Aberdeen International Airport Limited
Annual report and financial statements
for the year ended 31 December 2018

Company registration number SC096622

Aberdeen International Airport Limited

Contents

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 International Airport and forms part of the AGS Airports Holdings Group (the "Group").

This strategic report is presented under two sections:

Management review – overview of the year ended 31 December 2018, along with the key factors likely to impact the Company in 2019.
Internal controls and risk management – outline of the Company's internal controls, approach to risk management, sources of assurance 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 2019 are detailed below.

Passenger traffic
In the year ended 31 December 2018, passenger traffic decreased by 1.4% to 3.09million (2017: 3.14million). The performance reflects a 4.7% decrease in international traffic, offset by a 0.1% increase in domestic traffic.

The lower passenger levels were primarily driven by a reduction in routes to international destinations.

Financial overview

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Turnover	**55,941**	56,216
Adjusted operating costs [1]	**(34,462)**	(34,829)
Adjusted EBITDA [2]	**21,479**	21,387
Fair value gain on investment properties	**4,027**	2,970
Depreciation	**(5,884)**	(5,617)
Operating profit	**19,622**	18,740
Interest receivable and similar income	**5,944**	6,892
Interest payable and similar charges	**(1,177)**	(1,924)
Profit before tax	**24,389**	23,708
Taxation	**(4,442)**	(4,625)
Profit for the year	**19,947**	19,083

1 Adjusted operating costs are stated before depreciation.
2 Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and certain re-measurements.

In the year ended 31 December 2018, turnover decreased by 0.5% to £55,941k (2017: £56,216k) mainly due to decreased passengers partially offset by favourable retail and car park yield.

In the year ended 31 December 2018, adjusted operating costs decreased by 1.1% to £34,462k (2017: £34,829k) mainly due to a decrease in employment costs.

Adjusted EBITDA in the year ended 31 December 2018 increased by 0.4% to £21,479k (2017: £21,387k). Adjusted EBITDA includes certain non-recurring costs which are not considered material or requiring separate presentation.

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 2018 resulted in a gain of £4,027k (2017: gain of £2,970k).

Strategic report (continued)

Dividend
On 21 September 2018, the Company paid a dividend in specie of £95,330k (2017: £nil) to Airport Holdings NDH1 Limited, the Company's immediate parent undertaking.

Pension scheme
At 31 December 2018, AGS Airports Limited defined benefit pension scheme had a surplus of £2,336k (2017: £4,295k deficit) as measured under IAS 19 Employee Benefits. The Company's share of this surplus amounts to £780k (2017: £1,245k deficit).

Investment in airport facilities
During the year ended 31 December 2018 Aberdeen International Airport invested £7.6million (2017: £11.4million) of costs. Major projects included construction works for phase two and three of the terminal transformation project, installation of anti-back track doors and purchase of new fire vehicles with HRET technology.

Phase two of the terminal transformation project was completed in June 2018 including; new and enlarged security central processing, retail shops and passenger flow areas. Phase 3 of the terminal project, which will change the landside/airside boundary, increase the retail offering and further improve the passenger flow areas is ongoing and scheduled for completion in August 2019.

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 1.9% to 87.2% (2017: 85.3%).

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 3.86 out of 5 (2017: 3.75). There has been a significant increase in the following categories versus 2017:-

- Overall Satisfaction – Leisure
- Availability of Baggage Trollies
- Waiting time at Security Inspection
- Shopping Facilities
- Value for Money shopping Facilities
- Cleanliness of Airport Terminal
- Ambience of Airport
- Passport ID Inspection
- Customs Inspection

Other strong scores versus 2017:-

- Waiting time at check-in
- Feeling of being safe and secure
- Executive Lounges
- Cleanliness of washrooms and toilets
- Comfort of Waiting/Gate areas

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.

Development since beginning of 2019
During the first four months of 2019 passenger traffic at Aberdeen Airport was 6.1% lower than 2018 levels for the same period. This primarily reflects cancellation and reduced rotations of certain domestic routes, partially offset by an improvement in the traffic serving the oil and gas sector which is 4% higher than the prior year.

Outlook
The Company expects passenger traffic in 2019 to be broadly in line with 2018 levels. Growth of international routes and a gradual increase in the traffic serving the oil and gas sector is expected to offset capacity reductions elsewhere. Additionally it is anticipated that the terminal expansion will result in further growth in retail income due to the improved airside catering offering.

Strategic report (continued)

Internal controls and risk management
Internal control and risk management is the responsibility of the Group. 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 functional heads. The MRS is linked with the key strategic intent to run our airport responsibly by being "Safe and Secure".

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.

Strategic report (continued)

Principal risks and uncertainties and risk management (continued)
The operation of the risk management process, including the individual risk registers are subject to periodic review through the use of Internal Standards. The Company is currently certificated to ISOs 14001; 55001 and 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.

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 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, economic and airspace regulation, consumer protection and environmental research and consultancy. The CAA also advises the government on aviation issues and ensures that consumer interests are represented. Consequently the Company is exposed to the risk of changes in day to day operations resulting from regulatory guidelines issued by the CAA and mitigates this as far as possible. The airport is represented by dedicated 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.

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. 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 a defined CO2 strategy which takes Aberdeen International 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.

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.

Strategic report (continued)

Principal risks and uncertainties and risk management (continued)
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.

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.

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.

UK withdrawal from the EU
The Group continues to monitor progress made by the UK Parliament as it debates the proposed Withdrawal Agreement and the negotiations relating to the potential date of the UK's departure from the EU. While the continued delays in reaching an agreement increase uncertainty for UK businesses, the aviation industry remains well positioned as a result of the EU aviation contingency plans.

These plans ensure that in a no deal scenario and subject to reciprocal offer by the UK, airlines will be able to continue to fly between the EU and the UK. In addition, UK citizens will be permitted to travel visa free in the EU for up to 90 days and the EU will continue to recognise the UK for the "EU One Stop Aviation Security Regime". The Group therefore anticipates that there will be minimal impact on flights if the UK departs the EU without a deal.

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.

Strategic report (continued)

Principal risks and uncertainties and risk management (continued)
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. The Group is cash positive after capital expenditure and interest on external debt. As at 31 December 2018, cash and cash equivalents were £18million (2017: £12million) and undrawn headroom under bank credit facilities was £86million (2017: £116million).

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.

On behalf of the Board

Steve Szalay
Director

3 June 2019

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 2018.

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

Results and dividends
The profit after taxation for the financial year amounted to £19,947k (2017: £19,083k). On 21 September 2018, the Company paid a dividend in specie of £95,330k (2017: £nil) to Airport Holdings NDH1 Limited, the Company's immediate parent undertaking, transferring amounts due from AGS Airports Limited to Airport Holdings NDH1 Limited. The statutory results are set out on page 13.

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

Carol Benzie (resigned 31 July 2018)
Ignacio Aitor Garcia Bilbao
John Bruen
Simon Geere
Derek Provan (appointed 19 July 2018)
Steve Szalay (appointed 28 March 2019)
Gonzalo Velasco Zabalza

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

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

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

Employee 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.

Going concern
The Company finances its activities through funds generated from operations and has access to inter group funding from its parent companies.

Although the Company is in a net current liability position, this is primarily due to amounts owing to fellow Group undertakings, the demand for repayment of which is wholly within the control of the Group and the Company's trading and cash flow projections identify that the business will be cash generative for a period extending at least 12 months from the date of signing these financial statements. The bank borrowings of the Group are secured over the assets of the Company. The directors, having considered and made appropriate enquiries of management as to the assumptions underlying the projections, have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. Accordingly the going concern basis continues to be adopted in the preparation of the financial statements.

Directors' report (continued)

Political donations
No political donations have been made in the year (2017: £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 4 to 7 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/her in defending any proceedings in which judgement is given in his/her favour, or in which he/she is acquitted or in connection with any application in which relief is granted to him/her by the court for any negligence, default, breach of duty or breach of trust by him/her in relation to the Company or otherwise in connection with his/her 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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

On behalf of the Board

Steve Szalay
Director

3 June 2019

Company registration number: SC096622

Directors' responsibilities statement

The directors are responsible for preparing the Annual report including 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 FRS 101 has 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:
- give a true and fair view of the state of Aberdeen International Airport Limited's (the 'company') affairs at 31 December 2018 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 of the company which comprise:
- the profit and loss account;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 18.

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:
- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

Report on the audit of the financial statements (continued)

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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.

David Sweeney, C.A. (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, UK
5 **June 2019**

Aberdeen International Airport Limited

Profit and loss account for the year ended 31 December 2018

		Year ended 31 December 2018			Year ended 31 December 2017		
		Before certain re-measurements	Certain re-measurements	Total	Before certain re-measurements	Certain re-measurements	Total
	Note	£000	£000	£000	£000	£000	£000
Turnover	*1*	55,941	-	55,941	56,216	-	56,216
Operating costs	*2*	(40,346)	-	(40,346)	(40,446)	-	(40,446)
Fair value gain on investment properties	*6*	-	4,027	4,027	-	2,970	2,970
Operating profit		15,595	4,027	19,622	15,770	2,970	18,740
Financing							
Interest receivable and similar income	*3*	5,944	-	5,944	6,892	-	6,892
Interest payable and similar charges	*3*	(1,177)	-	(1,177)	(1,924)	-	(1,924)
Profit on ordinary activities before tax		20,362	4,027	24,389	20,738	2,970	23,708
Taxation charge	*4*	(3,844)	(598)	(4,442)	(4,169)	(456)	(4,625)
Profit for the year	*15*	16,518	3,429	19,947	16,569	2,514	19,083

The notes on pages 17 to 33 form an integral part of these financial statements.

Aberdeen International Airport Limited

Statement of comprehensive income for the year ended 31 December 2018

	Note	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Profit for the year	*15*	**19,947**	19,083
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Return on plan assets excluding interest income	*16*	**5,341**	1,161
Actuarial movements on defined benefit pension	*16*	**(3,404)**	635
Deferred tax on defined benefit pensions	*11*	**(329)**	(305)
Other comprehensive income for the year net of tax		**1,608**	1,491
Total comprehensive income for the year		**21,555**	20,574

The notes on pages 17 to 33 form an integral part of these financial statements.

Aberdeen International Airport Limited

Statement of financial position as at 31 December 2018

	Note	31 December 2018 £000	31 December 2017 £000
Assets			
Fixed assets			
Property, plant and equipment	5	**78,950**	76,974
Investment properties	6	**115,384**	111,476
Pension asset	16	**780**	-
		195,114	188,450
Current assets			
Stocks	7	**301**	279
Debtors due within one year	8	**15,442**	91,650
		15,743	91,929
Total assets		**210,857**	280,379
Liabilities			
Creditors: Amounts falling due after more than one year			
Deferred tax liabilities	11	**18,727**	17,657
Pension liability	16	**-**	1,245
		18,727	18,902
Creditors: Amounts falling due within one year			
Bank overdraft	9	**-**	30
Borrowings	10	**4,514**	-
Trade and other payables	12	**27,526**	27,582
		32,040	27,612
Total liabilities		**50,767**	46,514
Net assets		**160,090**	233,865
EQUITY			
Capital and reserves			
Called up share capital	13	**12,000**	12,000
Revaluation reserve	14	**85,778**	85,778
Profit and loss account	15	**62,312**	136,087
Total shareholders' funds		**160,090**	233,865

The notes on pages 17 to 33 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 3 June 2019. They were signed on its behalf by:

Steve Szalay
Director

3 June 2019

Aberdeen International Airport Limited

Statement of changes in equity as at 31 December 2018

	Note	Share capital £000	Revaluation reserve[1] £000	Profit and loss account £000	Total £000
		Attributable to the owner of the Company			
Balance at 1 January 2017		**12,000**	**85,778**	**115,513**	**213,291**
Comprehensive income:					
Profit for the year		-	-	19,083	19,083
Other comprehensive income		-	-	1,491	1,491
Total comprehensive income		-	-	20,574	20,574
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	*15*	-	-	(95,330)	(95,330)
Balance at 31 December 2018		**12,000**	**85,778**	**62,312**	**160,090**

[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 17 to 33 form an integral part of these financial statements.

Accounting policies for the year ended 31 December 2018

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 a Company 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 1 and 3.

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 IAS 17 Leases, 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 18 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 and the requirement set out in IAS 1.38 to present comparative information in respect of property, plant and equipment and investment properties.

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 the item in (i) above.

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 financial risks for the Company are managed at a Group level.

Consequently the directors have reviewed the cash flow projections of the Group taking into account:

- the forecast turnover and operating cash flows from the underlying operations;
- the forecast level of capital expenditure; and
- the overall Group liquidity position, including the projected upstream of cash remaining committed and uncommitted facilities available to it, its scheduled debt maturities and its forecast financial ratios and ability to access the debt markets.

As a result of the review, 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. This is despite the Company being in a net current liability position, which is primarily due to amounts owing to fellow Group undertakings, the demand for repayment of which is wholly within the control of the Group.

Accounting policies for the year ended 31 December 2018 (continued)

Adoption of new and revised IFRSs

Adoption of IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 replaces the provision of IAS 39 Financial Instruments that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies, but had no material impact on the amounts recognised in the financial statements.

IFRS 9 requirements relate to:-

Classification and measurement - on application of IFRS 9 on 1 January 2018 the Company has assessed how financial assets are managed and their contractual cash flow characteristics to determine the applicable classification and measurement of the financial assets held by the Company. Following this assessment no changes to the current classification of its financial instruments was required under IFRS 9.

Impairment of financial assets – the impairment requirements of IFRS 9 are based on expected credit losses ("ECL") and apply to financial assets measured at amortised costs and fair value through other comprehensive income, and lease receivables and certain loan commitments and financial guarantee contracts. The Company has two types of financial assets that are subject to IFRS 9's expected credit loss model; trade receivables and intercompany receivables.

For trade receivables and intercompany receivables, the Company has applied a simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The impact of the implementation of the ECL impairment approach for trade and intercompany receivables on retained earnings as at 1 January 2018 was not material to the Company.

The following amendment and interpretation, although relevant to the Company, have no impact on the Company's results for the reasons stated:

- Amendments to IAS 40 Transfers of Investment Property ("IAS 40") - the amendment provides clarification around transfers into, or out of, investment property should only be made when there has been a change in the use of the property.
- IFRIC 22 Foreign Currency Transactions and Advance Considerations – the interpretation clarified the accounting for transactions that include the receipt or payment of advance consideration in foreign currency.

The following amendments are not applicable to the Company:

- Amendment to IFRS 2 Classification and Measurement of Share-based Payment Transactions - the amendment is not applicable as the Company does not have share-based payment transactions.
- Amendment to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – the amendment is not applicable as the Company does not have insurance contracts.
- Amendments to IAS 28 Investments in Associates as part of the 2014-2016 Annual Improvements Cycle - the amendments are not applicable as the Company does not have investments in associates.

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.

Turnover (continued)

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.

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.

Such events may include fair value gains and losses on investment property revaluations, 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, and the associated tax impacts.

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 turnover 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.

Property, plant and equipment (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 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	
Short leasehold properties	Over period of lease
Leasehold improvements	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 property, 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 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.

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 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.

From 1 January 2018 for trade receivables ECLs 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 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 with a maturity date 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.

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 in the countries where the Company's subsidiaries operate and generates taxable income. 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 taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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 is recognised in equity 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.

Accounting policies for the year ended 31 December 2018 (continued)

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

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

Critical accounting judgements and key sources of estimation uncertainty for the year ended 31 December 2018

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

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 37% of the investment properties comprise airport car parks and airside assets that are considered less vulnerable to market volatility. Further details are available in note 6.

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 16.

Notes to the financial statements for the year ended 31 December 2018

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 2018 £000	Year ended 31 December 2017 £000
Turnover	**55,941**	56,216
Other operating income		
Interest receivable and similar income (note 3)	**5,944**	6,892
Total revenue	**61,885**	63,108

2 Operating costs

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Operating costs include the following:		
Employment costs		
Wages and salaries	**9,275**	9,662
Social security	**975**	1,016
Pensions	**1,367**	1,235
Other staff related costs	**336**	296
Employment costs	**11,953**	12,209
Depreciation of property, plant and equipment	**5,884**	5,617
Loss/(gain) on disposal of fixed assets	**11**	(37)
Other operating costs	**22,498**	22,657
Total operating costs	**40,346**	40,446
Analysed as:		
Adjusted operating costs	**34,462**	34,829
Depreciation	**5,884**	5,617
Total operating costs	**40,346**	40,446

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 2018, the fees payable to the Company's auditor for the audit of the Company's annual accounts was £28k (2017: £25k). No non audit fees payable to the Company's auditor were incurred in 2018 (2017: £nil).

Notes to the financial statements for the year ended 31 December 2018

2 Operating costs (continued)

Employee numbers

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

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Office and management	33	31
Airside, security and operations	213	224
Retail and commercial	8	6
	254	261

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 2018 £000	Year ended 31 December 2017 £000
Director's and highest paid director's remuneration		
Aggregate emoluments	162	175
Amounts receivable under long term incentive plans	-	42
Payments for loss of office	174	-
Value of contributions to defined contribution pension scheme	4	-
	340	217

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Number of directors who:		
are members of a defined contribution pension scheme	1	-

3 Interest

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Interest receivable and similar income		
AGS pension scheme	1,148	1,093
Interest receivable from group undertakings[1]	4,796	5,799
	5,944	6,892
Interest payable and similar charges		
AGS pension scheme	(1,175)	(1,158)
Interest payable to group undertakings[2]	-	(766)
Interest on finance lease	(2)	-
	(1,177)	(1,924)

[1] These amounts relate to interest accrued on balances owed by Group undertakings (note 8).
[2] These amounts relate to interest accrued on balances owed to Group undertakings (note 10).

Notes to the financial statements for the year ended 31 December 2018

4 Taxation

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Current tax		
Current year tax payable	**3,892**	4,099
Adjustments in respect of prior years	**(191)**	(136)
Total current tax charge	**3,701**	3,963
Deferred tax		
Current year	**814**	641
Adjustments in respect of prior years	**(18)**	62
Change in tax rate - impact on deferred tax balances	**(55)**	(41)
Total deferred tax charge	**741**	662
Taxation charge for the year	**4,442**	4,625

The tax charge on the Group'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 2018 £000	Year ended 31 December 2017 £000
Profit on ordinary activities before tax	**24,389**	23,708
Reconciliation of the tax charge		
Tax calculated at the UK statutory rate of 19.00% (2017: 19.25%)	**4,634**	4,564
Adjustments in respect of current income tax of previous years	**(191)**	(136)
Adjustments in respect of deferred tax of previous years	**(18)**	62
Change in tax rate - impact on deferred tax balances	**(55)**	(41)
Permanent differences	**72**	176
Taxation charge for the year	**4,442**	4,625

5 Property, plant and equipment

	Terminal complexes £000	Airfields £000	Plant and equipment £000	Other land and buildings[1] £000	Assets in the course of construction £000	Total £000
Cost						
At 1 January 2018	**66,130**	**53,666**	**17,257**	**3,854**	**4,360**	**145,267**
Additions	-	-	-	-	7,642	7,642
Transfer to completed assets	4,920	728	2,464	290	(8,402)	-
Transfer to investment properties (note 6)	-	-	-	-	(470)	(470)
Disposals	(944)	(145)	(104)	(154)	-	(1,347)
Reclassifications from investment properties (note 6)	-	-	-	700	-	700
At 31 December 2018	**70,106**	**54,249**	**19,617**	**4,690**	**3,130**	**151,792**
Depreciation						
At 1 January 2018	**(28,344)**	**(24,188)**	**(14,005)**	**(1,756)**	-	**(68,293)**
Charge for the year	(2,461)	(2,153)	(1,124)	(146)	-	(5,884)
Disposals	944	145	94	152	-	1,335
At 31 December 2018	**(29,861)**	**(26,196)**	**(15,035)**	**(1,750)**	-	**(72,842)**
Net book value at 31 December 2018	**40,245**	**28,053**	**4,582**	**2,940**	**3,130**	**78,950**
Net book value at 31 December 2017	37,786	29,478	3,252	2,098	4,360	76,974

[1] Other land and buildings are all freehold.

5 Property, plant and equipment (continued)

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 2018 at Aberdeen International Airport include works for the development of the terminal transformation.

Borrowing costs capitalised
£45k (2017: £119k) has been capitalised in the year at an average capitalisation rate of 2.21% (2017: 1.98%) based on a weighted average cost of borrowings.

6 Investment properties

	Investment properties £000
Fair value	
At 1 January 2018	**111,476**
Additions	111
Transfers from property, plant and equipment (note 5)	470
Valuation gain	4,027
Reclassifications to property, plant and equipment (note 5)	(700)
At 31 December 2018	**115,384**

Investment properties were valued at fair value at 31 December 2018 by CBRE Limited, Chartered Surveyors. Investment properties include £111k (2017: £nil) of assets acquired under a finance lease.

Details of valuations performed are provided below:

	31 December 2018 £000	31 December 2017 £000
CBRE Limited	**115,384**	111,476

Investment properties, which are all freehold, were valued to fair value at 31 December 2018 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 Company historically had a low level of void properties.

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.

7 Stocks

	31 December 2018 £000	31 December 2017 £000
Consumables	**301**	279

The total amount of stock consumed in the year relating to continuing operations was £661k (2017: £788k).

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

8 Debtors

	31 December 2018 £000	31 December 2017 £000
Due within one year		
Trade receivables	5,622	6,148
Less: allowance for doubtful debts	(20)	(33)
Trade receivables – net	5,602	6,115
Amounts owed by group undertakings - interest bearing[1]	9,507	85,196
Prepayments	333	339
	15,442	91,650

[1] Amounts owed by group undertakings - interest bearing relate to cash sweeps transferred to AGS Airports Limited. Cash is swept between the companies on a regular basis. As at 31 December 2018, the balance accrues interest at a rate of 7% per annum (2017: 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.

9 Bank overdraft

	31 December 2018 £000	31 December 2017 £000
Bank overdraft	-	30

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

10 Borrowings

	31 December 2018 £000	31 December 2017 £000
Current		
Amounts owed to group undertakings	4,514	-

11 Deferred tax liability

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

	31 December 2018 £000	31 December 2017 £000
1 January	17,657	16,690
Charged to profit and loss account	796	703
Credited to profit and loss account – change in tax rate	(55)	(41)
Tax charged to equity		
Charged to equity - defined benefit pensions	329	305
31 December	18,727	17,657

Notes to the financial statements for the year ended 31 December 2018

11 Deferred tax (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 2017	11,724	6,049	(1,083)	16,690
Charged to profit and loss account	489	127	46	662
Charged to equity	-	-	305	305
1 January 2018	**12,213**	**6,176**	**(732)**	**17,657**
Charged to profit and loss account	**598**	**85**	**58**	**741**
Charged to equity	**-**	**-**	**329**	**329**
31 December 2018	**12,811**	**6,261**	**(345)**	**18,727**

Deferred tax charged to equity during the year is as follows:

	31 December 2018 £000	31 December 2017 £000
Defined benefit pension scheme	**329**	305

12 Creditors due within one year

	31 December 2018 £000	31 December 2017 £000
Accruals	**2,992**	3,231
Deferred income	**1,434**	1,447
Trade payables	**797**	1,758
Other tax and social security	**259**	252
Other payables	**898**	1,055
Finance lease liabilities	**113**	-
Capital payables	**2,561**	5,069
Group tax relief payables	**10,338**	10,267
Corporation tax payable	**8,134**	4,503
Creditors due within one year	**27,526**	27,582

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

13 Share capital

	31 December 2018 £000	31 December 2017 £000
Allocated, called-up and fully-paid	**12,000**	12,000

12,000,002 (2017: 12,000,002) ordinary shares of £1 each.

Notes to the financial statements for the year ended 31 December 2018

14 Revaluation reserve

	31 December 2018 £000	31 December 2017 £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.

15 Profit and loss account

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
1 January	**136,087**	115,513
Profit for the year	**19,947**	19,083
Return on plan assets excluding interest income	**5,341**	1,161
Actuarial gains and losses on defined benefit pension scheme	**(3,404)**	635
Deferred tax on pension scheme	**(329)**	(305)
Dividends paid	**(95,330)**	-
31 December	**62,312**	136,087

On 21 September 2018, the Company paid a dividend in specie of £95,330k (2017: £nil) to Airport Holdings NDH1 Limited, the Company's immediate parent undertaking.

16 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 is closed to new employees. 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 plans 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 2018 £000	31 December 2017 £000
Defined benefit obligation	**(43,970)**	(43,787)
Fair value of plan assets	**44,750**	42,542
Net asset/(liability) for defined benefit obligations (see following table)	**780**	(1,245)

16 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 2018 £000	31 December 2017 £000	**31 December 2018 £000**	31 December 2017 £000	**31 December 2018 £000**	31 December 2017 £000
Balance at 1 January	**(43,787)**	(48,092)	**42,542**	45,235	**(1,245)**	(2,857)
Current service cost	**(537)**	(497)	**-**	-	**(537)**	(497)
Past service cost	**240**	-	**-**	-	**240**	-
Interest (cost)/income	**(1,175)**	(1,158)	**1,148**	1,093	**(27)**	(65)
Scheme administration expenses	**-**	-	**(9)**	(2)	**(9)**	(2)
Included in SOCI						
Actuarial (loss)/gain	**(3,404)**	635	**-**	-	**(3,404)**	635
Return on plan assets excluding interest income	**-**	-	**5,341**	1,161	**5,341**	1,161
Other						
Employee contributions	**(1)**	(57)	**1**	57	**-**	-
Employer contributions	**-**	-	**421**	380	**421**	380
Benefits paid out	**4,694**	5,382	**(4,694)**	(5,382)	**-**	-
Balance at 31 December	**(43,970)**	(43,787)	**44,750**	42,542	**780**	(1,245)

Fair value of plan assets

	31 December 2018 £000	31 December 2017 £000
Property	**2,801**	2,280
Bonds	**5,607**	5,181
Cash	**97**	108
Liability Driven Investment	**20,745**	18,757
Diversified growth funds	**9,233**	11,702
Direct lending	**6,267**	4,514
Total	**44,750**	42,542

Actuarial assumptions

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

	31 December 2018 %	31 December 2017 %
Discount rate at 31 December	**2.85**	2.45
Future salary increases (before 1 Sept 2016)	**2.25**	2.25
Future salary increases (after 1 Sept 2016)	**2.00**	2.00
RPI Inflation	**3.20**	3.20
Pension increases in payment	**3.05**	3.05

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: 27 years (male), 29 years (female).

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

16 Employee benefits (continued)

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 2018 £000	31 December 2017 £000
Discount rate	*by 0.1%*	**1,055**	1,051
Rate of inflation	*by 0.1%*	**745**	701
Life expectancy	*by 1 year*	**1,055**	1,007

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.

Funding

The defined benefit plan is fully funded by the Group's subsidiaries. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Employees contribute to the plan based on a percentage of salary.

The Company's triennial valuation at 31 December 2017 has still to be approved and therefore a schedule of contributions payable from June 2018 has not been agreed. Any outstanding owed contributions will be paid in line with the agreed schedule of contributions. The weighted average duration of the defined benefit obligation at the end of the reporting period is 24 years (2017: 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 are fully expensed as employment costs.

The total expense relating to the defined contribution pension plan was £1,070k (2017: £908k).

17 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.

Non-cancellable operating lease commitments – Company as a lessee

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

	31 December 2018 Land and buildings £000	31 December 2017 Land and buildings £000
Within one year	**49**	124
Within two to five years	**23**	-
Total	**72**	124

The Company leases various offices and warehouses under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The Company also leases plant and machinery under non-cancellable operating leases.

17 Commitments (continued)

Non-cancellable finance lease commitments – Company as a lessee
Total future minimum rentals payable as at the year end are as follows:

	31 December 2018 Other £000	31 December 2017 Other £000
Within two to five years	**127**	-
Total	**127**	-

The Company leases advertising assets under a non-cancellable finance lease agreement, which includes the obligation to purchase the assets on expiry of the lease.

Non-cancellable operating lease commitments – Company as a lessor
Total future minimum rentals receivable as at the year end are as follows:

	31 December 2018 Land and buildings £000	31 December 2017 Land and buildings £000
Within one year	**5,117**	5,300
Within two to five years	**17,102**	17,271
After five years	**29,205**	36,086
Total	**51,424**	58,657

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

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

Company commitments for capital expenditure
Contracted capital expenditure commitments amount to £2.5million (2017: £685k).

18 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 (a subsidiary of Macquarie European Infrastructure Fund 4 LP) (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 2018, 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.