REGISTERED NUMBER: 02078270 (England and Wales)

BOURNEMOUTH INTERNATIONAL AIRPORT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

BOURNEMOUTH INTERNATIONAL AIRPORT LIMITED (REGISTERED NUMBER: 02078270)

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COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2023

DIRECTORS:	Mr A M Bell Mrs K G Cook Mr S L Gill
COMPANY SECRETARY:	Mrs K G Cook
REGISTERED OFFICE:	Bournemouth Airport Parley Lane Christchurch Dorset BH23 6SE United Kingdom
REGISTERED NUMBER:	02078270 (England and Wales)
AUDITOR:	Deloitte LLP Statutory Auditor Bristol United Kingdom
BANKER:	Bank of Scotland plc 300 Lawnmarket Edinburgh EH1 2PH United Kingdom

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2023

The directors present their strategic report for the year ended 31 March 2023.

REVIEW OF THE BUSINESS

The company is a wholly owned indirect subsidiary of Regional & City Airports Holdings Limited. Regional & City Airports Holdings Limited owns Bournemouth, Coventry, Exeter and Norwich Airports, and through its subsidiary Regional & City Airports Limited, holds a management contract for Solent Airport. Regional & City Airports Holdings Limited also owns XLR Executive Jet Centres, a fixed base operator with a portfolio of four private jet centres at Birmingham, Liverpool, Bournemouth and Exeter Airports. With its expertise, Regional & City Airports Holdings Limited and its subsidiaries also carries out consultancy assignments at other airports and airfields.

Regional airports are vitally important to the economic development of regions in which they are located. The group's strategy is to help smaller regional airports to prosper through effective management and collaboration, enabling them to benefit from the economies of scale and sharing of best practice traditionally enjoyed by larger hub airports, and to promote the enormous social and economic benefits offered by regional airports in the UK.

Thankfully, the disruption to air travel caused by the COVID-19 global pandemic, which began in March 2020, did not continue into the year under review, with the complex landscape of COVID-19-related travel restrictions falling away in early 2022. The removal of restrictions on international travel allowed the recovery of consumer confidence to begin in earnest, with strong demand for both travel that had been rescheduled due to the disruption of the pandemic and an appetite to take advantage of the freedoms that had been restored.

Whilst the direct impacts of COVID-19 fell away, the restart of economic activity combined with Russia's invasion of Ukraine and the impact on energy prices fuelled a rapid increase in inflation in western markets, representing a new challenge for the company to manage for as long as the situation persists.

Despite these headwinds, commercial operations swiftly resumed after travel restrictions were lifted and the company welcomed 774,000 passengers and handled 30,000 flights during the year. This represents an increase of 178% in passengers on the previous year, and this fell marginally (4%) below the passenger level reported for the financial year ending 31 March 2020.

Throughout the year, the company has relied heavily on its excellent people, with employees going above and beyond to ensure the ongoing safe and secure operation of the business. The success of the company's business model relies on the insourcing of a diverse array of airport operations, with all services (excluding retail and catering) and all staff directly associated with the delivery of those services being directly employed by the company. This approach proved invaluable during the restart of operations, with multi skilled staff working flexibly to maintain an uninterrupted service without unacceptable airport controlled delays.

The company continued to play a core role in supporting the wider aviation ecosystem, working closely with based operators and business communities throughout the year. Professional pilot training, military operations, MRO (maintenance, repair & overhaul) and cargo operations have all continued, ensuring these crucial services could continue to provide the local region and the country with the benefits of their operations.

During the year, significant further investment was made into cargo infrastructure, facilities and capability. The cargo airline based onsite paused operations for a substantial portion of the year while a programme of works was undertaken to modify and licence their A340 fleet for cargo handling. This resulted in reduced cargo volumes handled during the year. However, by the year end, appropriate certification had been achieved and cargo flights to China recommenced in April 2023. The investment in cargo handling capabilities and the new programme of schedule cargo flights sets the airport on target to deliver renewed growth in the year ahead.

REVIEW OF THE BUSINESS – continued

As a result of the increase in passenger flights but reduced cargo operations, turnover decreased 6% to £42,592,000 from £45,162,000 reported for the previous year. Operating profit was £2,040,000 compared to an operating profit of £5,818,000 for the previous year. Operating profit includes fair value movements on investment property with a fair value loss of £1,343,000 reported for the year, comparing to a fair value loss of £1,718,000 reported for the previous reporting period. Operating profit for the year excluding the fair value adjustments on investment property was £3,383,000, a decrease of £4,153,000 compared to £7,536,000 operating profit for the previous 12 months, which largely resulted from the reduction in cargo activity during the year. Profit before tax for the year was £1,091,000, being an £3,815,000 decrease on the previous financial year.

The company had net assets of £33,874,000 as at 31 March 2023, an increase of 4%, compared to £32,522,000 at the previous year end. The increase resulted from retained profit after tax of £846,000 for the year and a £685,000 fair value gain on cash flow hedges.

Looking ahead, the company is optimistic that, notwithstanding the headwinds of inflation and higher interest rates, it is well positioned to deliver further growth across the spectrum of aviation and non-aviation activity that it undertakes, underpinned by the efficient and compelling proposition available to passengers, airlines and other business partners. The company is well positioned to take advantage of the strategic actions taken during the pandemic and is seeing a commercially stronger, more diversified and sustainable organisation emerge as a result.

Management monitor the performance of the business through a number of key performance indicators. The main key performance indicators during the year were as follows:

	31 March 2023 £'000	31 March 2022 £'000	Change %
Turnover	42,592	45,162	(6)
Operating profit	2,040	5,818	(64)
Operating profit before fair value loss on investment property	3,383	7,536	(55)
Profit after tax	846	3,450	(78)
Shareholders' funds	33,874	32,522	4
Passengers	774,000	278,000	178
Flights	30,000	56,000	(46)
Cargo (tonnes)	1,000	21,000	(95)

The company is a wholly owned indirect subsidiary of Rigby Group (RG) plc (Rigby Group). Rigby Group is a family-owned highly successful business operating across Europe. Diversifying from its origins as a technology re-seller, Rigby Group is currently comprised of five key divisions: Technology, Airports, Real Estate, Hotels, and Technology Investments. Since its origins in 1975, Rigby Group has grown to be the 12th largest family business in the United Kingdom (source https://familybusinessindex.com), employing over 8,000 people and with a consolidated turnover of over £3bn. It has a distinguished reputation as both an investor and business operator built around core family values of foresight, working hard and enabling others. Rigby Group is a keen supporter of job creation, enterprise and charitable causes in the regions in which it operates and takes its responsibility for the environment seriously. Further information is available at www.rigbygroupplc.com.

PRINCIPAL RISKS AND UNCERTAINTIES

Understanding the risks facing the company is an important step to successfully managing the business for the long-term. The company has an established risk management framework which defines how risks are identified, reported and managed. At group level, an enterprise risk register is maintained and regularly reviewed by the board to ensure appropriate mitigations are in place and that the residual risks post mitigations align with the risk appetite of the board and shareholders. Enterprise level risks are those which affect the long-term future of the company and are material in nature.

A summary of the principal risks and uncertainties of the company, along with mitigations is provided below.

Security

The company ranks the security of customers and staff as one of the most important operational risks that the company has to manage. The company has continued to invest in security equipment and technology and closely monitors the performance of the departments that fulfil the security services provided at the airports. Close co-operation is maintained with government agencies and the police to ensure that the security regime is responsive to changes in external threats as they arise. Cyber security is identified as a key risk that is mitigated through deployment of appropriate technical tools, use of best practice and engagement with appropriate national monitoring bodies.

Health and safety

The health and safety of customers and staff is a key operational risk for the airport to manage. The assessment of health and safety risks is embedded into daily management routines and is monitored by a structure which provides regular health and safety reports that are reviewed regularly by the company's board.

Financial

The airport operations expose it to a number of financial risks including credit, liquidity and interest rate risk. These risks are managed through the use of robust financial controls and procedures which assess, monitor and minimise the impact of these risks. Credit risk is managed by restricting the provision of credit facilities to customers who demonstrate an appropriate payment history and satisfy creditworthiness criteria. Liquidity risk is mitigated by managing cash generation from operating activities and monitoring cash collection. In addition, the company has access to sufficient and sustainable revolving credit facilities and long-term debt capital. The risk of exposure to interest rate changes are managed through financial derivatives depending on management's view of the future direction of interest rates.

Concentration

The regional aviation industry has undergone significant change. The establishment of the low-cost model has forced traditional tour operators and legacy scheduled carriers to consolidate their activities, and the risk of airline failure is a consistent theme. The management of the shift in emphasis in the aviation industry and operator resilience presents a key revenue risk. The company's strategy in this environment is to seek to diversify, building a portfolio of scheduled and charter routes by identifying the most appropriate airline or tour operator for each opportunity, allowing margin to be maximised. Focus on the development of cargo operations, business aviation and investment property also further diversifies the business model.

Investment and major asset failure

Investment in infrastructure is a key requirement of a regional airport. The company's ability to correctly assess the investment required both to maintain and keep pace with operational requirements and for commercial development, and to obtain an appropriate rate of return on that investment, is key to ensuring the required level of asset investment can be supported. By their nature airport operations rely on a number of critical assets to enable them to operate effectively. The reliability, performance and ongoing investment required for these assets is carefully monitored by the company's management teams and the board.

PRINCIPAL RISKS AND UNCERTAINTIES – continued

Environmental compliance and regulation

The aviation industry remains in the spotlight in the drive towards a cleaner environment and more sustainable global consumption. At the same time aviation is an essential component of the global economy. This situation creates a number of challenges, particularly around noise and climate change. Increased restrictions in respect of noise and pollution potentially place limitations on future growth. With the emergence of growing international consensus and action within the sector, coupled with technological improvements, the board believes the industry can be both greener and still support growth. Insofar as the rate and cost to the aviation industry of environmental compliance exceeds current expectations, there is a risk that the growth rates forecast for regional airports and the future investment returns may not be achieved. The company's compliance obligations in relation to environmental regulations are kept under constant review through established management processes and board oversight.

Legislation and market conditions

The company's operations are exposed to changes in market conditions and government policy including taxation, insurance inflation, economic downturn and political unrest. This could lead to the necessity to react to changes with limited advance warning. The company mitigates this risk by maintaining effective working relationships with public institutions both directly and alongside key industry representatives, coupled with contractual arrangements that offer protection against unforeseen changes.

Demand

Demand in the aviation industry is closely linked to macroeconomic performance. This, combined with the risk of specific events such as terrorism, war, and hyperinflation, creates demand risk. The company mitigates this risk by the application of prudent financial controls, the gathering of business intelligence and contingency planning. The combined effect of these mitigating actions is to make the company capable of a rapid and flexible response in the event of business interruption.

SECTION 172 STATEMENT

The directors of the company, both individually and collectively, recognise their duty under section 172 of the Companies Act 2006, to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of shareholders as a whole.

In doing so the directors have regard to a number of broader matters as required by section 172 including:

a. the likely consequences of any decisions in the long-term;
b. the interests of the company's employees;
c. the need to foster the company's business relationships with suppliers, customers and others;
d. the impact of the company's operations on the community and the environment;
e. the desirability of the company maintaining a reputation for high standards of business conduct; and
f. the need to act fairly between members of the company.

Consequences of any decisions in the long term

The board aims to meet ten times throughout the year and more frequently if needed, with representation from the shareholders. At those meetings the shareholders and directors are updated on the financial performance of the company, sales and commercial activities, enterprise risks, legal matters and strategic issues. Key matters are discussed by the board and decisions are reached collaboratively.

Each year, the board undertakes a review of the company's strategy and the business plan over a 10-year time horizon. Once approved by the board, the business plan forms the basis for financial budgets, resource requirements and investment decisions. In making decisions concerning the business plan and future strategy, the board has regard to a variety of matters including the interests of various stakeholders and the consequences of such decisions in the long-term and its long-term reputation.

During the year, the directors approved a number of capital investment projects which varied in nature from the replacement of existing assets essential to maintain uninterrupted and safe operations to the enhancement of the existing asset base required to maximise existing revenue streams and support new business. Before committing to capital investment, in each case the board considered the stakeholders impacted and the long-term consequences of proceeding.

At the year end, the board approved the investment property valuation report produced by an independent third-party property valuer. The board considered the valuation approach and assumptions adopted by the valuer, and subsequently approved the valuation to be reflected in the financial statements.

Interests of the company's employees

The company is committed to supporting employees to develop and retain the skills required for their respective specialisms in order to deliver a high standard of service both safely and efficiently. The company shares common values that inform and guide employees' behaviour so that the company achieves its goals in the desired way. There are a variety of forums in place to provide all employees across the business with a means to be heard and to contribute to the decisions of the directors. These forums also provide an opportunity for the directors to provide meaningful, transparent and timely updates to the workforce.

The health, safety and wellbeing of our employees is monitored through a safety management system. The outputs are reviewed at board level and action is continuously taken to improve the safety of the working environment.

The company recognises the importance of its employees and of equality for all staff. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company is committed to a policy of equal opportunities regardless of race, ethnicity, or gender in all aspects of employment. Remuneration principles ensure that race, ethnicity and gender are not a factor in how people are paid or rewarded.

SECTION 172 STATEMENT – continued

Business relationships

The company's key stakeholders are its passengers, employees, airlines, suppliers and regulators. The views of and the impact of the company's activities on those stakeholders are an important consideration for the directors when making relevant decisions and setting the business plan.

Engagement with passengers through interactions at the airport, online surveys and social media platforms help monitor the success of the company in meeting passenger expectations and requirements, as well as inform future decisions.

To promote business expansion, the directors engage with airlines to understand their appetite for growth while ensuring the company continues to deliver a safe and compliant operating environment for existing operations.

The company is subject to regulation by the Civil Aviation Authority (CAA), which is the independent aviation regulator in the UK, responsible for economic regulation, airspace policy, security, safety and consumer protection. The CAA regularly inspect the airports to ensure compliance as well as engaging with the airports regarding new policy consultation.

Community and Environment

The directors recognise that the long-term success of the company is interlinked with the impact on the environment and its communities. Consistent with the wider industry position in the UK and EU, the company commits to net zero carbon emissions from airport operations fully within its own control by 2040 at the latest, reducing absolute emissions to the furthest extent possible and addressing any remaining emissions through investment in carbon removal and storage.

The company is using the internationally recognised Airport Carbon Accreditation (ACA) programme, developed and implemented by Airports Council International, as the framework within which to progress towards achieving this objective. The company achieved the first level of accreditation under the ACA in the year ending 31 March 2022. Alongside the delivery of this first level of accreditation, the directors are establishing suitable business practices, management routines and engagement strategies to enable the further levels of accreditation to be achieved in pursuit of the overall objective. In the year ahead the group is pushing towards achieving Level 2 of the ACA programme which requires reductions in CO2 emissions to be achieved and continuously maintained.

Through membership of its trade association, the company engages with the UK Government and regulatory authorities on airport matters, providing an input into environmental and sustainability policy outcomes. During the year, the company became a member of Sustainable Aviation, a collaborative approach by the UK aviation community to tackle the challenges faced by the industry. Other initiatives got underway in the year supporting the wider sustainability goal, including work to evaluate the implementation of solar electricity panels generating capacity on site which, since the year end, has been formally approved and is now in progress.

The company offers support and resources to Local Enterprise Partnerships and other regional stakeholder forums, in addition to direct community engagement and dialogue, to the benefit of its communities and to support wider sustainability projects.

Business Conduct

The directors conduct business that is compliant with regulatory obligations and ensure all employees operate in a responsible manner through defined policies and procedures which promote high standards and set a robust corporate governance framework.

Shareholders

The company has one shareholder and therefore the risk of acting unfairly between shareholders does not arise.

FUTURE DEVELOPMENTS

The key strategic business objective for the company is to deliver strong, profitable and sustainable growth, delivered against the target of achieving net zero emissions no later than 2040.

This growth is expected to be achieved by:

- increasing passenger footfall by securing a range of desirable destinations and high frequency hub connections through close working relationships with airlines;
- providing an enhanced passenger experience through continued investment in airport facilities, infrastructure and people;
- building on existing and developing new air cargo flows;
- working closely with partners, being part of an integrated network delivering easy access and fast transit to and through the airport; and
- working closely with existing and prospective airport-based businesses to develop their activities and facilities.

APPROVED BY BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF BY:

....
Mr A M Bell - Director

Date: 28 JULY 2023

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2023

The directors present their annual report with the audited financial statements of the company for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES
The principal activity of the company in the year under review was the operation and management of Bournemouth Airport and the provision of facilities and services associated with these operations.

STRATEGIC REPORT
In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the directors set out in the company's Strategic Report, information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 specifically future developments and details relating to financial risk management objectives and policies within principal risks and uncertainties.

The Section 172 Statement within the Strategic Report provides information on how the company interacts with key stakeholders including customers, suppliers, employees and the wider community and environment. The company recognises the importance and value of its employees and of equality for all staff including disabled employees and this is further detailed within the Section 172 Statement of the Strategic Report.

As a UK subsidiary of a UK parent company which prepares a group directors' report, Streamlined Energy and Carbon Reporting (SECR) details are included in the Strategic Report of the Rigby Group (RG) plc Annual Report for the year ended 31 March 2023.

DIVIDENDS
Total dividends distributed for the year ended 31 March 2023 were £nil (2022: £Nil) and the directors do not recommend payment of a final dividend.

DIRECTORS AND DIRECTORS' INDEMNITIES
The directors who held office during the year to the date of this report were as follows:

A M Bell
S L Gill
Mrs K G Cook

The company's ultimate parent company, Rigby Group (RG) plc, has made qualifying third-party indemnity provisions for the benefit of the directors of the company as well as the directors of associated companies. These were in force during the financial year and remained in force at the date of approval of these financial statements.

EVENTS AFTER THE BALANCE SHEET DATE
There were no significant events since the balance sheet date to report.

GOING CONCERN
The company's business activities, together with factors likely to affect its future developments, performance and position are set out within the Strategic Report.

After considering an assessment of the forecast financial performance of the company over the next ten years, it is expected that the company will continue to remain profitable in future years. The company has access to adequate resources to continue in operational existence for the foreseeable future and the directors have no intention to liquidate the company or to cease trading. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

The going concern review of the company is considered in more detail in the Going Concern section of Note 1 to the Financial Statements.

AUDITOR
Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2023**

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

APPROVED AND SIGNED ON BEHALF OF THE BOARD:

....
Mr A M Bell - Director

Date: ....28 July 2023.......

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOURNEMOUTH INTERNATIONAL AIRPORT LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Bournemouth International Airport Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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 income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

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 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOURNEMOUTH INTERNATIONAL AIRPORT LIMITED - continued

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 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

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 company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company 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 the UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included UK Civil Aviation Authority Regulations, Streamlined Energy and Carbon Reporting Regulation, General Data Protection Regulation and any banking covenants on external borrowings.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOURNEMOUTH INTERNATIONAL AIRPORT LIMITED - continued

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

We discussed among the audit engagement team including relevant internal specialists such as valuations and IT 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 in the following area, and our procedures performed to address it are described below:

Valuation of Investment Properties
Investment properties are measured at fair value at year end with any fair value changes recognised through profit or loss. Management's valuation model involves the use of an asset yield percentage which is determined based on various inputs such as the market value of annual rent, quality, void space and future capex maintenance for each asset. These inputs are subject to estimation by management. The inherent subjectivity in relation to these inputs, coupled with the fact that only a small percentage difference in individual asset valuations, when aggregated, could result in a material misstatement on the income statement and the balance sheet, warrants specific audit focus in this area.

To address this risk:

- We have evaluated the methodology and assumptions used in the valuation by working with our Real Estate Valuation ("Valuations") specialists to challenge the reasonableness of key inputs subject to estimation as detailed above. Our specialists have held discussions with the company's valuation team to understand the valuation methodology applied and have benchmarked this methodology to normal market practice;
- For a sample of properties, we have considered the key inputs used in determining the asset yield percentage and assessed the appropriateness of such to determine the valuation, by reference to market information where possible; and
- We have verified the accuracy and completeness of such key inputs by corroborating to underlying investment property schedules and supporting lease agreements.

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 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOURNEMOUTH INTERNATIONAL AIRPORT LIMITED - continued

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

E Bell

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

Date: 28 July 2023

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Turnover	3	42,592	45,162
Other operating income	4	14	222
Operating costs		(39,223)	(37,848)
Loss on revaluation of investment property		(1,343)	(1,718)
Operating profit	7	2,040	5,818
Interest receivable and similar income	8	247	-
Interest payable and similar expenses	9	(1,196)	(912)
Profit before taxation		1,091	4,906
Tax on profit	10	(245)	(1,456)
Profit for the financial year		846	3,450

All activities derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Profit for the year		846	3,450
Cashflow hedge fair value movement	21	685	351
Tax relating to component of other comprehensive income	10	(179)	(57)
Total other comprehensive income		506	294
Total comprehensive income for the year		1,352	3,744

BALANCE SHEET
AS AT 31 MARCH 2023

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Tangible fixed assets	11		20,205		16,685
Investment property	12		35,837		37,088
			56,042		53,773
Current assets					
Stocks	13	452		456	
Debtors: amounts falling due within one year	14	4,422		6,233	
Debtors: amounts falling due after one year	14	-		14	
Cash at bank		2,465		3,535	
		7,339		10,238	
Creditors					
Amounts falling due within one year	15	(5,784)		(8,094)	
Net current assets			1,555		2,144
Total assets less current liabilities			57,597		55,917
Creditors					
Amounts falling due after more than one year	16		(19,149)		(18,960)
Provisions for liabilities	17		(4,574)		(4,435)
Net assets			33,874		32,522
Capital and reserves					
Called up share capital	19		16,000		16,000
Share premium	19		193		193
Cash flow hedge reserve	21		505		(1)
Retained earnings	19		17,176		16,330
Shareholder's funds			33,874		32,522

The financial statements were approved and authorised for issue by the Board of Directors on ...28 JULY 2023......... and were signed on its behalf by:

....

Mr A M Bell - Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Called up share capital £'000	Share premium £'000	Cashflow hedge reserve £'000	Retained earnings £'000	Total equity £'000
	(Note 19)	*(Note 19)*	*(Note 21)*	*(Note 19)*	
At 1 April 2021	16,000	193	(295)	12,880	28,778
Profit for the year	-	-	-	3,450	3,450
Fair value gain on financial derivative	-	-	351	-	351
Deferred tax on fair value movements	-	-	(57)	-	(57)
Total comprehensive income for the year	-	-	294	3,450	3,744
At 31 March 2022	16,000	193	(1)	16,330	32,522
Profit for the year	-	-	-	846	846
Fair value gain on financial derivative	-	-	685	-	685
Deferred tax on fair value movements	-	-	(179)	-	(179)
Total comprehensive income for the year	-	-	506	846	1,352
At 31 March 2023	16,000	193	505	17,176	33,874

1. ACCOUNTING POLICIES

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

Basis of preparation
Bournemouth International Airport Limited is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. Its registered address is Bournemouth Airport, Parley Lane, Christchurch, Dorset, BH23 6SE.

The functional currency of the company is considered to be pound sterling because that is the currency of the primary economic environment in which the company operates.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- the requirements of section 7 Statement of Cash Flows;
- certain requirements of section 33 Related Party Disclosures; and
- certain requirements of section 11 Basic Financial Instruments.

The financial statements have been prepared on the going concern basis, under the historical cost convention and modified to include certain items at fair value.

Going concern
The disruption to air travel caused by the COVID-19 global pandemic, which began in March 2020, did not continue into the year under review, with the complex landscape of COVID-19-related travel restrictions falling away in early 2022. The removal of restrictions on international travel allowed the recovery of consumer confidence to begin in earnest, with strong demand for both travel that had been rescheduled due to the disruption of the pandemic and an appetite to take advantage of the freedoms that had been restored.

Despite the resumption of normal operations during the year, the directors continue to review financial projections and update stakeholders on potential outcomes. This information helps the directors to ensure the company maintains the best financial and operational position into the future.

The financial forecasts have been prepared for the Regional & City Airports Holdings Limited group (the Group), comprising all subsidiaries of Regional & City Airports Holdings Limited including the company for a 10-year period to 31 March 2033. These detailed forecasts incorporate anticipated airline activity, commercial agreements in place and a realistic view of the ongoing cost base for the immediate term.

In preparing the forecasts, the directors recognise that judgments have been made in deciding what assumptions to include and how the principal risks may impact the ability of each company to operate in the future. This uncertainty is inherent in any forecast prepared by the management upon which the going concern assessment is derived.

The forecast has been used as the basis for assessing the company's ability to continue as a going concern for the twelve months from the date of signing the financial statements, and the forecast demonstrates that the Group, including the company, will have sufficient liquidity to be able to settle its liabilities as they fall due. The Group and the company is projected to be profitable in future years and maintain a positive net asset position. The directors are confident in the ability of the Group to refinance the revolving credit facility of £41m which expires on 1 August 2024, having successfully refinanced the facility during the pandemic, as such the directors do not consider this to be a material uncertainty.

The directors have considered the uncertainties, risks and challenges of the company, and alongside the financial forecast, have formed the judgement that it remains appropriate to continue to adopt the going concern basis in preparing the financial statements.

1. **ACCOUNTING POLICIES - continued**

Investment in subsidiaries
Investments in subsidiaries are accounted for at cost less impairment.

Impairment of financial and non-financial assets
The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

If an impairment loss is subsequently reversed, the carrying amount of the asset or group of related assets is increased to the revised estimate of its recoverable amount, but not to exceed the amount that would have been determined had no impairment loss been recognised for the asset or group of related assets in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Investment properties
Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure. Investment properties are subsequently measured at fair value annually with any change recognised in the income statement. The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Tangible fixed assets
Tangible fixed assets are recognised at cost or valuation, net of depreciation and any provision for impairment. Cost includes the purchase price of the asset and the costs attributed to making the asset capable of operating as intended.

Land is not depreciated. Depreciation is provided on all other tangible fixed assets that are in use (including assets held under a finance lease) at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold building	5-50 years
Freehold buildings	10-50 years
Runways & taxiways	20-100 years
Plant & equipment	5-20 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the profit and loss account.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

On disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognised in the profit and loss account. Assets under construction represents on-going construction costs of fixed assets not yet completed. Assets under construction are not depreciated until they are completed and available for use.

1. **ACCOUNTING POLICIES – continued**

Stocks
Stocks are stated at the lower of cost and net realisable value. Cost comprises third party purchase cost and is calculated using FIFO (first –in, first-out) method. Net realisable value is based on estimated selling price.

Provisions
A provision is recognised when the company has a legal or constructive obligation at the reporting date as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably measured. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Short term debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk to changes in value.

Taxation
Taxation expenses represents the aggregate amount of current tax and deferred tax recognised in the reporting period.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years.

A deferred tax asset or liability is recognised for tax recoverable or payable in future periods in respect of transactions and events recognised in the financial statements of current and previous periods. Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. Timing differences result from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore only recognised when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of such timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and law that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

Government grants
Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met. Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Government support provided to the company in response to the COVID-19 pandemic is recognised as Other Operating Income.

1. **ACCOUNTING POLICIES - continued**

Leases (as lessee)
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the lower of fair value of the assets and the present value of the minimum lease payments, determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged in the profit and loss account in a straight-line basis over the lease term. Lease incentives are recognised over the lease term on a straight-line basis.

Leases (as lessor)
Rental income from operating leases is recognised on a straight-line basis over the lease term of the relevant lease. Lease incentives are recognised over the lease term on a straight-line basis.

Financial instruments
Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

(i) Financial assets and liabilities
All financial assets and liabilities are initially measured at transaction price including transaction costs, except for those financial assets classified at fair value through the income statement, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If the arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument at each reporting date.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when (a) the contractual right to the cash flows from the financial asset expire or are settled, (b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity instruments
Equity instruments issued by the company are recorded at fair value of cash or other resources received or receivable, net of direct issue costs.

(ii) Derivative financial instruments
The company uses derivative financial instruments to reduce exposure to interest rate movements. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The company designates its derivatives as hedging instruments in cash flow hedges.

1. **ACCOUNTING POLICIES – continued**

Financial instruments - continued
(ii) Derivative financial instruments - continued

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the company determines and documents causes for hedge ineffectiveness.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

(iii) Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Revenue
Turnover is measured at fair value of the consideration received or receivable and represents amounts receivable for dividends, goods and services rendered, stated net of discounts, rebates and of Value Added Tax. The company recognises revenue when the amount of revenue can be measured reliably and when it is probable that future economic benefits will flow to the entity.

Pensions
The company makes contributions to a defined contribution pension scheme. The amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits are the contributions payable in the year. Differences between the contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Interest-bearing loans and borrowings
All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank including interest. After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment.

2. **JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There were no critical judgements made in the preparation of the financial statements.

Key sources of estimation uncertainty

Revaluation of investment properties
The company carries its investment property at fair value, with changes in fair value being recognised in the profit and loss account. There is a lack of comparable market data because of the nature of the properties. The valuation technique applied a discounted rental yield depending on the location and the quality of the property, tenant and lease. Therefore, the determined fair value is most sensitive to the estimated yield.

At 31 March 2023, the average net yield of the portfolio is 7.8% and this overall rate is then amended for each property, tenant and lease as appropriate. An increase in yield of 0.5% would result in the balance sheet fair value of £35.8m reducing by approximately £2.3m whereas a decrease in the yield of 0.5% would result in an increase in the fair value of approximately £2.8m. Refer to note 12 for further information.

3. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the company and is entirely derived from operations in the United Kingdom.

An analysis of turnover by class of business is given below:

	2023 £'000	2022 £'000
Airport operations	35,987	39,524
Property & property related	6,605	5,638
	42,592	45,162

4. OTHER OPERATING INCOME

	2023 £'000	2022 £'000
Government revenue grant – Coronavirus Job Retention Scheme	-	143
Other grants	14	79
	14	222

During the year, the company received grant funding from the aviation regulator to support the modernisation of UK airspace.

5. STAFF COSTS

	2023 £'000	2022 £'000
Wages and salaries	7,551	6,712
Social security	739	614
Other pension	358	237
	8,648	7,563

The average monthly number of employees during the year was as follows:

	2023 No	2022 No
Sales	1	1
Operational	244	220
Managerial & Administrative	8	7
	253	228

The company makes contributions to defined contribution pension plans for which the pension cost for the year amounted to £358,000 (2022: £237,000). At the balance sheet date, accrued pension scheme contributions of £25,000 (2022: £58,000) is reported within creditors.

6. DIRECTORS' EMOLUMENTS

	2023 £'000	2022 £'000
Aggregate remuneration in respect of qualifying services	181	180
Aggregate value in respect of company pension contribution	22	22
Number of directors accruing benefits under defined contribution schemes	1	1

In respect of the highest paid director:

Aggregate remuneration in respect of qualifying services	181	180
Aggregate value in respect of company pension contribution	22	22

The emoluments for two of the directors are taken into account in the disclosures of director's emoluments in the financial statements of Regional & City Airports Limited. It is not practical to determine the proportion of such emoluments which are attributable to the directors' services to the company.

7. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2023 £'000	2022 £'000
Auditor's remuneration: audit of financial statements	36	35
Auditor's remuneration: non-audit fees	-	-
Depreciation of tangible fixed assets (note 11)	840	778
Depreciation of tangible fixed assets held under finance lease (note 11)	96	43
Operating lease rentals: plant & machinery	151	133
Operating lease rentals: property	65	65
Contingent rent recognised as income	(1,256)	(284)
Other concession income	(830)	(344)
Rent receivable on investment property	(2,287)	(2,596)
Loss on revaluation of investment property	1,343	1,718
Government grants (note 4)	(14)	(222)

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2023 £'000	2022 £'000
Bank interest	3	-
Interest rate swaps	124	-
Other interest	120	-
	247	-

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2023 £'000	2022 £'000
Bank loan interest	893	488
Amortisation of debt issue costs	139	102
Interest rate swaps	-	194
Interest on loan from parent undertaking	64	-
Finance leases	100	128
	1,196	912

10. TAX ON PROFIT

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2023 £000	2022 £000
Current tax:		
UK corporation tax on profits for the period	186	421
Adjustment in respect of previous years	103	(4)
Total current tax	289	417
Deferred tax:		
Origination and reversal of timing differences	33	(29)
Adjustment in respect of prior periods	(87)	4
Effects of changes in tax rates	10	1,064
Total deferred tax	(44)	1,039
Total tax per income statement	245	1,456

	2023 £000	2022 £000
Other comprehensive income items		
Deferred tax current year credit	161	57
Deferred tax – prior year	18	-
Total tax per statement of comprehensive income	179	57

The charge for the year can be reconciled to the profit per the income statement as follows:

	2023 £000	2022 £000
Profit before tax	1,091	4,906
Tax on profit at the standard UK tax rate of 19% (2022: 19%)	207	932
Effects of:		
Expenses not deductible	63	45
Income not taxable	(51)	(586)
Adjustments from previous periods	16	-
Tax rate changes	10	1,064
Total charge for the year	245	1,456

The standard rate of corporation tax in the UK is currently 19%. An increase to the main rate of corporation tax in the UK to 25% from April 2023 was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. Deferred tax at the balance sheet date has been measured using these enacted tax rates and reflected in these financial statements.

11. TANGIBLE FIXED ASSETS

	Freehold land and property £'000	Long leasehold property £'000	Airport infra-structure £'000	Plant & equipment £'000	Assets under construction £'000	Total £'000
Cost						
At 1 April 2022	8,536	22,544	28,459	26,295	616	86,450
Additions	-	-	43	469	4,083	4,595
Transfers	-	-	2,272	-	(2,272)	0
Disposals	-	-	-	(11)	(129)	(140)
At 31 March 2023	8,536	22,544	30,.774	26,753	2,298	90,905
Depreciation						
At 1 April 2022	(5,268)	(17,360)	(26,299)	(20,838)	-	(69,765)
Charge for the year	-	(226)	(149)	(561)	-	(936)
Disposals	-	-	-	1	-	1
At 31 March 2023	(5,268)	(17,585)	(26,448)	(21,398)	-	(70,700)
Net book value						
At 31 March 2023	3,268	4,958	4,326	5,355	2,298	20,205
At 31 March 2022	3,268	5,184	2,160	5,457	616	16,685

Plant and machinery include assets held under finance leases with a net book value of £1,291,000 (2022: £1,352,975).

The cost of freehold land not depreciated is £3,268,000 (2022: £3,268,000).

The company has term loans secured through fixed and floating charges over the company's assets including tangible fixed assets with a net book value of £20,205,000 (2022: £16,685,000). Further detail on the secured loans is set out in note 20 to the financial statements.

12. INVESTMENT PROPERTY

	£'000
Fair value	
At 1 April 2022	37,088
Additions	92
Revaluations	(1,343)
At 31 March 2023	35,837

The fair value of the company's investment properties, which are all long leasehold, has been arrived at on the basis of a valuation carried out by an independent firm, CBRE, in accordance with the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement at the valuation date. The valuer holds recognised and relevant professional qualifications and has recent experience in the location and class of the investment properties being valued. The valuer used a traditional investment capitalisation method and applied their opinion of an appropriate yield to the net income, having regard to comparable evidence within the market for guidance. The yield selection reflects specific market conditions as at the valuation date, the covenant of tenants across the portfolio, the nature of properties, and lease terms. In assessing fair value, assumptions have been made about the future rental income, expenditure and occupancy of each property.

There are no restrictions on the remittance of property income however there are restrictions within the bank loan facility on the realisability of investment property and the subsequent proceeds of disposal.

The historical cost of investment properties held at fair value is £31,618,000 (2022: £31,527,000). Further details on investment property rental income is set out in note 7 and investment property future lease receivable is set out in note 22.

The company has term loans secured through fixed and floating charges over the company's assets including investment property with a fair value of £35,837,000 (2022: £37,088,000). Further detail on the secured loans is set out in note 20 to the financial statements.

13. STOCKS

	2023 £'000	2022 £'000
Raw materials and consumables	277	199
Goods for resale – aviation fuel	175	257
	452	456

14. DEBTORS

Amounts falling due within one year

	2023 £'000	2022 £'000
Trade debtors	1,556	2,698
Amounts owed by other subsidiary undertakings	179	215
Prepayments	467	248
Accrued income	1,193	1,396
Other debtors	295	1,626
Deferred tax asset (note 18)	68	50
Financial derivative (note 21)	664	-
	4,422	6,233

Amounts falling due after one year

	2023 £'000	2022 £'000
Deferred tax asset (note 18)	-	14

Amounts owed by other subsidiary undertakings are interest free, unsecured and repayable on demand.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Trade creditors	923	367
Amounts owed to other subsidiary undertakings	23	-
Social security & other taxes	174	174
Corporation tax	-	176
Corporation tax group relief	709	398
Other payables	634	470
Accrued costs	1,884	5,061
Deferred income	1,087	1,079
Finance leases (note 22)	350	348
Financial derivative (note 21)	-	21
	5,784	8,094

Amounts owed to other subsidiary undertakings are interest free, unsecured and repayable on demand.

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2023 £'000	2022 £'000
Bank term loans (note 20)	17,160	16,230
Amounts owed to parent undertakings (note 20)	1,565	1,955
Finance leases (note 22)	424	775
	19,149	18,960

17. PROVISIONS FOR LIABILITIES

	2023 £'000	2022 £'000
Deferred tax liability (note 18)	4,574	4,435

18. DEFERRED TAX

	2023 £'000	2022 £'000
Deferred tax		
- Fixed asset timing differences	286	(35)
- Short term timing differences - trading	(68)	(15)
- Short term timing differences – non trading	166	(14)
- Fair value adjustments	4,122	4,435
	4,506	4,371

Provision at start of year	4,371	3,275
Adjustment in respect of prior years	(68)	4
Deferred tax charge to the income statement for the year	42	1,035
Deferred tax charge in OCI for the period	161	57
Provision at end of year	4,506	4,371

	2023 £'000	2022 £'000
Deferred tax assets		
Recoverable within 12 months	68	50
Recoverable after 12 months	-	14
	68	64
Deferred tax liabilities		
Payable after 12 months	4,574	4,435

The reversal of deferred tax assets expected in the next 12 months to 31 March 2024 is £68,452. This is due to the short-term timing differences. The reversal of deferred tax liabilities expected in the 12 months to 31 March 2024 in £NIL. This is expected to arise because depreciation is anticipated to be lower than the available capital allowances and due to the reversal of short-term timing differences. However, further reversal (or further increase in deferred tax balances) may arise as a result of the hedge fund performance and revaluations of investment properties. As any future deferred tax balances will be dependent on changes in fair values of assets and liabilities throughout the associated period, it is not possible to estimate any further future reversals.

19. CALLED UP SHARE CAPITAL AND RESERVES

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2023 £'000	2022 £'000
16,000,000	Ordinary shares	£1	16,000	16,000

Share premium
This reserve contains the premium arising on issue of equity shares net of transaction costs.

Cash flow hedge reserve
This reserve comprises effective portion of cash flow hedges.

Profit and loss account
This reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

20. LOANS

	2023 £'000	2022 £'000
Amounts falling due between one and five years		
Bank loans	17,160	16,230
Amounts owed to parent undertaking	1,565	1,955
	18,725	18,185

On 1 August 2017, Exeter and Devon Airport Limited and Omniport Norwich Limited entered into a five-year combined revolving credit facility of up to £19,000,000, subsequently increased to £28,000,000 on 29 March 2019, with six subsidiaries of Regional and City Airports (Investments) Limited, all party to the agreement as guarantors. The loans are secured by fixed and floating charges over all the assets and the entire undertaking of the guarantors. On 20 January 2022, the revolving credit facility was amended to extend the term to 1 August 2024, increase the facility limit to £41,719,168 and amend the interest rate to 3% above SONIA. £2,875,000 is repayable by Omniport Norwich Limited in equal quarterly instalments between 30 June 2023 and 1 August 2024. Fees associated with the debt issue are being amortised over the term of the loan.

Bank loans drawn under the revolving credit facility of £17,294,000 (2022: £16,444,000) is stated after the deduction of associated unamortised debt issue costs of £134,000 (2022: £214,000).

Amounts owed to parent undertakings include £1,565,000 (2022: £1,955,000) unsecured term loans received from the parent company. The loan bears interest at 3.4% and is repayable on 31 March 2025.

21. FINANCIAL DERIVATIVE

On 25 January 2018, the company entered into an interest rate swap agreement with a notional balance of £11,031,000, and subsequently reduced to £9,432,168, reflecting the company's initial balance drawn on the term loan facility. Trade commenced on 20 April 2018 and expired on 30 November 2022.

On 3 August 2018, the company entered into another interest rate swap agreement with a notional balance of £7,012,000 reflecting the company's remaining balance drawn on the term loan facility. Trade commenced on 22 October 2018 and expired on 30 November 2022.

On 20 January 2022, the company entered into an interest rate swap agreement with a total notional balance of £17,294,168 reflecting the company's balance drawn on the revolving credit facility (note 20). Trade commenced on the effective date of 30 June 2022 for a notional amount of £850,000 and increased to the full notional amount on 30 December 2022. It expires on 31 July 2024 in line with the revolving credit facility.

The floating rate on the swaps is SONIA. The interest rate swaps settles on a quarterly basis, with the company settling the difference between the fixed and floating interest rates on a net basis. All interest rate swap contracts exchanging floating rate interest amounts are designated as cash flow hedges to reduce the company's cash flow exposure resulting from variable interest rates on borrowings. The hedged cash flows are expected to occur and to affect profit and loss over the period to maturity of the interest rate swaps.

The fair value of the hedging arrangement is based on the market price of comparable instruments at the balance sheet date. The profit on the change in fair value during the period was £685,000 (2022: £351,000) as recognised in the Statement of Other Comprehensive Income.

The following table details the principal amount and remaining term of interest rate swap contract outstanding at the reporting date:

	Average contract fixed interest rate		Notional principal value		Fair value	
	2023	2022	2023	2022	2023	2022
	%	%	£'000	£'000	£'000	£'000
Expiring in less than 1 year	-	1.384	-	16,444	-	(21)
Expiring in more than 1 year	1.436	-	17,294	-	664	-
			17,294	16,444	664	(21)

22. CAPITAL AND LEASE COMMITMENTS

Capital commitments

Amounts contracted for but not provided in the financial statements are as follows:

	2023 £'000	2022 £'000
Plant and equipment	4,003	1,684

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases for plant and machinery are as follows:

	2023 £'000	2022 £'000
Within one year	131	124
In two to five years	89	3
	220	127

Future minimum rentals payable under non-cancellable operating leases for land and buildings are as follows:

	2023 £'000	2022 £'000
Within one year	65	65
In two to five years	154	219
In over five years	-	-
	219	284

At the balance sheet date, the company had contracted with tenants for the following future minimum rentals receivable:

	2023 £'000	2022 £'000
Within one year	2,347	2,228
In two to five years	7,929	7,434
In over five years	33,870	33,099
	44,146	42,761

Finance lease commitments

The company use finance leases to acquire plant and machinery. Future minimum rentals payable under non-cancellable finance leases are as follows:

	2023 £'000	2022 £'000
Within one year	350	348
In two to five years	424	775
	774	1,123

23. CONTINGENT LIABILITIES

The airport sewage treatment plant operates under a discharge license granted by the Environment Agency. In order to meet the ongoing requirements of the discharge licence, certain improvement works are anticipated to be necessary. The value of these works is currently being determined but is estimated to be in the range of £0.8m to £1.5m, with the investment spread over a number of years.

24. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption available under FRS 102 section 33.1 not to disclose transactions entered into with entities which are wholly owned subsidiaries of Rigby Group (RG) plc.

There were no transactions with related parties not meeting the exemption criteria during the year.

25. ULTIMATE CONTROLLING PARTY

At the balance sheet date, the company was a wholly owned subsidiary of both its immediate parent company, Regional & City Airports (Investments) Limited and its ultimate parent company, Rigby Group (RG) plc.

The results of the company are consolidated into those of Rigby Group (RG) plc, registered in England and Wales, whose registered address is Bridgeway House, Bridgeway, Stratford-upon-Avon, Warwickshire, CV37 6YX. The largest group of which the company is a member and for which consolidated financial statements are drawn up is that headed by Rigby Group (RG) plc, and copies of the financial statements of Rigby Group (RG) plc are available at the registered address.

The smallest group of which the company is a member and for which consolidated financial statements are drawn up is that headed by Regional & City Airports (Investments) Limited. The registered address of Regional & City Airports (Investments) Limited is Airport House, Exeter Airport, Exeter, Devon, EX5 2BD where copies of the financial statements are available.

Sir Peter Rigby, a director of Rigby Group (RG) plc, controlled the company as a result of holding 52.02% of the issued ordinary share capital and 60% of the voting share capital of Rigby Group (RG) plc, the ultimate parent company.