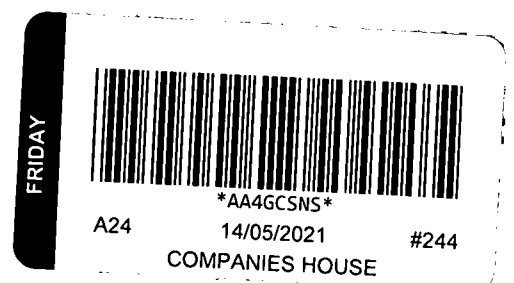


BRISTOL AIRPORT (UK) No.3 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2020



Company number: 05403024

BRISTOL AIRPORT (UK) No.3 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

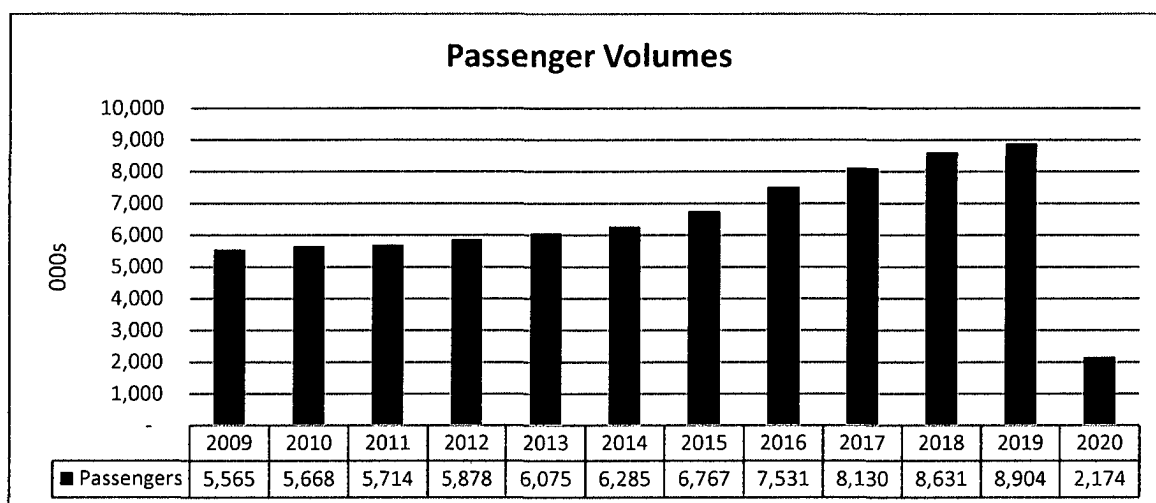
for the year ended 31 December 2020

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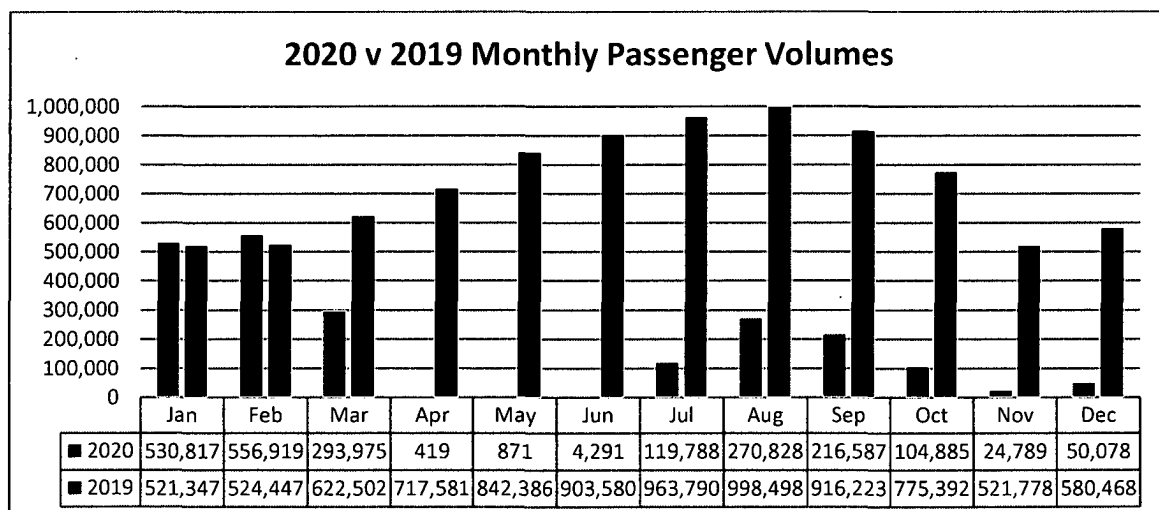
STRATEGIC REPORT

Review of the business

2020 was expected to be another year of growth for Bristol Airport (BRS) with passenger volumes budgeted to be 9.2m, 3% above 2019. However, the Coronavirus Pandemic (COVID-19) has had a devastating impact on the aviation sector with UK passenger volumes estimated to be 72% below last year for quarters one to three and between 95% to 100% lower at the height of the pandemic. BRS has suffered from the impact of the pandemic in line with the whole industry with passenger volumes for 2020 reduced to 2.2m, 75.6% below 2019. This significant decrease in passengers meant revenue fell by a similar amount (75.5%) compared to 2019 and resulted in the group moving from a £15.3m operating profit last year to a £54.3m operating loss this year.



Passenger volumes varied significantly across the year. January and February were unaffected by the pandemic, with passenger numbers ahead of 2019 by 1.8% and 6.2%, respectively. However, with the UK going into lockdown from 23 March and travel heavily restricted the impact on the second quarter (Q2) was dramatic with very few flights operating. The result was that total passengers in Q2 were only just over 5,000, compared to 2.5m in the same quarter last year. As lockdown restrictions were eased in Q3 there was some recovery and demand started to build with volumes increasing to almost 271,000 in August, although this was still 73% lower than 2019 volumes (998,000). However, with travel regulations constantly changing and more destinations becoming difficult to fly to, without having to quarantine, demand softened and September passenger volumes fell to less than 24% of the prior year. The country then went in to the second lockdown in October, with travel heavily restricted, resulting in less than 180,000 passengers in the final quarter, which was 96% below 2019 (1,878,000).



Review of the business (continued)

Easyjet was still the largest airline operating at BRS in 2020, accounting for 63.0% (2019: 58.3%) of total passengers, with Ryanair the second largest at 24.4% (2019: 21.8%). TUI was the next biggest with 5.3% (2019: 8.1%) of total passengers and KLM was fourth with 2.9% (2019: 2.9%). These four airlines accounted for 95.6% of passengers in the year, 4.6% higher than 2019. The increase is due to the fact that some of the smaller airlines flew very limited schedules after the first lockdown and a couple stopped flying for the rest of the year.

The significant decline in passenger volumes had an adverse impact on revenue, which was 75.8% below 2019. Aeronautical revenue was 80.7% lower and commercial revenue was 72.7% below 2019. Commercial revenue includes some income streams not directly linked to passenger volumes, such as property, which were less impacted by the reduction in passenger volumes. As a result, even though many of the terminal concessions closed during the lockdown periods commercial yields were still 11.7% higher than last year. However, aeronautical yields were affected by the lower volumes and resultant change in passenger mix with the yield down 21.1% to £3.89 per passenger (2019: £4.94 per passenger).

The group took decisive action during the year to reduce operating costs, which delivered cost savings of £18m (22.3%) against 2019. Payroll costs were reduced by 12% (£2.1m) through a combination of reduced working hours, a redundancy programme which resulted in the loss of 73 employees and the furloughing of staff through use of the government's Job Retention Scheme. The group received £1.9m (2019: £nil) of grants from the Job Retention Scheme which are shown against Other Operating Income. Other operating charges were reduced by £17.8m (40%). This was achieved by working collaboratively with business partners to minimise costs where there was a direct link to passenger volumes. Large parts of the airport were also closed down to minimise costs during the lockdown periods. This included closure of the block-park Silverzone car park operation from March and the closure of the terminal for a period during the first lockdown, with passengers processed through Aviation House. Support contract costs for plant and machinery where the equipment was being utilised less due to the lower throughput were renegotiated and all discretionary expenditure was reviewed and cut back where it was viewed as non-critical. The savings on payroll and other operating charges is partially offset by an increase in the depreciation charge, which is £3.7m (19.4%) higher than 2019. This non-cash increase is due to the high capital expenditure in 2019 with a number of projects not completed until the final quarter of the year, so 2020 is the first year with a full depreciation charge.

Despite the various actions taken to reduce costs, the loss of revenue due to the significant reduction in passenger volumes meant the group generated an operating loss of £54.3m, compared to an operating profit of £15.3m in 2019. This reflects the relatively high proportion of fixed costs which cannot be flexed within the space of a year.

The group had a significant capital expenditure plan for 2020 with a large proportion of this expenditure linked to the expansion programme to facilitate the expected passenger growth in 2020 and beyond. Once it became clear that COVID19 was going to have such a dramatic impact on passenger volumes, management took actions to defer any projects that did not need to take place in 2020. As a result, capital expenditure in the year was reduced to £8.76m, significantly below the planned expenditure, with investment restricted to completion of in-flight projects and other critical works.

STRATEGIC REPORT (continued)

Vision Statement

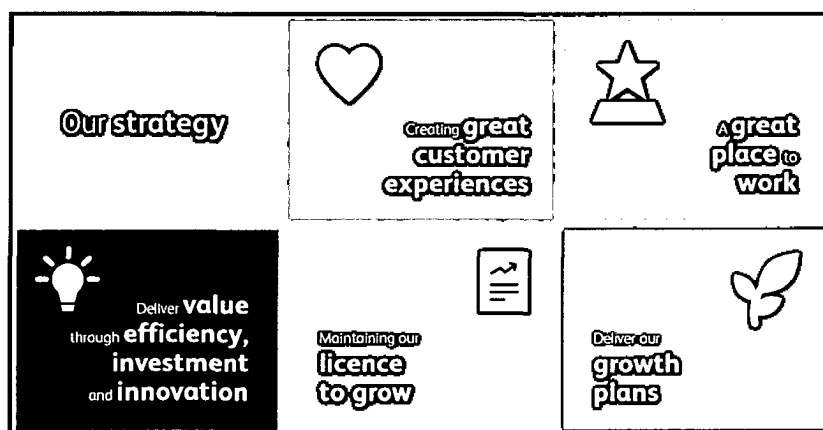
A new vision for Bristol Airport was set out in 2019: **"to be everyone's favourite airport, delivering a future we can all be proud of"**.

To be everyone's favourite airport will be achieved by providing a customer experience that makes BRS everyone's first choice to fly from and to, attracting airlines by operating efficiently and being an employer of choice.

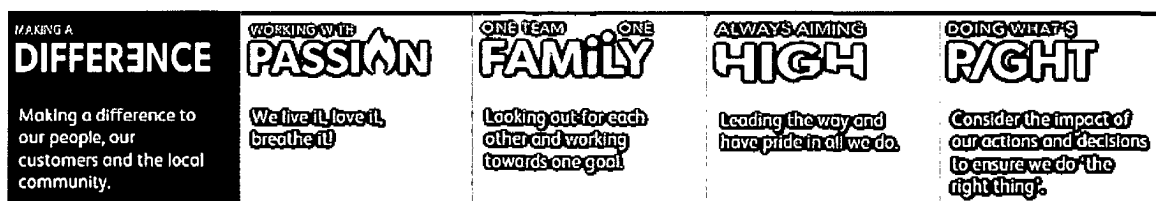
Delivering a future we can all be proud of involves growing the airport in a sustainable manner that meets the needs of all key stakeholders (e.g. customers, employees, local communities and shareholder).

Culture and Values

In addition to the vision the airport has developed a strategy based on five core themes which are detailed below. While the immediate focus for the airport has been adjusted in light of the pandemic, the overall strategy for the business remains the same.



Delivering on this vision requires a forward-looking and engaged workforce that embraces a culture of change, together with a strong sense of local issues and teamwork. In support of our vision, five core values were identified, in consultation with all colleagues, that are gradually becoming embedded across the business in recruitment campaigns, competency frameworks, performance management and our communications. These values are explained below:



Creating Great Customer Experiences

Customer experience improvements will be delivered through continued collaborative working with airline customers and business partners, including ground handling agents. Engagement with our airlines and business partners is essential to the smooth-running of the airport and this is achieved through regular engagement sessions with operational and senior management as well as day-to-day operational meetings to review performance and consider where improvements can be made.

Creating Great Customer Experiences (continued)

To mark International Disability Day, the UK Civil Aviation Authority highlighted the progress that airports have made since the introduction of the regulator's airport accessibility framework five years ago. Bristol Airport was delighted to have gained the rating of 'very good' in the CAA's disability access report. It is vitally important everyone who travels through Bristol Airport feels confident, and extra help and assistance is available when needed. In recent years we have made significant investment improving the facilities available to customers and this work includes creating a Changing Places toilet to support passengers with complex health care needs; invested £400,000 in an improved waiting area in the departure lounge; continued investment in training, including a Dementia Friends awareness programme across the business; and in Spring 2021, an experiential facility for autistic travellers will open to enhance their experience when travelling.

A Great Place to Work

Our aspirations for our people are as follows:

- Ensure every colleague is engaged with the group's vision and values, understands their personal contribution, has the information and opportunity to perform to their potential, and feels valued.
- Create a culture of learning, development, high performance and continuous improvement.
- Ensure we provide a workplace that is safe, secure and actively supports employee well-being.
- Ensure that our workplaces and teams positively embrace and promote diversity and inclusion.

These aspirations are built on solid foundations, which we have built on with the following additional initiatives:

- The implementation a new HR Information System incorporating a Learning Management System, that will support personal development and self-learning aligned to business aspirations.
- The development of a new Intranet, due to go-live in 2021, enabling colleagues to access one single source of the truth, keep up to date with group goals and performance, and connect more easily with other teams.
- Being a founding signatory and active member of both the Women in Aviation and Aerospace Charter, and the Bristol Women in Business Charter. The group has continued to monitor and report on our Gender Pay Gap to ensure we can track our progress, and our aim is to play a leadership role within the region, championing inclusivity and employment opportunities, and developing a talented and engaged workforce.
- During 2020 the group introduced a fully flexible working policy for non-operational colleagues, and greater shift mobility for operational roles, helping improve work/life balance and improve access to work.

The airport's approach to diversity and employee engagement are outlined in the Directors' Report.

Deliver Value Through Efficiency, Investment and Innovation

As the airport develops, ensuring a focus on value through continuous improvement, investment and efficiency will be essential to maintaining a lean sustainable business model.

The business will be running continuous improvement projects across the airport to identify areas where efficiencies and/or customer experience can be improved. To support this a digital roadmap has been developed to prioritise the key areas where digital technologies can provide value to the organisation. This will cover:

- Efficient and effective enterprise platforms to support collaboration and embed core Bristol Airport processes;
- Improving the passenger experience through the use of digital technologies and embracing leading-edge technology to make the passenger's journey as frictionless as possible; and
- Developing a central platform that provides enhanced capability to plan operational requirements across the airport and then operate through an efficient and effective command centre.

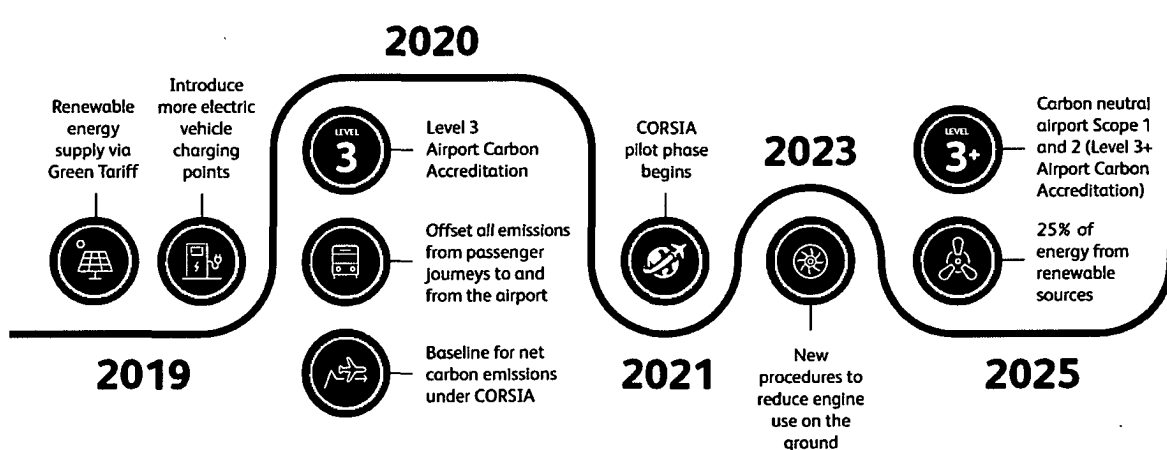
Development of sustainable procurement policies and procedures will be continued with a focus on driving value from the local supply chain through established business partner relationships. Bristol Airport has created longstanding relationships with its suppliers and business partners over many years and ensures that key suppliers understand the business and integrate into its operations. A continued procurement focus will further develop these relationships to ensure that the airport has a sustainable supply chain moving forward.

Maintaining Our License to Grow

In the airport's vision and strategy there is clear recognition that future growth needs to be underpinned with sustainability principles. The airport has identified four core areas for strategic development:

1. Carbon Emissions

As outlined in the 2019 Strategic Report, the Airport published its Carbon Roadmap in July 2019, outlining the Airport's direct and indirect emissions and the journey to reach carbon neutrality for direct emissions by 2025, through the internationally recognised Airports Carbon Accreditation Scheme (ACAS).



Work continued in 2020, albeit limited due to the COVID-19 pandemic, with energy efficiency improvements made through changes of HVAC (heating ventilation and air conditioning) controls and moving from gas hot water systems to electric for some retail concessions in the terminal. Furthermore, solar PV installations were planned in 2020 and as a result, the airport's recently built Consolidated Car Rental Centre and associated car wash facilities will have solar PV installed in 2021.

Maintaining Our License to Grow (continued)

This will generate approximately 210,000 kWh of solar energy per year and builds upon grey water use and water recycling already installed as part of the car wash facility.

Alongside this the Airport successfully offset emissions generated by the surface journeys of staff and passengers in 2020. All offsets are either accredited against the Verified Carbon or Gold standard covering renewable generation from wind and solar plus organic waste management treatments. The airport still has in place a 100 per cent renewable electricity supply and is focusing on delivering a Carbon and Climate Change Action Plan in 2021 detailing more specifically how the airport will reach Net Zero by 2050. As required under the Streamlined Energy and Carbon Reporting (SECR) the group has included details of its carbon emissions in the Directors' Report.

2. Use of Resources

- Due to the COVID19 pandemic, total waste produced at the airport fell by 69% in 2020 compared to 2019. However, the businesses onsite recycling rate remained high at 50% in 2020 which is a testament of the processes, facilities and employee dedication to minimise environmental impacts across the airport.
- The remaining waste which could not be recycled on site was disposed at a nearby Waste to Energy plant in Avonmouth. This is now the sixth year Bristol Airport has been a zero landfill operation.
- A new airline waste trial began in December 2020 with easyJet, our largest customer airline. With reduced passenger numbers this is an opportune time to embed such schemes which will generate increased recycling levels in the short and medium term.

3. Local Community

- The airport operates a noise insulation grant scheme designed to provide replacement windows and loft insulation to eligible properties in the communities around the airport. This scheme has been very successful, with over £176,000 being allocated in noise insulation grants in 2019. However, this year due to Covid-19 restrictions, the scheme has had to be postponed, but the Airport is keen to reintroduce this scheme when it is appropriate to do so.
- The Airport has continued to focus on Continuous Descent Approaches (CDAs) in 2020, albeit with very limited aircraft movements, with a rate of 79%. CDAs are employed to reduce the noise impact associated with inbound aircraft and provide fuel efficiency benefits.

4. Transport Access

- The airport achieved a 13% public transport modal share for passengers to and from BRS in 2019 and was targeting to increase this to 13.5% in 2020. However, during 2020 many public transport services at the airport, as mirrored across the UK, were suspended due to the pandemic. Analysis is underway to understand public transport uptake in 2020 and will be produced in the Airport's Annual Monitoring Report which can be found on our website.
- Employee travel has fallen significantly in 2020 with the majority of non-operational employees working from home since March 2020. The airport recognized the benefits working from home allowed and introduced a flexible working policy in the year. This has provided employees with the opportunity to achieve a better work life balance and deliver a reduction in travel emissions.

Bristol Airport successfully retained its ISO14001: 2015 Environmental Management Systems certification in December 2020, which covers all airport operations, and ensuring all environmental issues are addressed appropriately.

BRISTOL AIRPORT (UK) No.3 LIMITED

STRATEGIC REPORT (continued)

Deliver Our Plans to Grow

At the heart of the new vision is an ambition to maintain and build on Bristol's position as the major airport serving the South West of the UK. Prior to this year, consistent growth in passenger numbers over the last decade has seen Bristol overtake Glasgow to become the eighth busiest airport in the UK, and market share in key parts of the Airport's catchment area has increased.

Although passenger volumes have been significantly reduced by the pandemic this is expected to be a short-term impact with numbers anticipated to return to pre-pandemic levels within 3-5 years. The group is therefore still progressing its planning application seeking approval for passenger growth from 10mppa to 12mppa. Whilst the original application was refused by North Somerset Council in March 2020, in September 2020, Bristol Airport initiated formal appeal proceedings against this decision. The appeal process has commenced with a Public Inquiry to be held by the Planning Inspectorate in summer 2021.

Although there was increased passenger demand at the airport pre the pandemic, analysis of Civil Aviation Authority data suggested that leakage of traffic from South West England and South Wales to London airports remained significant. Post the pandemic, when demand is expected to return, further investment in facilities alongside enhancements to Bristol's route network (including new destinations and increased frequency on existing services) will seek to address this leakage by providing more options for customers currently choosing to make surface journeys to the South East in order to fly.

Inbound tourism represents another opportunity for growth. An estimated 1.5 million journeys were made by overseas residents using Bristol Airport in 2019, generating benefits for the visitor economy in Bristol, Bath, Somerset and the wider South West and South Wales. Additions to the route network, combined with overseas marketing campaigns in partnership with destination management organisations in the region, are expected to drive further gains in this area.

Strategic KPI's

To ensure delivery across all of our key strategic priorities the airport has developed a balanced scorecard that informs the Board on performance of the business. The full dashboard contains 20 measures of performance, however, the top-5 have been highlighted below.

	2020 Actual	2019 Actual
EBITDA ¹ per passenger	(£5.46)	£6.21
Number of Accidents (employees, passengers and visitors)	66	45
Airport Service Quality (ASQ) - average for year	Not completed in 2020 ²	4.17
Employee Turnover (excluding redundancies)	7.5%	14%
Carbon Emissions (CO ²)	3,750,000 kg	4,495,782 kg

¹ EBITDA is unadjusted earnings before interest, tax depreciation and amortization.

² Bristol Airport withdrew from the ASQ programme in 2020 as the significant reduction in passenger volumes and changes to the operation caused by the pandemic would have distorted the scoring.

The carbon emissions figure represents the volume of CO² emissions generated from the use of electricity and gas at BRS.

STRATEGIC REPORT (continued)

Section 172 Statement

The directors of the airport have clear regard to their responsibilities and in particular the requirements set out in section 172(1)(a) to (f). The Board of Directors meets on a regular basis and ensure that the key aspects of their responsibilities are discharged at these meetings. Key aspects of the Board Agenda in 2020 that demonstrate compliance with Section 172(1)(a) to (f) are as follows:

Section 172(1)(a) to (f) Requirements	Board Agenda Item(s)
Likely consequences of any decision in the long term	<ul style="list-style-type: none"> As a result of the COVID-19 impacts on the airport there has been the need for a significant level of short-term decision-making to be made by the Board in relation to all aspects of the business. Board Meetings were held on a more frequent basis during the crisis and all key decisions were considered in the face of likely financial and operational scenarios that the group was facing. Despite this focus on the short-term, the Board ensured that it considered the implications of short-term actions on the long-term value of the business, these discussions included: <ul style="list-style-type: none"> Talent Retention and Succession Planning Planning Appeal Progress Future Digital Strategies Long-term cost planning and operating model implications Future financial leverage of the business Various People policies, including wellbeing and flexible working Environmental and sustainability goals
Interests of the group's employees	<ul style="list-style-type: none"> The Board endorsed a 5-year People Strategy in 2018, to deliver the strategic priority of creating "A Great Place to Work", and the skills and capabilities to deliver our business plan objectives. This strategy is reviewed and updated annually to meet the changing needs of the business, and again endorsed by the Board. Monthly updates are reviewed in relation to well-being, engagement, and learning & development. There have been significant changes brought about in 2020 in response to the pandemic, overseen by the Board, and employees have been fully consulted via the union, the Employee Forum, and management representatives. Communication with employees has been significantly enhanced through the introduction of live, all-access vlogs with the Executive Team, regular Full Management Team meetings, and various formal and informal media of communication. Management have introduced a number of new policies to assure employee well-being in 2020, including fully flexible working for non-operational employees, regular well-being check-ins, and the appointment of a full-time Internal Communications & Engagement Partner. Improvements have been made to family friendly policies and our well-being policies. <p>Finally, the Board play a critical oversight role on Health and Safety policy and governance, monitoring performance against leading targets, and challenging management to achieve even higher standards of attainment.</p>

BRISTOL AIRPORT (UK) No.3 LIMITED

STRATEGIC REPORT (continued)

Section 172 Statement (continued)

Section 172(1)(a) to (f) Requirements	Board Agenda Item(s)
Need to foster the group's business relationships with suppliers, customers and others	<ul style="list-style-type: none">• The relationship with regulators, suppliers, customers, lenders and other key stakeholders (e.g. unions and trade bodies) has been critical in ensuring the airport could appropriately respond and resize to the reduced passenger demand levels seen in 2020.• The Board has reviewed and considered the impact on each of the stakeholders from this resizing and has ensured that actions taken by the airport's management have been appropriate to protect the airport's interest whilst maintaining these critical relationships for the longer-term.
The impact of the group's operations on the community and the environment	<ul style="list-style-type: none">• Issues that may impact the ability of the business to grow are discussed by the Board of Directors.• This provides insights on the critical investments that are being made and committed to improve the group's impact on the community and the environment. This will include regular reports and insights on noise, local community issues and transport / surface access strategy, in particular targets to improve the level of public transport penetration. <p>The Board has also discussed and endorsed the Carbon Roadmap that was published in 2019, committing the airport to a Carbon Neutral position by 2025 (see earlier explanation of activities within the Carbon Roadmap).</p>
The desirability of the group maintaining a reputation for high standards of business conduct	<ul style="list-style-type: none">• The Board holds a quarterly Audit and Risk Committee (ARC) where the governance requirements of the business are reviewed and monitored and various policies relating to the way the Board wish the business to operate are approved. <p>The ARC discussed compliance with these policies and obtained assurance from management that these policies had been regularly reviewed and communicated clearly to all staff to ensure they are embedded in the culture and standards of the organisation.</p>
The need to act fairly as between members of the group	<ul style="list-style-type: none">• The Board includes two independent non-Executive Directors (including the Chair of the Board) who provide impartial guidance to the board to ensure the group considers the interest of all members. <p>Minutes from all Board Meetings are shared with the members of the group and a management agreement is in place between Ontario Airport Investments Limited and the minority shareholders to ensure their interests are reflected at the Board.</p>

Principal risks and uncertainties

Travel Restrictions

The critical short-term uncertainty relates to travel restrictions that remain in place across the airport's key destinations. During 2020 countries were brought in and out of the Air Travel Corridor list creating significant volatility in expected passenger numbers. With the vaccine rollout underway in the UK and Europe it is believed that these restrictions will be removed as we move into summer 2021, however, this will be dependent on the success of the rollouts and ultimately the remaining infection rates across the key countries the airport's airlines operate to.

BRISTOL AIRPORT (UK) No.3 LIMITED

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

The airport is improving flexibility in its cost base to manage this potential volatility, but additionally it is ensuring that it has COVID-19 testing capability in both departures and arrivals should this become a pre-requisite for travel in the future.

Passenger Demand

With potential restrictions on travel, further COVID-19 testing requirements, and a worsened economic environment, there is a risk that previous levels of passenger demand do not return in the short-term as consumers are less willing to travel. The airport has significantly reduced its cost base and capital expenditure plans to mitigate the impact of this potential risk and is running scenarios to accommodate passenger levels not returning to pre-COVID 19 levels before 2023, at the earliest.

Airline Failures

The significantly lower level of passenger demand over the last 12 months has severely impacted the financial position of all companies connected with the aviation industry. Airlines have been one of the worst impacted and hence the airport continues to monitor the financial position of its key airline customers to ensure they can continue to support the operations at Bristol. However, the two largest airlines operating from Bristol (easyJet and Ryanair) are some of the strongest in Europe and have demonstrated their ability to raise further finance through the pandemic. In addition, the number of airlines operating from Bristol has been expanded with Jet2 basing two aircraft from Summer 2021 and Lufthansa commencing a new service to Frankfurt from June 2021.

Brexit Uncertainties

With the UK successfully negotiating a new trade deal with the EU the economic risks associated with Brexit have been reduced. However, the airport continues to monitor any changes to EU / UK aviation rules to ensure that the current open skies agreement remains in place.

Airport Competition

Competition from within and outside the region has the potential to displace passenger growth to other airports. This risk is kept under continuous review by the Board and management team and is being mitigated by maintaining strong relationships with our airline customers together with the continuation of significant investment in infrastructure and services.

Planning Delays

The airport currently has planning permission to meet passenger demand up to 10 million passengers per annum. Pre Covid-19, this provided headroom to continue expected growth out until 2021, but this is now expected to be further out. However, beyond this the airport requires further planning permission and a submission was heard by the North Somerset Council Planning and Regulatory Committee on 10 February 2020 to allow expansion of the airport to meet demands up to 12 million passengers per annum.

Despite a recommendation to approve the expansion from the Council's Planning Officers, the committee decided to refuse the application at the meeting. The airport initiated formal appeal proceedings against this decision and the appeal process has commenced with a Public Inquiry to be held by the Planning Inspectorate in summer 2021. The airport remains confident on achieving planning consent, based on its robust planning application and alignment with National Aviation Policy. However, the process could be protracted and include an extended period for judicial review. This could delay the opportunity to grow beyond 10 million passengers, although this risk has been mitigated by the impact of the pandemic, as the airport is not now expected to reach 10 million passengers until later than previously forecast.

Principal risks and uncertainties (continued)

Climate Change

The airport has assessed the implications for Climate Change on its business model and considers the following impacts to be material to its future strategies and plans:

- Severe weather – the airport has historically been impacted by severe weather and other natural events, such as heavy storms, snow and volcanic ash clouds. With longer-term predictions of changing climatic conditions the airport may need to adapt its business model and risk profile to deal with these events on a more frequent basis. Ongoing monitoring of weather patterns and planning for operational mitigations will be required to manage this risk.
- Public attitudes to flying – as the drive towards a low carbon economy intensifies there could be a tipping point where public appetite for flying reduces as a result of environmental concerns. This could have an impact on the ability of the airport to grow in the longer term. This risk is being addressed by the aviation industry as a whole, both globally and domestically. Through the UK body Sustainable Aviation, the UK aviation industry has committed to cut carbon emissions to zero by 2050 whilst accommodating 70% growth in passengers during the same period. Internationally the Carbon Offsetting and Reduction Scheme for International Aviation or CORSIA is a global agreement to address emissions from flights which begins with its pilot phase in 2021.
- Regulation and taxation – UK Government has committed itself to the UK economy being carbon zero by 2050. If the aviation industry cannot achieve net zero emissions by this date through technology and offsetting then there is the potential for regulation or taxation to discourage flying. As per above, the airport is managing the risk through engaging with the aviation industry's own ambition to move to carbon zero by 2050 as well as making its own commitments to being carbon neutral for its direct emissions by 2025.

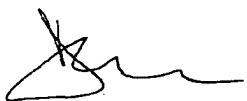
Despite these uncertainties Bristol Airport has a proven history of withstanding adverse factors that have impacted both the UK and the wider global aviation industry. This has been evidenced by the airport's ability to deliver year-on-year passenger growth from 2009 to 2019 despite the pressures that the industry has faced.

The directors consider the business to be resilient to each of the identified risks and have developed detailed scenarios that demonstrates a robust response to any of these risks.

Future developments

The directors expect the general level of activity to increase in 2021 as travel restrictions are eased domestically and abroad and vaccines are rolled out.

Approved by the Board of Directors and signed on its behalf by:



David Kerr
Director

31 March 2021

BRISTOL AIRPORT (UK) No.3 LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and audited consolidated financial statements for Bristol Airport (UK) No.3 Limited ("BAUK3"), a limited company incorporated in the United Kingdom, for the year ended 31 December 2020.

In this report, 'company' refers to Bristol Airport (UK) No.3 Limited and 'group' refers to the consolidation of Bristol Airport (UK) No.3 Limited and its subsidiaries (note 13).

Principal activities

The principal activities of the group are the ownership, operation and management of Bristol Airport, including the provision of the services and facilities required. The principal activity of the company is that of a holding company.

Financial matters

The results for the year are given in the profit and loss account on page 21. The directors do not recommend the payment of a dividend (2019: £nil).

Future developments

The group's objectives and future developments are discussed in the Strategic Report on pages 4 to 8.

Going concern

The impact of the COVID-19 pandemic on the group has been widespread, impacting both the financial performance of the business and the underlying operations. The airport has taken steps, including the partial closure of the Airport Terminal and Car Park operations, to significantly reduce both operating costs and capital expenditure to minimise outgoings and thereby reduce the impact from the loss of revenue.

However, despite these actions the pandemic's impact increased the likelihood of triggering Event of Default clauses within the group's debt facility agreements in relation to breach of financial covenants, cessation of business and material adverse change. The group has therefore consulted with its lenders and agreed waivers from these Event of Default clauses, with the next covenant testing as per existing debt documents in December 2022. It has also secured a new £60m shareholder-backed additional liquidity facility. In agreeing these waivers, the lenders have requested additional monthly tests to be performed throughout the waiver period to ensure the group has sufficient liquidity for the next 6 months.

The airport's management have modelled several scenarios to understand the financial and operational requirements of the business as it recovers from the impact of COVID-19. Whilst there is a high degree of uncertainty around the speed of recovery management has undertaken constructive dialogue with airlines, suppliers and Government, as well as engaging with the wider industry in producing its future forecasts for the business.

The directors have reviewed these forecasts and specifically those covering a period of at least 12 months from the date of approval of the financial statements to consider whether the group will have access to sufficient liquidity to allow the tests to be met throughout the period. The directors have also assessed a downside scenario with a slower recovery in passenger numbers and have concluded that there is sufficient liquidity within the existing committed facilities to cover the additional cash requirements in this scenario. As demonstrated during 2020, management have a strong track record of quickly introducing changes to reduce operating expenses and capital expenditure. If the airport were to be trending towards a lower recovery scenario further operating expenses and capital expenditure reductions would be implemented to support liquidity.

Therefore, whilst the group has incurred a loss in the year and has net current liabilities at the year-end, the directors are comfortable that it is appropriate to prepare the financial statements on a going concern basis.

BRISTOL AIRPORT (UK) No.3 LIMITED

DIRECTORS' REPORT (continued)

Financial risk management

Objectives and policies

The group manages financial risks as part of its overall risk management strategy. The objective of risk management for Bristol Airport is to ensure delivery of strategic objectives within the approved Business Plan by monitoring and managing the risks that could impact delivery of these objectives in a consistent and action-oriented approach.

Price risk, credit risk, liquidity risk and cash flow risk

The group has limited exposure to price risk. The main risk is wage inflation which is managed through negotiating pay agreements with employees. Other exposures include general market inflation and construction cost inflation.

Credit risk is managed through customer credit checks pre-contract, with regular review and monitoring of credit exposures thereafter. In the current environment this monitoring has been increased and payment plans agreed with specific customers where required.

Liquidity and cashflow risk are controlled through regular review of the future cashflow requirements of the business and tight control of working capital. The group has access to additional liquidity facilities, which include the recently agreed £60m shareholder-backed facility.

Interest rate risk is managed through the interest rate swaps detailed in note 15.

Streamlined Energy and Carbon Reporting (SECR)

This is the first year that the group is required to comply with the SECR regulations and therefore the following energy supply and emission figures make up the baseline for Bristol Airport.

Utility and Scope	2020 UK consumption (kWh)	2020 UK emissions Location basis (tCO ₂ e)	2020 UK emissions Market basis (tCO ₂ e)
Grid-Supplied electricity (scope 2)	13,367,771	3,117	-
Gaseous and other fuels (scope 1)	3,478,522	641	641
Transportation (scope 1 and 3)	1,720,296	419	419
Total	18,566,589	4,176	1.060

Scope 1 consumption and emissions relate to direct combustion of natural gas and fuels utilised for transportation operations, scope 2 relate to indirect emissions on the consumption of purchased electricity used in the operation of the business and scope 3 are emissions from business mileage undertaken by employees in private vehicles. The group has no consumption outside the UK.

Intensity Metric	2020 UK Intensity Metric Location basis	2020 UK Intensity Metric Location basis
tCO ₂ e per £m revenue	148.0	37.6
tCO ₂ e per thousand passengers	1.92	0.49

Bristol Airport's SECR report was prepared by Net Zero Compliance (a division of Inspired Energy PLC). Details of the group's carbon emission targets and initiatives taken to reduce emissions are provided in the Strategic Report on pages 6 and 7.

BRISTOL AIRPORT (UK) No.3 LIMITED

DIRECTORS' REPORT (continued)

Bristol Airport in the community

In 2020 Bristol Airport Limited provided £172,000 (2019: £167,000) to Bristol Airport Community Fund CIC to be donated to local community groups for the benefit of a variety of local projects. Contributions totalling more than £78,000 were granted to a range of beneficiaries, from youth groups to community centres in 2020. The total also included funding for noise insulation of properties most impacted by aircraft noise. Since the community interest company was established in 2012 it has contributed more than £1.1 million to local community projects.

Bristol Airport supported Aviation Action (a newly formed charity) with a donation of £1,000 to support aviation and airline colleagues impacted by the pandemic. The partnership continued with various members of the airport team participating and donating to Run the Runways activity in December to help raise £30,000 for the charity. All monies raised will help fund peer mentor and mental health training sessions to assist aviation colleagues in finding new careers who have lost roles during Covid-19.

Political contributions

No political contributions were made in the year (2019: £nil).

Disabled employees

All applications for employment are always fully and equally considered on the basis of the aptitude, ability knowledge, experience, skills and potential of the candidate in relation to the role specification. In the event of an employee becoming disabled and unable to fully undertake all aspects of their role, every effort is made to ensure continued employment through making reasonable adjustments. This may include a wide range of actions including but not limited to arranging appropriate training, providing additional facilities or adjustments to work patterns or the workplace. Our values define that all employees should receive equal opportunities to learn and develop.

Engagement and employees

The group places enormous value on engagement and consultation with employees, and in 2020 introduced a full-time Internal Communications & Engagement Partner to enhance performance and capacity in this area. Regular meetings are held with union representatives and the Employee Forum, in addition to regular, live, all-access vlogs with the Executive Team, regular Full Management Team meetings, and various formal and informal media of communication. As a result of the pandemic there were a number of key changes made that affected employees. These included, use of the Government Job Retention Scheme, a business restructure and the introduction of a flexible working policy. These changes were only implemented after full consultation with employees.

Directors

The directors who held office during the year and up to the date of signing this report, unless otherwise stated, are as follows:

David Kerr
Victor Scheibehenne

There are no contracts or arrangements with the company or any of its subsidiary undertakings in which any of the directors are materially interested and which are significant in relation to the business of the company or any of its subsidiary undertakings taken as a whole.

During the year the Group has taken out qualifying third party indemnity insurance for the benefit of its directors, which remains in force at the date of this report.

Registered office

The address of the company's registered office is Lulsgate House, Bristol Airport, Bristol, BS48 3DW.

BRISTOL AIRPORT (UK) No.3 LIMITED

DIRECTORS' REPORT (continued)

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law including Financial Reporting Standard FRS 102, "The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)".

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 group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that there is no relevant audit information (that is, information needed by the group's auditor in connection with preparing their report) of which the group's auditor is unaware, and the directors have taken all steps that they ought to have taken in order to make themselves aware of any relevant information and to establish that the group's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 23 to the financial statements.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:



David Kerr
Director
31 March 2021

BRISTOL AIRPORT (UK) No.3 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL AIRPORT (UK) No.3 LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Bristol Airport (UK) No. 3 Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in

BRISTOL AIRPORT (UK) No.3 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL AIRPORT (UK) No.3 LIMITED

the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation, Department for Transport regulation, and European Union Aviation Safety Agency, Civil Aviation Authority, International Civil Aviation Organization and other regulatory aerodrome requirements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included Data Protection Act and GDPR regulation, the Licensing Act, health and safety legislation, and environmental legislation.

BRISTOL AIRPORT (UK) No.3 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL AIRPORT (UK) No.3 LIMITED

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

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

- impairment of tangible fixed assets, unlisted investments and goodwill: we have performed testing of the design and implementation of relevant controls, assessed the assets against indicators of impairment, and we have reviewed and tested the forecast cash flows and other inputs into management's determination of the recoverable amount.

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

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

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

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 group and of the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

BRISTOL AIRPORT (UK) No.3 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISTOL AIRPORT (UK) No.3 LIMITED

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.



Sonya Butters (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

31 March 2021

BRISTOL AIRPORT (UK) No.3 LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2020

	Note	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000
Turnover	5	28,623	116,810
Staff costs	6	(15,322)	(17,391)
Depreciation and amortisation	11 / 12	(44,117)	(39,983)
Other operating charges		(25,389)	(44,126)
Other operating income		1,883	-
Operating (loss) / profit		(54,322)	15,310
Finance costs (net)	8	(47,923)	(46,308)
Profit on disposal of tangible fixed assets		11	-
Loss before taxation	9	(102,234)	(30,998)
Tax on loss	10	2,716	(2,683)
Loss for the financial year		(99,518)	(33,681)

All amounts relate to continuing operations.

BRISTOL AIRPORT (UK) No.3 LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2020**

	Note	<u>Year ended</u> <u>31 Dec 2020</u> <u>£000</u>	<u>Year ended</u> <u>31 Dec 2019</u> <u>£000</u>
Loss for the financial year		(99,518)	(33,681)
Other comprehensive income/(expense)			
Remeasurement of net defined benefit obligations	21	3,483	(4,034)
Change in value of hedging instruments	15	(1,893)	(1,488)
Total tax on components of comprehensive income	16	(470)	767
Other comprehensive income/(expense) for the year, net of tax		1,120	(4,755)
Total comprehensive expense for the year		<u>(98,398)</u>	<u>(38,436)</u>

BRISTOL AIRPORT (UK) No.3 LIMITED

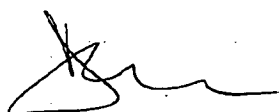
CONSOLIDATED BALANCE SHEET

At 31 December 2020

		31 Dec 2020		31 Dec 2019	
	Note	£000	£000	£000	£000
Fixed assets					
Intangible assets	11		216,338		227,876
Tangible assets	12		498,538		522,413
			<u>714,876</u>		<u>750,289</u>
Current assets					
Stocks			306		351
Debtors	14		4,162		11,291
Cash at bank and in hand			<u>11,582</u>		<u>34,186</u>
			16,050		45,828
Creditors: amounts falling due within one year	15		<u>(19,508)</u>		<u>(417,714)</u>
Net current liabilities			<u>(3,458)</u>		<u>(371,686)</u>
Total assets less current liabilities			711,418		378,403
Creditors: amounts falling due after more than one year	15		(847,334)		(414,749)
Provision for liabilities	16		(45,706)		(43,848)
Post-employment benefits	21		<u>(8,203)</u>		<u>(11,233)</u>
Net liabilities			<u>(189,825)</u>		<u>(91,427)</u>
Capital and reserves					
Called up share capital	17		59,083		59,083
Revaluation reserve	17		125,514		125,514
Hedging reserve	17		(7,741)		(5,848)
Profit and loss account	17		<u>(366,681)</u>		<u>(270,176)</u>
Shareholders' deficit			<u>(189,825)</u>		<u>(91,427)</u>

The notes on pages 28 to 55 are an integral part of these financial statements.

The financial statements on pages 21 to 55 were approved by the Board of Directors on 31 March 2021 and were signed on its behalf by:



David Kerr
Director

Company number: 05403024

BRISTOL AIRPORT (UK) No.3 LIMITED**COMPANY BALANCE SHEET****At 31 December 2020**

	Note	<u>31 Dec 2020</u>		<u>31 Dec 2019</u>	
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Fixed assets					
Investments	13		140,614		140,614
Current assets					
Debtors	14	1		50	
Cash at bank and in hand		326		279	
			327		329
Creditors: amounts falling due within one year	15	(132)		(124,843)	
Net current assets/(liabilities)			195		(124,514)
Total assets less current liabilities			140,809		16,100
Creditors: amounts falling due after more than one year	15		(132,934)		-
Net assets			7,875		16,100
Capital and reserves					
Called up share capital	17		59,083		59,083
Profit and loss account	17		(51,208)		(42,983)
Total equity			7,875		16,100

The notes on pages 28 to 55 are an integral part of these financial statements.

The loss for the financial year dealt with in the financial statements of the parent company was £8,225,000 (2019: £8,225,000 loss). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company.

The financial statements on pages 21 to 55 were approved by the Board of Directors on 31 March 2021 and were signed on its behalf by:



David Kerr
Director

Company number: 05403024

BRISTOL AIRPORT (UK) No.3 LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Note	<u>Called-up share capital £000</u>	<u>Revaluation reserve £000</u>	<u>Hedging reserve £000</u>	<u>Profit and loss account £000</u>	<u>Total equity £000</u>
Balance as at 1 January 2019	17	59,083	125,514	(4,360)	(233,228)	(52,991)
Loss for the financial year		-	-	-	(33,681)	(33,681)
Other comprehensive expense for the year		-	-	(1,488)	(3,267)	(4,755)
Total comprehensive expense for the year		-	-	(1,488)	(36,948)	(38,436)
Balance as at 31 December 2019	17	59,083	125,514	(5,848)	(270,176)	(91,427)

	Note	<u>Called-up share capital £000</u>	<u>Revaluation reserve £000</u>	<u>Hedging reserve £000</u>	<u>Profit and loss account £000</u>	<u>Total equity £000</u>
Balance as at 1 January 2020	17	59,083	125,514	(5,848)	(270,176)	(91,427)
Loss for the financial year		-	-	-	(99,518)	(99,518)
Other comprehensive income (expense) for the year		-	-	(1,893)	3,013	1,120
Total comprehensive expense the year		-	-	(1,893)	(96,505)	(99,398)
Balance as at 31 December 2020	17	59,083	125,514	(7,741)	(366,681)	(189,825)

BRISTOL AIRPORT (UK) No.3 LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	<u>Note</u>	<u>Called-up share capital £000</u>	<u>Profit and loss account £000</u>	<u>Total equity £000</u>
Balance as at 1 January 2019	17	59,083	(34,758)	24,325
Loss for the financial year		-	(8,225)	(8,225)
Other comprehensive income/(expense) for the year		-	-	-
Total comprehensive expense for the year		-	(8,225)	(8,225)
Balance as at 31 December 2019	17	59,083	(42,983)	16,100

	<u>Note</u>	<u>Called-up share capital £000</u>	<u>Profit and loss account £000</u>	<u>Total equity £000</u>
Balance as at 1 January 2020	17	59,083	(42,983)	16,100
Loss for the financial year		-	(8,225)	(8,225)
Other comprehensive income/(expense) for the year		-	-	-
Total comprehensive expense for the year		-	(8,225)	(8,225)
Balance as at 31 December 2020	17	59,083	(51,208)	7,875

BRISTOL AIRPORT (UK) No.3 LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	Note	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000
Net cash from operating activities	19	(10,452)	51,319
Taxation received/(paid)		3,042	(5,517)
Net cash generated from operating activities		(7,410)	45,802
Cash flow from investing activities			
Purchase of tangible fixed assets		(13,487)	(53,238)
Proceeds from disposal of tangible fixed assets		11	-
Interest received		44	86
Net cash used in investing activities		(13,432)	(53,152)
Cash flow from financing activities			
Repayment of obligations under finance leases		(376)	(301)
Receipts from loan facilities		13,121	168,500
Repayment of loan facilities		-	(117,590)
Interest paid		(14,507)	(44,427)
Net cash used in financing activities		(1,762)	6,182
Net decrease in cash and cash equivalents	19	(22,604)	(1,168)
Cash and cash equivalents at the beginning of the year		34,186	35,354
Cash and cash equivalents at the end of the year	19	11,582	34,186

All cash and cash equivalents are held as cash at the bank or in hand.

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 GENERAL INFORMATION

Bristol Airport (UK) No.3 Limited (the company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the company's registered office is shown on page 59.

The principal activities of the company and its subsidiaries (the group) and the nature of the group's operations are set out in the Strategic Report on pages 2 to 13.

2 STATEMENT OF COMPLIANCE

The financial statements of Bristol Airport (UK) No.3 Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The Company has applied the amendments to FRS102 issued by the FRC in December 2017 with effect from 1 January 2019. The transitional provisions relating to the triennial review amendments have not resulted in any restatements of comparative information by the Company.

3 PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The functional currency of Bristol Airport (UK) No.3 Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling.

Going concern

The impact of the COVID-19 pandemic on the group has been widespread, impacting both the financial performance of the business and the underlying operations. The airport has taken steps, including the partial closure of the Airport Terminal and Car Park operations, to significantly reduce both operating costs and capital expenditure to minimise outgoings and thereby reduce the impact from the loss of revenue.

However, despite these actions the pandemic's impact increased the likelihood of triggering Event of Default clauses within the group's debt facility agreements in relation to breach of financial covenants, cessation of business and material adverse change. The group has therefore consulted with its lenders and agreed waivers from these Event of Default clauses, with the next covenant testing as per existing debt documents in December 2022. It has also secured a new £60m shareholder-backed additional liquidity facility. In agreeing these waivers, the lenders have requested additional monthly tests to be performed throughout the waiver period to ensure the group has sufficient liquidity for the next 6 months.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Going concern (continued)

The airport's management have modelled several scenarios to understand the financial and operational requirements of the business as it recovers from the impact of COVID-19. Whilst there is a high degree of uncertainty around the speed of recovery management has undertaken constructive dialogue with airlines, suppliers and Government, as well as engaging with the wider industry in producing its future forecasts for the business.

The directors have reviewed these forecasts and specifically those covering a period of at least 12 months from the date of approval of the financial statements to consider whether the group will have access to sufficient liquidity to allow the tests to be met throughout the period. The directors have also assessed a downside scenario with a slower recovery in passenger numbers and have concluded that there is sufficient liquidity within the existing committed facilities to cover the additional cash requirements in this scenario. As demonstrated during 2020, management have a strong track record of quickly introducing changes to reduce operating expenses and capital expenditure. If the airport were to be trending towards a lower recovery scenario further operating expenses and capital expenditure reductions would be implemented to support liquidity.

Therefore, whilst the group has incurred a loss in the year and has net current liabilities at the year-end, the directors are comfortable that it is appropriate to prepare the financial statements on a going concern basis.

Consolidation

The group consolidated financial statements include the financial statements of the company and all its subsidiary undertakings made up to 31 December 2020. As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the company has not been presented separately in the group financial statements.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions.

The company has taken advantage of the exemption from preparing a statement of cash flows and the disclosure of remuneration of key management personnel, on the basis that it is a qualifying entity and the cash flows of the company form part of the consolidated cash flow statement, included in the consolidated financial statements.

Other exemptions taken are in relation to section 11 and 12 requirements for certain financial instrument disclosures.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the group and value added taxes. The group bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The group recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the group retains no continuing involvement or control over the goods and services; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to each group's sales channels have been met.

Dividend and interest income

(i) Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably.

(ii) Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably. Interest income 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 that asset's net carrying amount on initial recognition.

Employee benefits

The group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Employee benefits (continued)

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date, less the fair value of the plan assets at the reporting date.

(iii) Defined benefit pension plan

The group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors, including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The defined benefit obligation is calculated using the projected unit credit method. Annually the group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts, together with the return on plan assets, less amounts included in net interest, are disclosed as a 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'Finance expense'.

(iv) Annual bonus plan

The group operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the group has a legal or constructive obligation to make payments under the plan, as a result of past events, and a reliable estimate of the obligation can be made.

(v) Long-term incentive plan

The group operates a long-term incentive plan for senior managers and directors in leadership positions. The incentive plan operates on a three-year rolling cycle. An expense is recognised in the profit and loss account when the group has a legal or constructive obligation to make payments under the plan, as a result of past events, and a reliable estimate of the obligation can be made.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period-end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the amounts expected to be paid to the authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are variances between taxable profits and total comprehensive income, as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in the tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrealised tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period-end and that are expected to apply to the reversal of the timing difference.

Intangible assets

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued, plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at an estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured, but subsequently becomes probable and measurable; or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration, over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Intangible assets (continued)

On acquisition, goodwill is allocated to cash-generating units ('CGUs') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life, which is estimated to be 25 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful life unless such lives are indefinite.

Tangible assets

Tangible fixed assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Some assets are held at fair value based on the fair value on acquisition and this is reflected in the valuation reserve.

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated lives, as follows:

- | | |
|-------------------------------|---------------|
| - Runways and aprons | 5 to 50 years |
| - Freehold land and buildings | 3 to 50 years |
| - Plant and equipment | 3 to 25 years |
| - Fixtures and fittings | 3 to 10 years |

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

Leases assets

At inception the group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Leased assets (continued)

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

(ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Rental income for buildings under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Government grants

Government grants are treated as deferred income, of which a proportion is released to the profit and loss account over the expected useful life of the asset, in equal annual instalments.

Fixed asset investments

Investments in subsidiary undertakings are stated at cost, less accumulated impairment losses, where applicable.

Stock

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes, duties, transportation and handling costs, directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price, less costs to complete and sell, and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

Financial Instruments

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are recognised at their transaction price.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from other group companies are initially recognised at their transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future receipts discounted at the market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Loan arrangement fees are classified as finance costs and are amortised through the profit and loss account over the period of the loan facilities.

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. Changes in the fair value of derivatives are recognised in the profit and loss account in finance costs, or finance income, as appropriate, unless they are included in the hedging arrangement.

(iii) Hedging arrangements

The group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in the fair value of the hedging instrument, since the inception of the hedge, over the cumulative change in the fair value of the hedged item, since the inception of the hedge) is recognised in the profit and loss account.

The gain or loss recognised in the other comprehensive income is reclassified to the profit and loss account when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is de-recognised or the hedging instrument is terminated.

Related party transactions

The group discloses transactions with related parties which are not wholly-owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying the group's accounting policies

It is the view of the directors that the following critical judgements have been applied to the group's accounting policies.

(i) 12 million passengers per annum (mppa) planning application

The company's planning application to seek permission to grow to 12 mppa (from 10 mppa) was rejected by the North Somerset Council Planning and Regulatory Committee on 10 February 2020. The airport has incurred costs of £2,826,000 to date on the 12 mppa planning application, which is held as a tangible asset on the balance sheet. The application was recommended for approval by the planning officers and the airport remains confident on achieving planning consent. The airport is reviewing its options on how to respond to this decision, and legal advice has been sought. Consequently the costs of the planning application have yet to be recognised in the profit and loss account. Management intends to commence depreciation of these costs once permission has been granted and construction of related assets has commenced. An annual review for impairment will be undertaken and any impairment will be charged to the profit and loss account.

(ii) Impairment review

The financial results in 2020 have been significantly impacted by the Covid-19 pandemic with the group reporting an operating loss of £54.3m. The group has undertaken a review of the carrying value of its assets, which are treated as a single cash generating unit. This review considered a number of different scenarios for recovery of passenger volumes to pre-pandemic levels with a range of cashflow forecasts linked to these passenger scenarios. Even in the worst case scenario there was sufficient headroom between the valuation of the business and the carrying value of the assets for management to conclude that there was no impairment. Management will continue to undertake an annual review of the asset values, with any impairment taken to the profit and loss account.

Key sources of estimation uncertainty

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Defined benefit pension scheme

The group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors determining the net pension obligations in the balance sheet. The assumptions reflect historic experience and current trends. Management has considered a range of defined benefit pension assumptions and is satisfied that what has been used is appropriate. See note 21 for the disclosures relating to the defined benefit scheme.

5 TURNOVER

The whole of the turnover and loss before taxation derives from the group's principal activities within the United Kingdom, which the directors regard as one class of business. The groupings used below are the same as those that the directors use to make their decisions.

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

5 TURNOVER (continued)

The revenue recognised in the year of £28,623,000 (2019: £116,810,000) can be entirely categorised as the rendering of services.

The main income streams within the turnover figure are aeronautical revenue charged to airlines, car park revenue charged to passengers and concession revenue generated from the various concessions operated at the airport.

The two primary categories for management are aeronautical and commercial revenue. Commercial revenue when referenced in these financial statements is the combination of car park revenue, concession revenue and other revenue.

	<u>Year ended</u> <u>31 Dec 20</u> <u>£000</u>	<u>Year ended</u> <u>31 Dec 19</u> <u>£000</u>
Aeronautical revenue	8,467	43,960
Car park revenue	9,877	36,918
Concession revenue	7,554	32,383
Other revenue	2,725	3,549
	<u>28,623</u>	<u>116,810</u>

6 EMPLOYEE NUMBERS AND COSTS

The monthly average number of persons employed by the group (including directors) during the year was as follows:

	<u>Group</u> <u>Year ended</u> <u>31 Dec 2020</u> <u>Number</u>	<u>Group</u> <u>Year ended</u> <u>31 Dec 2019</u> <u>Number</u>
Operational employees	254	290
Administrative employees	66	67
	<u>320</u>	<u>357</u>

The aggregate payroll costs of these persons were as follows:

	<u>£000</u>	<u>£000</u>
Wages and salaries	12,482	14,035
Social security costs	1,303	1,439
Other pension costs	1,536	1,647
	<u>15,322</u>	<u>17,391</u>

The company did not have any employees in 2020 (2019: nil).

7 DIRECTORS' REMUNERATION

No directors of the company received remuneration for their services from the group or the company in the year (2019: nil).

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

8 FINANCE COSTS (NET)

	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000
Bank interest receivable	44	86
Interest payable on bank loans	(14,345)	(12,515)
Interest payable on shareholder loans	(32,877)	(32,877)
Amortisation of loan issue costs	(486)	(752)
Finance charges on hire purchase contracts and finance leases	(22)	(38)
Net interest expense on pension benefits	(237)	(212)
	<u>(47,923)</u>	<u>(46,308)</u>

9 LOSS BEFORE TAXATION

	Year ended 31 Dec 2020 £000	Year ended 31 Dec 2019 £000
Loss before taxation is stated after charging:		
Depreciation of tangible fixed assets (note 12)	32,579	28,445
Amortisation of goodwill (note 11)	11,538	11,538
Insurance claims	(3,351)	-
Fees payable to the company's auditor:		
- Audit of the company financial statements	14	12
- Audit of subsidiary financial statements	93	80
- Audit related services	-	7
Rentals payable under operating leases		
- Plant and machinery	125	137
	<u>125</u>	<u>137</u>

The group received £1,883,000 (£2019: £nil) through the government's Job Retention Scheme in relation to employees who were furloughed during the year.

10 TAX ON LOSS

Tax on loss:

	Group Year ended 31 Dec 2020 £000	Group Year ended 31 Dec 2019 £000
Current tax		
- Corporation tax on loss for the year	(4,566)	4,810
- Adjustment in respect of prior years	462	(148)
	<u>(4,104)</u>	<u>4,662</u>
Deferred tax:		
- Origination and reversal of timing differences	(3,238)	(1,618)
- Impact of change in tax rate	5,196	(14)
- Adjustment in respect of prior years	(570)	(347)
	<u>1,388</u>	<u>(1,979)</u>
Current tax (credit) / charge for the year	<u>(2,716)</u>	<u>2,683</u>

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

10 TAX ON LOSS (continued)

The company's profits for this accounting period are taxed at an effective rate of 19.00% (2019: 19.00%).

Factors affecting the tax charge for the year:

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	Group Year ended 31 Dec 2020 £000	Group Year ended 31 Dec 2019 £000
Loss before taxation	(102,234)	(30,998)
Loss before taxation multiplied by the blended standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(19,424)	(5,890)
Effects of:		
- Expenses not deductible for tax purposes	2,839	2,903
- Impact of change in tax rates	5,196	-
- Deferred tax not recognised	8,781	5,419
- Rollover relief	-	270
- Adjustment in respect of prior years	(108)	(19)
Current tax (credit) / charge for the year	(2,716)	2,683

Factors that may affect future tax charges:

A previously planned reduction to the corporation tax rate from 19% to 17% on 1 April 2020 was repealed in March 2020. Deferred tax has therefore been calculated at 19%.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the deferred tax liability at the period end were remeasured at 25% this would result in a deferred tax liability of £58,864,000 (note 16).

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

11 INTANGIBLE FIXED ASSETS

Group	Goodwill	Other intangible assets	Total
	£000	£000	£000
Cost			
As at 1 Jan 2020	288,451	-	288,451
Transferred to tangible fixed assets	-	-	-
Disposals	-	-	-
As at 31 Dec 2020	<u>288,451</u>	<u>-</u>	<u>288,451</u>
Amortisation			
As at 1 Jan 2020	(60,575)	-	(60,575)
Charge for year	(11,538)	-	(11,538)
As at 31 Dec 2020	<u>(72,113)</u>	<u>-</u>	<u>(72,113)</u>
Net book value			
As at 31 Dec 2020	<u>216,338</u>	<u>-</u>	<u>216,338</u>
As at 31 Dec 2019	<u>227,876</u>	<u>-</u>	<u>227,876</u>

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

12 TANGIBLE FIXED ASSETS

Group

	Runways and aprons	Other freehold land and buildings	Plant and equipment	Fixtures and fittings	Assets in the course of construction	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost						
As at 1 Jan 2020	104,228	394,533	67,898	7,528	14,328	588,515
Additions	374	1,916	2,846	121	3,447	8,704
Disposals	(30)	(316)	(760)	(151)	-	(1,257)
Reclassifications	29	(230)	58	143	-	-
Transfers	(34)	2,676	2,908	8	(5,558)	-
As at 31 Dec 2020	<u>104,567</u>	<u>398,579</u>	<u>72,950</u>	<u>7,649</u>	<u>12,217</u>	<u>595,962</u>
Accumulated depreciation						
As at 1 Jan 2020	(15,923)	(38,973)	(8,229)	(2,977)	-	(66,102)
Disposals	30	316	760	151	-	1,257
Reclassifications	29	(205)	53	123	-	-
Charge for year	<u>(4,569)</u>	<u>(13,980)</u>	<u>(12,654)</u>	<u>(1,376)</u>	<u>-</u>	<u>(32,579)</u>
As at 31 Dec 2020	<u>(20,433)</u>	<u>(52,842)</u>	<u>(20,070)</u>	<u>(4,079)</u>	<u>-</u>	<u>(97,424)</u>
Net book value						
As at 31 Dec 2020	<u>84,134</u>	<u>345,737</u>	<u>52,880</u>	<u>3,570</u>	<u>12,217</u>	<u>498,538</u>
As at 31 Dec 2019	<u>88,305</u>	<u>355,560</u>	<u>59,669</u>	<u>4,551</u>	<u>14,328</u>	<u>522,413</u>

Depreciation is not provided on the land element of freehold property which amounts to £8,069,000 (2019: £8,069,000).

Plant and equipment includes hire purchase assets totalling £2,120,000 (2019: £1,896,000) with accumulated depreciation of £889,000 (2019: £1,672,000) and depreciation in the year of £340,000 (2019: £301,000). The assets under finance lease are secured against the lease obligations.

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

13 INVESTMENTS

Company - Subsidiary undertakings (unlisted)

Cost and net book value

As at beginning and end of year

£000

140,614

The directors believe that the carrying value of the investments is supported by the underlying cash flows expected to be realised.

Subsidiary undertakings

The subsidiary undertakings of Bristol Airport (UK) No.3 Limited are detailed below. All the companies are incorporated in Great Britain.

Company	Principal activity	Class and percentage of shares held
South West Airports Limited ("SWAL")	Holding company	100% Ordinary shares
Bristol Airport Limited	The ownership, operation and management of Bristol Airport	100% Ordinary shares
Bristol City Airport Limited	Dormant	100% Ordinary shares
Bristol Airport Developments Limited	Development company	100% Ordinary shares
Bristol Airport Community Fund CIC	Activities that benefit the communities surrounding Bristol Airport	100% Guarantee

South West Airports Limited owns 100% of the share capital of Bristol Airport Limited. Bristol Airport Limited owns 100% of the share capital of Bristol City Airport Limited, Bristol Airport Developments Limited and Bristol Airport Community Fund CIC.

The registered address for all the subsidiaries is Bristol Airport, Bristol, BS48 3DW.

14 DEBTORS

	Group 31 Dec 2020 £000	Company 31 Dec 2020 £000	Group 31 Dec 2019 £000	Company 31 Dec 2019 £000
Trade debtors	1,095	-	6,795	-
Amounts owed by related party undertakings	-	1	53	50
Other debtors	226	-	454	-
Prepayments and accrued income	2,841	-	3,989	-
	4,162	1	11,291	50

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

15 CREDITORS

	<u>Group</u> <u>31 Dec</u> <u>2020</u> <u>£000</u>	<u>Company</u> <u>31 Dec</u> <u>2020</u> <u>£000</u>	<u>Group</u> <u>31 Dec</u> <u>2019</u> <u>£000</u>	<u>Company</u> <u>31 Dec</u> <u>2019</u> <u>£000</u>
Amounts falling due within one year				
Trade creditors	3,446	-	4,017	-
Amounts owed to related party undertakings	7	114	9	102
Taxation and social security	1,289	-	1,846	-
Obligations under finance leases	540	-	145	-
Accruals and deferred income	14,226	18	100,831	42,660
Amounts owed to group undertakings	-	-	310,866	82,081
	<u>19,508</u>	<u>132</u>	<u>417,714</u>	<u>124,843</u>

Accruals and deferred income include £732,000 (2019: £789,000) in relation to fixed asset grants. The grants are being released to the profit and loss account over the life of the assets to which they relate, with £57,000 (2019: £56,000) released in the year. There are no unfulfilled conditions or other contingencies attaching to this grant.

	<u>Group</u> <u>31 Dec</u> <u>2020</u> <u>£000</u>	<u>Company</u> <u>31 Dec</u> <u>2020</u> <u>£000</u>	<u>Group</u> <u>31 Dec</u> <u>2019</u> <u>£000</u>	<u>Company</u> <u>31 Dec</u> <u>2019</u> <u>£000</u>
Amounts falling due after more than one year				
Bank loans	423,121	-	410,000	-
Deferred loan issue costs	(1,685)	-	(1,911)	-
Derivative financial instruments (note 19)	7,741	-	5,848	-
Obligations under finance leases	692	-	79	-
Accruals and deferred income	732	-	733	-
Amounts owed to group undertakings	416,733	132,934	-	-
	<u>847,334</u>	<u>132,934</u>	<u>414,749</u>	<u>-</u>

The fair value loss in the year in relation to the derivative financial instruments was £1,893,000 (2019: £1,488,000), which under the hedge accounting rules has been taken to the cash flow hedge reserve.

There were no impairment losses in the year (2019: £nil) in relation to any of the financial instruments held by the group.

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

15 CREDITORS (continued)

Borrowings are repayable as follows:

	<u>Group</u> <u>31 Dec</u> <u>2020</u> <u>£'000</u>	<u>Company</u> <u>31 Dec</u> <u>2020</u> <u>£'000</u>	<u>Group</u> <u>31 Dec</u> <u>2019</u> <u>£'000</u>	<u>Company</u> <u>31 Dec</u> <u>2019</u> <u>£'000</u>
Bank loans and Overdrafts				
Between one and five years	167,121	-	104,000	-
After five years	256,000	-	306,000	-
	<u>423,121</u>	<u>-</u>	<u>410,000</u>	<u>-</u>
Deferred loan issue costs				
Between one and five years	(689)	-	(806)	-
After five years	(996)	-	(1,105)	-
	<u>(1,685)</u>	<u>-</u>	<u>(1,911)</u>	<u>-</u>
Derivative financial instruments				
Between one and five years	7,741	-	5,848	-
	<u>7,741</u>	<u>-</u>	<u>5,848</u>	<u>-</u>
Amounts owed to group undertakings				
After five years	416,733	132,934	-	-
	<u>416,733</u>	<u>132,934</u>	<u>-</u>	<u>-</u>

Finance leases are repayable as follows:

	<u>31 Dec 2020</u> <u>£000</u> <u>Motor</u> <u>vehicles</u>	<u>31 Dec 2019</u> <u>£000</u> <u>Motor</u> <u>vehicles</u>
Rentals due within one year	540	145
Rentals due between two to five years	<u>692</u>	<u>79</u>
Present value of lease obligations	<u>1,232</u>	<u>224</u>

Bank and Institutional Loans

The group entered into a £216.1 million Facilities Agreement on 7 May 2015. This agreement consists of four facilities: Senior Term Facilities A and B, a Revolving Facility and a Capex Facility. The group also entered into a £130 million 15 year Note Purchase Agreement (NPA) on 7 May 2015.

The group undertook a further refinancing exercise in 2017 entering into an additional £50 million 10 year NPA on 18 July 2017 and increasing the Capex Facility from £75 million to £115 million with the existing bank lenders.

In 2019 a further refinancing exercise was completed with the group entering into a £80 million 15 year NPA and a £46 million 20 year NPA.

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

15 CREDITORS (continued)

Bank and Institutional Loans (continued)

As at 31 December, the outstanding facilities and utilisation of each were as follows:

	<u>Facility</u> <u>31 Dec 2020</u> <u>£000</u>	<u>Utilised</u> <u>31 Dec 2020</u> <u>£000</u>	<u>Facility</u> <u>31 Dec 2019</u> <u>£000</u>	<u>Utilised</u> <u>31 Dec 2019</u> <u>£000</u>
Senior Term Facility B	90,000	90,000	90,000	90,000
Revolving Facility	5,000	5,000	5,000	-
Capex Facility	115,000	22,121	115,000	14,000
Senior Notes	306,000	306,000	306,000	306,000
	516,000	423,121	516,000	410,000

The Senior Term Facilities were utilised in full on day one. Senior Term Facility A was fully prepaid in 2019. Senior Term Facility A is repayable in full on the Termination Date of 15 May 2025.

The Revolving Facility is available to be utilised for general corporate and working capital purposes. Any loan under this facility is repayable in full on the last day of each interest period and may then be subsequently redrawn. Any balance of the outstanding loan amount is then repayable in full on the Termination Date of 15 May 2023.

The Capex Facility is available to be utilised to fund 75% of capital expenditure and 60% with effect from 12 March 2021. Any loan under this facility is repayable in full on the last day of each interest period and may then be subsequently redrawn. Any balance of the outstanding loan amount is then repayable in full on the Termination Date of 15 May 2023.

The 10, 15 and 20 year Senior Notes were fully utilised on day one. They are repayable in full on their maturity dates of 26 July 2027, 15 May 2030, 17 December 2034 and 17 December 2039 respectively.

Interest on the bank loans is charged at a floating rate based on Sterling LIBOR. Interest on the 10 and 15-year institutional loans, entered into in 2017 and 2015, is charged at a fixed rate of 2.83% and 3.68% respectively. Interest on the 15 and 20-year institutional loans entered into in 2019 is charged at a fixed rate of 2.44% and 2.81% respectively. The interest on both the bank and institutional loans are secured via a fixed and floating charge over the assets of the group.

The floating interest on the bank loans has been partially hedged by means of three interest rate swaps. All of the swaps cover the period from 19 May 2015 to 7 May 2025 at fixed interest rates and set notional amounts, which are detailed in the table below. The interest rate swaps settle on a six-monthly basis. The floating rate on the interest rate swaps is six months' LIBOR and settlement is made on the difference between the fixed and floating interest rate on a net basis.

All three interest rate swap contracts are designated as hedges of the variable interest rate risk of the group's floating rate borrowings. The hedged cash flows are expected to occur half yearly and to affect profit or loss over the period to maturity of the interest rate swaps.

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

15 CREDITORS (continued)

	<u>Principal</u> <u>£</u>	<u>Interest</u> <u>rate</u>	<u>Fair value at</u> <u>31 Dec 2020</u> <u>£000</u>	<u>Fair value at</u> <u>31 Dec 2019</u> <u>£000</u>
AIB Group (UK) PLC	5,000,000	2.1150%	(426)	(321)
Barclays Bank PLC	30,000,000	2.1020%	(2,541)	(1,906)
Commonwealth Bank of Australia	55,000,000	2.1425%	(4,774)	(3,621)
			<u>(7,741)</u>	<u>(5,848)</u>

The fair values are based on the mark-to-market valuations provided by the swap counter parties. The values are based on the present value of future cash flows estimated and discounted based on the applicable yield curve derived from the quoted interest rates. A negative figure indicates a liability.

Loan arrangement fees and other refinancing costs of £5,178,000 (2019: £5,178,000) were incurred in obtaining the loans for the period of the Facility and Note Purchase Agreements. At the year-end the unamortised balance was £1,685,000 (2019: £1,911,000), with £226,000 (2019: £492,000) charged to the profit and loss account in the year.

Amounts owed to shareholders

There were four tranches of shareholder loans all of which matured on 31 December 2020. These loans were refinanced through the issue of new loans on the maturity date with a value of £416,733,000.

	<u>Issuer</u>	<u>Interest</u> <u>rate per</u> <u>annum</u>	<u>Capital at</u> <u>31 Dec</u> <u>2020</u> <u>£000</u>	<u>Capital at</u> <u>31 Dec</u> <u>2019</u> <u>£000</u>
Loan notes – issued 16 September 2014	BAUK3	10%	-	82,081
2027 Unsecured Loan notes – issued 31 December 2020	BAUK3	7.5%	132,934	-
A notes – issued 23 May 2005	SWAL	10%	-	69,285
Tranche A loan notes – issued 16 October 2012	SWAL	10%	-	70,000
Tranche B loan notes – issued 16 October 2012	SWAL	10%	-	89,500
2027 Unsecured Loan notes – issued 31 December 2020	SWAL	7.5%	283,799	-
			<u>416,733</u>	<u>310,866</u>

The new loans have a fixed interest rate of 7.5% and are unsecured with no set repayment plan, but have a final maturity date of 31 December 2027.

During the year, no interest was paid on the loan notes (2019: £32,000,000). The accrued interest at 31 December 2020 on the maturing loans of £105,867,000 has been capitalised into the nominal value of the new notes.

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

16 PROVISION FOR LIABILITIES

<u>Deferred tax</u>	<u>Group</u> <u>2020</u> <u>£000</u>	<u>Group</u> <u>2019</u> <u>£000</u>
As at 1 January	43,848	46,594
Adjustment in respect of prior years	(570)	(347)
Deferred tax arising in the year	1,958	(1,632)
	<u>45,236</u>	<u>44,615</u>
Deferred tax (credited) to equity for the year	470	(767)
As at 31 December	<u>45,706</u>	<u>43,848</u>

The deferred tax liability comprises:

	<u>Group</u> <u>31 Dec 2020</u> <u>£000</u>	<u>Group</u> <u>31 Dec 2019</u> <u>£000</u>
Fixed asset timing differences	47,943	46,389
Other timing differences	(61)	(183)
Losses	(617)	(428)
Deferred tax excluding that relating to pension liability	47,265	45,778
Pension (note 21)	(1,559)	(1,930)
Total deferred tax liability	<u>45,706</u>	<u>43,848</u>

During the year beginning 1 January 2021, the net reversal of deferred tax liabilities is expected to reduce the group's corporation tax charge for the year by £1,597,000. This is largely due to forecast depreciation of fixed assets recognised on consolidation. The balance of the deferred tax liability of £44,109,000 (2019: £43,043,000) is expected to be recoverable after more than one year. If the deferred tax liability at the period end were remeasured at 25% this would result in a deferred tax liability of £58,864,000

<u>Deferred tax</u>	<u>Group</u> <u>31 Dec 2020</u> <u>£000</u>	<u>Group</u> <u>31 Dec 2019</u> <u>£000</u>
As at 1 January	43,848	46,594
Deferred tax credited to the profit and loss account	1,958	(1,632)
Adjustments in respect of prior years	(570)	(347)
Deferred tax charged/(credited) to the statement of comprehensive income	470	(767)
As at 31 December	<u>45,706</u>	<u>43,848</u>

There is an unrecognised deferred tax asset of £24,019,000 (2019: £12,970,000) relating to losses on the mark to market value of financial derivatives and carried-forward non-trading losses that is not expected to be fully utilised in the foreseeable future. If the unrecognised deferred tax assets at the period end were remeasured at 25% this would result in unrecognised deferred tax assets of £31,604,000

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

17 CAPITAL AND RESERVES

Group and company

All issued ordinary shares were fully paid in cash at par.

	<u>31 Dec 2019</u> <u>Number</u>	<u>31 Dec 2019</u> <u>£</u>	<u>31 Dec 2018</u> <u>Number</u>	<u>31 Dec 2018</u> <u>£</u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	59,082,737	59,082,737	59,082,737	59,082,737
Ordinary A shares of £0.01 each	100	1	100	1
	<u>59,082,837</u>	<u>59,082,738</u>	<u>59,082,837</u>	<u>59,082,738</u>

The ordinary shares have full voting rights except for the right to vote on a resolution to appoint or remove a director. The ordinary A shares only have rights to vote on a resolution to appoint or remove a director.

The group and company's other reserves are as follows:

- The profit and loss account reserve represents cumulative profits or losses, net of dividends paid and other adjustments.
- The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit and loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.
- The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which were revalued to fair value on acquisition.

18 COMMITMENTS

Capital expenditure

Total capital commitments at the end of the year for which no provision has been made are as follows:

Tangible fixed assets	Group 31 Dec 2020 £000	Company 31 Dec 2020 £000	Group 31 Dec 2019 £000	Company 31 Dec 2019 £000
Contracted for but not provided	11	-	1,050	-

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

18 COMMITMENTS (continued)

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group 31 Dec 2020		Group 31 Dec 2019	
	<u>Land and buildings</u> £000	<u>Other</u> £000	<u>Land and buildings</u> £000	<u>Other</u> £000
Operating leases which expire:				
- within one year	-	90	-	110
- within two to five years	-	-	-	12
	-	90	-	122

The company had no operating lease commitments at 31 December 2020 (2019: none).

Guarantees

There is a charge over the assets of Bristol Airport Limited (BAL), as BAL is a guarantor to the bank loans in SWAL. The balance of the bank loans at the end of the year was £423,121,000 (2019: £410,000,000).

Operating lease arrangement where the group is the lessor

The future minimum rental receivable under non-cancelling operating leases is as follows:

	<u>31 Dec 2020</u> £000	<u>31 Dec 2019</u> £000
	<u>Property rental</u>	<u>Property rental</u>
Not later than one year	1,081	1,185
Later than one year and not later than five years	3,682	3,540
Later than five years	33,236	33,821
	37,999	38,546

These non-cancellable leases have remaining terms of between 1 and 96 years. All leases include a provision for upward rent reviews in accordance with specific lease terms at prevailing market conditions.

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

19 NOTES TO THE CASH FLOW STATEMENT

Cash flow from operating activities

	<u>Year ended</u> <u>31 Dec 2020</u> <u>£000</u>	<u>Year ended</u> <u>31 Dec 2019</u> <u>£000</u>
Loss for the financial year	(99,518)	(33,681)
Adjustment for:		
Tax	(2,716)	2,683
Net interest expense	47,923	46,308
Profit on disposal of tangible fixed assets	(11)	-
Operating (loss) / profit	(54,322)	15,310
Amortisation of intangible assets	11,538	11,538
Depreciation of tangible assets	32,579	28,445
Post-employment benefits less payments	216	320
Working capital movements		
- Increase in stocks	(45)	(175)
- Decrease in debtors	7,128	1,757
- Decrease payables	(7,546)	(5,876)
Cash flow from operating activities	(10,452)	51,319

Analysis of changes in net debt

	<u>At 1 Jan</u> <u>2020</u> <u>£000</u>	<u>Cash</u> <u>flows</u> <u>£000</u>	<u>Non-cash</u> <u>changes</u> <u>£000</u>	<u>At 31 Dec</u> <u>2020</u> <u>£000</u>
Cash at bank and in hand	34,186	(22,604)	-	11,582
Cash and cash equivalents	34,186	(22,604)	-	11,582
Bank loans	(410,000)	(13,121)	-	(423,121)
Amounts owed to group undertakings	(310,866)	-	(105,867)	(416,733)
Finance leases	(224)	376	(1,384)	(1,232)
Derivative financial instruments	(5,848)	-	(1,893)	(7,741)
Total	(692,752)	(35,349)	(109,144)	(837,245)

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

20 RELATED PARTY TRANSACTIONS

The company and SWAL both have shareholder loans in place with UK Airports Midco Limited, which is the immediate parent company of BAUK3. These loans all matured on 31 December 2020, with the accrued interest at the maturity date capitalised into the nominal value of the new loans issued on the same date (note 15). Interest on the loans is only repayable as and when the companies have sufficient funds. There were no capital repayments in the year. Details of the interest paid in the year and the balance due at the year-end are detailed below:

	<u>Capital</u>	<u>Interest</u>	<u>Interest</u>	<u>Capital</u>	<u>Interest</u>	<u>Interest</u>
	<u>31 Dec</u>	<u>paid</u>	<u>accrued</u>	<u>31 Dec</u>	<u>paid</u>	<u>accrued</u>
	<u>2020</u>	<u>year</u>	<u>At 31</u>	<u>2019</u>	<u>year</u>	<u>At 31</u>
	<u>£000</u>	<u>ended</u>	<u>Dec</u>	<u>£000</u>	<u>ended</u>	<u>Dec</u>
		<u>31 Dec</u>	<u>2020</u>		<u>31 Dec</u>	<u>2019</u>
		<u>£000</u>	<u>£000</u>		<u>£000</u>	<u>£000</u>
BAUK3 Loan Notes	132,934	-	-	82,081	-	42,645
SWAL A Notes	-	-	-	69,285	6,929	-
SWAL Tranche A Notes	-	-	-	70,000	7,000	-
SWAL Tranche B Notes	-	-	-	89,500	18,071	30,345
SWAL Unsecured Notes	283,799	-	-	-	-	-

The amount owed by related parties as disclosed in note 14 includes £nil (2019: £48,800) owed to BAUK3 by Airports (UK) No. 2 Limited (AUK2), and £Nil (2019: £4,300) owed to SWAL by AUK2.

The amount owed to related parties as disclosed in note 15 includes £nil (2019: £2,000) owed by BAUK3 to AUK2, and £7,300 (2019: £7,300) owed by BAUK3 to 2342929 Ontario Ltd.

Key management personnel remuneration

The total emoluments in 2020 for key management personnel are £1,711,000 (2019: £2,915,000).

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

21 POST-EMPLOYMENT BENEFITS

Pension service charge

The pension charge for the year ended 31 December 2020 was £1,536,000 (2019: £1,647,000). This consisted of £808,000 (2019: £837,000) in respect of the Bristol Airport Pension Scheme (BAPS) and the unfunded pension provision and a net charge of £728,000 (2019: £810,000) for the Stakeholder scheme and other pension-related costs. At 31 December 2020, the group had no pension contributions prepaid or outstanding (2019: £nil).

Defined Contribution Scheme

The group has set up a group Stakeholder Pension Plan for most new employees. All eligible employees are offered membership of the scheme and the group contributes between 2% and 9% of pensionable salary, dependent on the level of employee contributions.

Defined Benefit Scheme

The group operates a defined benefit pension scheme, BAPS, which is funded.

Contributions are paid to the scheme at rates recommended by the actuary and the assets of the scheme are held and managed independently of the group's finances by independent investment managers appointed by the trustees of the scheme.

The latest formal valuation of the scheme was carried out as at 1 April 2017. This was the seventh triennial valuation of the scheme since it came into existence on 5 December 1997.

The valuation indicated that the market value of the scheme's assets was £59,554,000 which amounted to 103% of its liabilities (technical provisions). The level of employer contributions required to meet the future service costs has remained at 20.2% of pensionable salaries from 1 April 2016.

The main assumptions used by the actuary to calculate the scheme's technical provisions are set out in the Statement of Funding Principles and summarised below.

Inflation rate:	RPI	3.30% pa
	CPI	2.30% pa
Discount rate:	Pre-retirement	3.70% pa
	Post-retirement	2.80% pa
Salary growth:		3.30% pa
Pension increases:	Post 88 GMP	2.10% pa
	Excess (LPI)	3.20% pa
	Excess (RPI)	2.30% pa

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

21 POST-EMPLOYMENT BENEFITS (continued)

The last full actuarial valuation of the defined benefit scheme was carried out at 1 April 2017 and updated for the purposes of FRS 102 'Employee Benefits' to 31 December 2019 by a qualified independent actuary.

The major assumptions used by the actuary in the FRS 102 valuations were:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>Per annum</u>	<u>Per annum</u>
Rate of increase in salaries	2.55%	3.20%
Rate of increase in pensions in payment – CPI	1.75%	2.50%
Rate of increase in pensions in payment – LPI	2.90%	3.00%
Rate of increase in deferred pensions	2.25%	2.50%
Discount rate	1.30%	2.00%
Inflation assumption – RPI	2.95%	3.00%
Inflation assumption – CPI	2.25%	2.50%
Life expectancy at age 65 for:	Years	Years
Current pensioners		
Men	21.9	21.5
Women	24.2	23.4
Future pensioners		
Men	23.2	22.8
Women	25.6	24.9

Analysis of amount charged to the profit and loss account

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>£000</u>	<u>£000</u>
Defined benefit scheme		
- Current service cost (including scheme expenses)	(808)	(837)
Defined contribution scheme	(728)	(810)
Total charge to operating profit	(1,536)	(1,621)
Defined benefit scheme		
- Net interest expense	(237)	(212)
Total charge to the profit and loss account	(1,773)	(1,859)

The net interest expense (finance charge) in the profit and loss account of £237,000 (2019: £212,000) is the sum of interest income on scheme assets of £1,219,000 (2019: £1,579,000) and the interest on scheme liabilities of £1,456,000 (2019: £1,791,000).

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

21 POST-EMPLOYMENT BENEFITS (continued)

Balance sheet analysis

	<u>31 Dec 2019</u> <u>£000</u>	<u>31 Dec 2018</u> <u>£000</u>
Market value of assets	68,808	63,058
Funded liabilities	(75,786)	(72,901)
Unfunded liabilities	(1,225)	(1,390)
Present value of liabilities	<u>(77,011)</u>	<u>(74,291)</u>
Deficit	(8,203)	(11,233)
Related deferred tax asset (note 16)	1,559	1,930
Net deficit after deferred tax	<u>(6,644)</u>	<u>(9,303)</u>

Reconciliation of scheme assets and liabilities:

	<u>Assets</u> <u>£000</u>	<u>Liabilities</u> <u>£000</u>	<u>Total</u> <u>£000</u>
As at 1 January 2020	63,058	(74,292)	(11,234)
Benefits received/(paid)	(2,704)	2,704	-
Employer contributions	733	(141)	592
Scheme expenses	(129)	-	(129)
Current service cost	-	(679)	(679)
Curtailment/settlement gain	-	-	-
Past service cost	-	-	-
Interest income/(expense)	1,219	(1,456)	(237)
Remeasurement gains/(losses)			
- Actuarial losses	6,631	(3,147)	3,484
- Return on plan assets excluding interest income	-	-	-
As at 31 December 2020	<u>68,808</u>	<u>(77,011)</u>	<u>(8,203)</u>

Total cost recognised as an expense:

	<u>31 Dec 2020</u> <u>£000</u>	<u>31 Dec 2019</u> <u>£000</u>
Current service cost (including scheme expenses)	(808)	(837)
Past service costs	-	-
Interest expense	(237)	(212)
Curtailment/settlement gains	-	-
	<u>(1,045)</u>	<u>(1,049)</u>

BRISTOL AIRPORT (UK) No.3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2020

21 POST-EMPLOYMENT BENEFITS (continued)

The fair value of the plan assets as a percentage of total plan was:

	<u>31 Dec 2020</u>		<u>31 Dec 2019</u>	
	<u>£000</u>		<u>£000</u>	
UK and overseas equities	-	-	0.6	381
Multi-asset funds	63.8	43,869	67.9	42,827
UK bonds	-	-	1.4	882
Low Risk Bonds	1.1	733	-	-
Cash & Net Current Assets	1.3	911	-	-
Liability driven investments	33.8	23,295	30.1	18,968
	100	68,808	100	63,058

22 ULTIMATE HOLDING COMPANY

The smallest and largest group to consolidate the results of Bristol Airport (UK) No.3 Limited is that headed by the company itself. Copies of the Financial Statements of the group are available from the registered address: Lulsgate House, Bristol Airport, Bristol, BS48 3DW.

The immediate parent company is UK Airports Midco Limited, a company incorporated in the United Kingdom and registered at the following address: 35 Great St. Helen's, London, EC3A 6AP.

The ultimate parent company is Ontario Teachers' Pension Plan Board, a pension plan in Canada registered at the same address as the immediate parent company.

23 POST BALANCE SHEET EVENT

The Coronavirus pandemic has continued to have a significant adverse impact on aviation since the year end, due to the travel restrictions imposed in the latest UK government lockdown. However, the government's four-step roadmap out of lockdown provides some scope for optimism with international leisure travel permitted from 17 May 2021. In addition, the group can continue to make use of the Job Retention Scheme following the government's decision to extend the scheme through to September 2021. On 23 March 2021, the group received approval for its application to the Airports and Ground Operations Support Scheme (AGOSS). The approved sum of the grant is £3,384,754.

The group has continued to work with its lenders and on 12 March 2021 reached agreement on a new set of covenant waivers, with the next covenant testing as per the existing debt documents in December 2022. To secure these waivers the group has put in place a £60m liquidity facility backed by an equity commitment letter from the shareholders.