interest receivable and similar income		857	996

[1] The presentation of pension finance income has been restated for a change in accounting policy as explained in the accounting policies note.
[2] These amounts relate mainly to interest accrued on balances due from Airport Holdings NDH1 Limited (Note 8).
[3] These amounts relate to interest due on the loan from Airport Holdings NDH1 Limited (Note 10).
[4] Interest capitalised at a rate of 6.69% (2012: 5.30%).

Notes to the financial statements for the year ended 31 December 2013 *continued*

5 Tax charge on profit on ordinary activities

		Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Current tax			
Group tax relief payable		**5,051**	3,996
Adjustments in respect of prior periods		**128**	94
Total current tax charge		**5,179**	4,090
Deferred tax			
Origination and reversal of timing differences		**148**	(1,091)
Adjustments in respect of prior periods		**(69)**	(20)
Change in tax rate		**(8)**	(102)
Total deferred tax charge/(credit)	*11*	**71**	(1,213)
Tax charge on profit on ordinary activities		**5,250**	2,877

Reconciliation of tax charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 23.25% (2012: 24.5%). The actual tax charge for the current and prior years differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit on ordinary activities before tax	**17,603**	8,989
Tax on profit on ordinary activities at 23.25% (2012: 24.5%)	**4,093**	2,202
Effect of:		
Permanent differences	**736**	596
Capital allowances for the year (in excess of)/less than depreciation	**(121)**	26
Capitalised interest	**(21)**	(61)
Other short-term timing differences	**364**	1,233
Adjustments to tax charge in respect of prior periods	**128**	94
Current tax charge for the year	**5,179**	4,090

The Finance Act 2013 enacted reductions in the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015. As a result the Company's deferred tax balances which were previously provided for at 23% have been re-measured at the rate of 20%. Other than this change and the unprovided deferred tax discussed in note 11, there are no items which would materially affect the future tax charge.

Notes to the financial statements for the year ended 31 December 2013 *continued*

6 Tangible fixed assets

	Note	Investment properties £'000	Land held for development £'000	Terminal complexes £'000	Airfield £'000	Other land and buildings £'000	Plant, equipment and other assets £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation									
1 January 2013		78,056	2,713	46,613	44,106	3,393	14,143	5,872	194,896
Additions at cost		-	-	-	-	-	56	4,307	4,363
Interest capitalised	*4*	-	-	-	-	-	-	107	107
Disposals		-	-	-	-	-	(283)	-	(283)
Impairment		(250)	-	-	-	-	-	-	(250)
Revaluation[1]	*13*	16,882	1,453	-	-	-	-	-	18,335
Transfer to completed Assets		2,715	-	1,186	2,437	-	1,785	(8,123)	-
31 December 2013		**97,403**	**4,166**	**47,799**	**46,543**	**3,393**	**15,701**	**2,163**	**217,168**
Depreciation									
1 January 2013		-	-	(19,280)	(14,556)	(1,143)	(10,773)	-	(45,752)
Depreciation charge		-	-	(1,864)	(1,840)	(118)	(978)	-	(4,800)
Disposals		-	-	-	-	-	283	-	283
31 December 2013		**-**	**-**	**(21,144)**	**(16,396)**	**(1,261)**	**(11,468)**	**-**	**(50,269)**
Net book value 31 December 2013		**97,403**	**4,166**	**26,655**	**30,147**	**2,132**	**4,233**	**2,163**	**166,899**
Net book value 31 December 2012		78,056	2,713	27,333	29,550	2,250	3,370	5,872	149,144

[1] Investment properties and land were re-valued, by CBRE Limited, as at 31 December 2013. This has resulted in gains of £16,882,000 and £1,453,000 respectively.

Notes to the financial statements for the year ended 31 December 2013 *continued*

6 Tangible fixed assets *continued*

Valuation

Investment properties and land held for development were valued at open market value by CBRE Limited, Chartered Surveyors at £101,569,000 (2012: £80,769,000). These valuations were prepared in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors taking account, *inter alia*, of planning constraints and reflecting the demand for airport related uses. As a result of the valuation, a surplus of £18,335,000 (2012: £2,736,000) has been recognised in the revaluation reserve.

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

Historical cost

The historical cost of investment properties and land held for development at 31 December 2013 was £13,326,000 (2012: £13,326,000).

Other land and buildings

Other land and buildings are all freehold.

Assets in the course of construction

Assets in the course of construction comprises of capital expenditure on on-going developments under the Company's capital investment project. Projects in progress at 31 December 2013 include the installation of four additional check-in desks, replacement of the terminal building fire alarm system, an upgrading of security screening equipment and the construction of an external vestibule.

Capitalised interest

Included in the net book value of assets after depreciation are interest costs of £1,166,000 (2012: £1,059,000). £107,000 (2012: £266,000) has been capitalised in the year at an average capitalisation rate of 6.69% (2012: 5.30%) based on a weighted average cost of borrowings.

A tax deduction of £107,000 (2012: £266,000) for capitalised interest was taken in the year. Subsequent depreciation of the capitalised interest is disallowed for tax purposes. Consequently, the capitalised interest gives rise to a deferred tax liability, which is released each year in line with the depreciation charged on the relevant assets.

Leased assets

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

	31 December 2013	31 December 2012
	£'000	£'000
Cost or valuation	**104,770**	83,927
Accumulated depreciation	**(1,478)**	(1,373)
Net book amount	**103,292**	82,554

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

7 Stock

	31 December 2013	31 December 2012
	£'000	£'000
Raw materials and consumables	**386**	434

The replacement cost of raw materials and consumables at 31 December 2013 and 31 December 2012 was not materially different from the amount at which they are included in the accounts.

Notes to the financial statements for the year ended 31 December 2013 *continued*

8 Debtors

	31 December 2013 £'000	31 December 2012 £'000
Due within one year:		
Trade debtors	**5,930**	6,170
Amounts owed by group undertakings - interest bearing[1]	**40,507**	25,214
Other debtors	**1**	36
Prepayments	**202**	332
Interest receivable from group undertakings	**368**	260
Corporation tax receivable	**48**	48
	47,056	32,060

[1] Amounts owed by group undertakings - interest bearing relate to the cash sweeps transferred to Airport Holdings NDH1 Limited. Cash is swept between the companies on a regular basis. As at 31 December 2013, the balance accrues interest at a rate of 3.01% per annum (2012: 2.78%).

9 Creditors: amounts falling due within one year

	31 December 2013 £'000	31 December 2012 £'000
Trade creditors[1]	**5,069**	6,772
Capital creditors	**1,503**	1,496
Amounts owed to group undertakings - interest free[2]	**1,988**	463
Group relief payable	**3,047**	2,021
Other creditors	**992**	276
Other taxes and social security costs	**374**	261
Deferred income	**1,346**	1,665
Interest payable to group undertakings	**135**	122
	14,454	13,076

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

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

10 Creditors: amounts falling due after more than one year

	31 December 2013 £'000	31 December 2012 £'000
Amounts owed to group undertakings - interest bearing[1]	**12,012**	11,688

[1] Amounts owed to group undertakings - interest bearing relate to loans from Airport Holdings NDH1 Limited. The interest on the loans is set at 0.125% above the rate of Airport Holdings NDH1 Limited's senior loan facility. As at 31 December 2013, the balance accrues interest at a rate of 3.01% per annum (2012: 2.78%).

11 Provisions for liabilities and charges

	Deferred tax (a)	Pension costs (b)	Other provisions (c)	Total
	£'000	£'000	£'000	£'000
1 January 2013	64	4,439	107	4,610
Utilised in the year	-	-	(56)	(56)
Charged to Profit and loss account	71	-	20	91
Movement in pensions	-	340	-	340
31 December 2013	**135**	**4,779**	**71**	**4,985**

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

	31 December 2013 £'000	31 December 2012 £'000
Excess of capital allowances over depreciation	**870**	894
Other timing differences	**(735)**	(830)
	135	64

	Unprovided 31 December 2013 £'000	Unprovided 31 December 2012 £'000
Tax on chargeable gains if investment properties were sold at their current valuations	**12,070**	9,980

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

No provision has been made for deferred tax on gains recognised on revaluing investment properties to their market value or on the sale of properties where taxable gains have been rolled over into replacement assets. The total amount of tax unprovided for is £12,070,000 (2012: £9,980,000). At present it is not envisaged that this tax will become payable in the foreseeable future.

The Finance Act 2012 enacted a reduction in the main rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% with effect from 1 April 2015. As a result the Company's deferred tax balances, which were previously provided at 23%, have been re-measured at the rate of 20%. This has resulted in a reduction in the net deferred tax liability of £8,000, with £8,000 credited to the profit and loss account.

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

At 31 December 2013, £3,653,000 represents the share of the LHR Airports Limited defined benefit pension scheme deficit (2012: £3,561,000). The remaining £1,126,000 (2012: £878,000) is held for historical accumulated past service pension costs borne by LHR Airports Limited in relation to UURBS and PRM related liabilities. The movement in the year is due to the Company receiving a larger share of the movement in the LHR Airports defined benefit pension scheme following recent airport sales.

(c) Other provisions
Other provisions include a £71,000 (2012: £51,000) reorganisation provision. This is associated with the Company's reorganisation programme and the costs relate to severance and pension payments only. All amounts are expected to be utilised in 2014. The remaining element of the provision is for public liability claims.

Notes to the financial statements for the year ended 31 December 2013 *continued*

12 Share capital

	£'000
Called up, allotted and fully paid	
1 January and 31 December 2013	
12,000,002 ordinary shares of £1 each	**12,000**

13 Reserves

	Note	Revaluation reserve £'000	Profit and loss reserve £'000	Total £'000
1 January 2013		67,443	73,051	140,494
Profit for the financial year		-	12,353	12,353
Unrealised gain on revaluation of investment properties and land held for development	*6*	18,335	-	18,335
31 December 2012		85,778	85,404	171,182

14 Commitments

Commitments for capital expenditure

Contracted capital expenditure commitments amount to £1,802,000 (2012: £1,187,000).

Commitments under operating leases

At 31 December 2013, the Company was committed to making the following payments during the next year in respect of operating leases.

	31 December 2013 Land and buildings £'000	31 December 2012 Land and buildings £'000
Leases which expire:		
within one year	**9**	67
within two to five years	**101**	101
	110	168

Commitments under contractual obligations

At 31 December 2012 The Group had a contractual commitment to purchase electricity that was used to satisfy physical delivery requirements for electricity usage of the Group until March 2013. The contract has now expired and so the outstanding commitment under the contact at 31 December 2013 was £nil (2012: £79,000).

Other commitments

The trustees of the LHR Airports Limited defined benefit pension scheme and the Group concluded the pension Scheme's 30 September 2010 triennial valuation in December 2011 and agreed a schedule of cash contributions of £97 million per annum (of which £24 million relates to the deficit reduction) that became effective from 1 January 2012.

Following the disposal of Edinburgh airport, the schedule of cash contributions was reduced to £94 million per annum from January 2013 with a further reduction to £87 million per annum from January 2014 following the sale of Stansted airport. Approximately £3,168,000 of the new amount will be met by the Company.

15 Contingent liabilities

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

16 Ultimate parent undertaking

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

The ultimate parent entity is FGP Topco Limited, which is the parent undertaking of the largest group to consolidate these financial statements. The shareholders of FGP Topco Limited are Hubco Netherlands B.V. (25.00%) (an indirect subsidiary of Ferrovial, S.A., Spain), Qatar Holding Aviation (20.00%) (a wholly owned subsidiary of Qatar Holding LLC), Caisse de dépôt et placement du Québec (13.29%), Baker Street Investment Pte Ltd (11.88%) (an investment vehicle of the Government of Singapore Investment Corporation), Alinda Airports UK L.P. and Alinda Airports L.P. (11.18%) (investment vehicles managed by Alinda Capital Partners), Stable Investment Corporation (10.00%) (an investment vehicle of the China Investment Corporation) and USS Buzzard Limited (8.65%) (an investment vehicle of the Universities Superannuation Scheme).

The Company's results are also included in the audited consolidated financial statements of Airport Holdings NDH1 Limited for the year ended 31 December 2013, which is the parent undertaking of the smallest group to consolidate these financial statements. They are also included in the audited consolidated financial statements of Heathrow Airport Holdings Limited and FGP Topco Limited for the year ended 31 December 2013.

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

17 Summary cash flow statement

	Year ended 31 December 2013 £'000	Restated[2] Year ended 31 December 2012 £'000
Operating profit	**16,746**	7,993
Adjustments for:		
Depreciation	**5,050**	5,169
Gain on disposal of fixed assets	**(23)**	(21)
Working capital changes:		
Decrease in stock and debtors	**453**	114
(Decrease)/increase in creditors	**(131)**	2,300
(Decrease)/increase in provisions	**(35)**	16
Difference between pension charge and cash contributions	**(2,229)**	(1,195)
Exceptional pension charge	**3,282**	7,043
Increase in amounts owed by group undertakings – interest bearing	**(14,969)**	(13,474)
	8,144	7,945
Net interest received	**403**	-
Taxation – group relief paid	**(4,153)**	(3,781)
Net cash inflow from operating activities	**4,394**	4,164
Net capital expenditure	**(4,332)**	(3,930)
Net cash outflow from investing activities	**(4,332)**	(3,930)
Increase in cash and cash equivalents[1]	**62**	234

[1] For the year ended 31 December 2013, included in Creditors: amounts falling due within one year is a bank overdraft of £nil (2012: £nil).
[2] Operating profit has been restated. Pension finance income has been reclassified from operating costs to interest receivable.