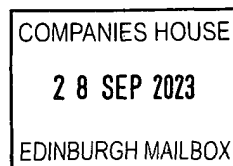


Aberdeen International Airport Limited Annual report and financial statements for the year ended 31 December 2022



Company registration number SC096622



Aberdeen International Airport Limited

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Aberdeen International Airport Limited

Officers and professional advisers

Directors

Andrew Carlisle (appointed 27th January 2022)
Andrew Cliffe (appointed 1st January 2023)
Simon Geere
David Kenny (appointed 1st October 2022)
Miguel Rodera Onaderra (appointed 31st December 2022)
Ignacio Castejon Hernandez (resigned 30th September 2022)
Derek Provan (resigned 1st January 2023)
Gonzalo Velasco Zabalza (resigned 31st December 2022)
Mark Beveridge (resigned 28th February 2022)
John Bruen (resigned 19th December 2022)
Madhulika Saraf (appointed 13th February 2023)

Alternative Director

Gordon Parsons (appointed 13th February 2023)

Registered office

Aberdeen Airport
Dyce
Aberdeen
Scotland
AB21 7DU

Independent auditor

Ernst and Young LLP
5 George Square
Glasgow
G2 1DY

Bankers

The Royal Bank of Scotland plc
280 Bishopsgate
London
EC2M 4RB

Aberdeen International Airport Limited

Strategic report

Aberdeen International Airport Limited (the "Company") is the owner and operator of Aberdeen International Airport and forms part of the AGS Airports Holdings Group (the "Group").

This strategic report is presented under three sections:

Management review – overview of the year ended 31 December 2022, along with the key factors likely to impact the Company in 2023.

Statement under section 172(1) of the Companies Act 2006 – summarises the factors the directors have considered regarding their duties to promote the success of the Company.

Internal controls and risk management – outline of the Company's internal controls, approach to risk management and highlights of the key business risks identified by the Group Executive Committee.

Management review

Review of business and future developments

Key events occurring during the year and developments since the beginning of 2023 are detailed below.

Passenger traffic

In the year ended 31 December 2022, passenger traffic increased by 77.9% to 2.03million (2021: 1.14million). The performance reflects an 51.1% increase in domestic traffic and a 223.7% increase in international traffic. At the end of 2022 the airport's passenger numbers had recovered by 68% to pre-pandemic levels.

In the twelve months to December 2022, passenger numbers have grown from 2021 levels where the number of passengers remained low due to the unprecedented disruption of air travel following the COVID-19 pandemic and the associated travel restrictions and UK lockdowns. Passenger volumes in Q1 2022 continued to be adversely impacted by travel restrictions following the identification of a new COVID-19 variant at the end of 2021, however as travel restrictions started to ease from Q2 the Company experienced a significant rise in passenger numbers due to increased business travel and pent-up leisure demand.

The car park at Aberdeen Airport has been used for UK Government COVID-19 testing since 2020 until Q2 of 2022. In addition, Aberdeen Airport continued to partner with TAC Healthcare Group Ltd to offer PCR Park and Test to passengers who required this service. This revenue stream continued throughout 2022 until July 2022 following the easing of testing requirements.

Looking ahead into 2023 the company is expecting both domestic and international passenger volumes to continue to recover towards pre-pandemic levels.

Aberdeen International Airport Limited

Strategic report (continued)

Financial overview

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Turnover	46,284	31,901
Adjusted operating costs ¹	(36,122)	(30,186)
Adjusted EBITDA ²	10,162	1,715
Depreciation	(5,867)	(6,544)
Total operating costs	(41,989)	(36,730)
Other income	-	20
Fair value loss on investment properties	(5,526)	(412)
Operating loss	(1,231)	(5,221)
Interest receivable and similar income	2,428	2,342
Interest payable and similar charges	(931)	(682)
Profit/(Loss) before tax	266	(3,561)
Taxation	(90)	(5,605)
Profit/(Loss) for the year	176	(9,166)

¹ Adjusted operating costs are stated before depreciation and non-recurring items (page 22).

² Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, certain re-measurements (page 22) and non-recurring items (page 22).

For the year ended 31 December 2022, turnover increased by 45.1% to £46,284k (2021: £31,901k).

For the year ended 31 December 2022, adjusted operating costs increased by 19.7% to £36,122k (2021: £30,186k).

Adjusted EBITDA for the year ended 31 December 2022 increased to £10,162k (2021: £1,715k). Adjusted EBITDA includes certain non-recurring costs which are not considered material or requiring separate presentation.

Non-recurring items

Non-recurring costs in 2022 are £nil (2021: £nil).

Fair value movements on investment properties

Investment properties were valued at fair value by CBRE Limited, Chartered Surveyors. Investment properties comprise mainly car parks, third party occupied facilities and airside assets. The investment property valuation as at 31 December 2022 resulted in a loss of £5,526k (2021: £412k loss).

Dividend

No dividend was paid or declared in the year ended 31 December 2022 (2021: £nil).

Pension scheme

At 31 December 2022, AGS Airports Limited's defined benefit pension scheme had a deficit of £5,920k (2021: £3,986k) as measured under International Accounting Standards ("IAS") 19 Employee Benefits. The Company's share of this deficit amounts to £1,878k (2021: £1,272k). The AGS Airports Limited's defined benefit scheme was closed to future accrual with effect from 30 June 2019. Following the closure of the scheme to future accrual, the members of the scheme were entitled to participate in the Group's defined contribution pension plan.

Investment in modern airport facilities

During the year ended 31 December 2022 Aberdeen International Airport Limited invested £2.3million (2021: £1.3million) in capital projects.

Major projects included the ongoing programme of airfield pavement re-living works, installation of enhanced security search equipment and the purchase of airfield operational vehicles.

Aberdeen International Airport Limited

Strategic report (continued)

Going concern

The Directors of Aberdeen International Airport Limited have made an assessment to review the appropriateness of the going concern assumptions in preparing financial statements for the year ended 31 December 2022. The assessment period considered by the Directors is the date of signing the accounts to 31 March 2024.

The Directors note that at the year end the Company had net assets of £148million (2021: £150million) and net current assets of £4.1million (2021: net current liabilities £4.1million). At the year end the Company had a net cash balance of nil (2021: nil).

The Company's principal funding is received via a group cash pooling arrangement and intercompany loans. The Directors have received confirmation from AGS Airports Holdings Limited that they will provide financial support following the approval of these financial statements ensuring the Company is able to meet financial obligations as they fall due for the period through to 31 March 2024. The Directors have considered the ability of AGS Airports Holdings Limited to provide the financial support and have concluded that it is appropriate to continue the going concern basis of accounting in preparing the annual financial statements, however, have acknowledged that AGS Airports Holdings Limited report a material uncertainty in respect of the Group's ability to conclude new financing facilities which is due in June 2024.

The Directors conclude that a material uncertainty exists in respect of Aberdeen International Airport Limited as a result of the material uncertainty present at AGS Airports Holdings Limited which may cast significant doubt over the Company's ability to continue as a going concern.

Having taken all of the above factors into considerations, the Directors of Aberdeen International Airport Limited have concluded that it is appropriate to continue to adopt the going concern basis of preparation. Accordingly, these financial statements do not include the adjustments that would be required if the Company was unable to continue as a going concern.

Statement under section 172(1) of the Companies Act 2006 – Duty to promote the success of the Company

Each of the persons who is a director at the date of approval of this Annual report confirms that they have complied with the requirements of section 172(1), to act in a way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefits of its members as a whole. The directors have considered the following factors:-

Decision making

The Board of Directors is responsible for, amongst other things, developing, reviewing and refreshing medium and long term business strategies, policies and development plans, and ensuring their delivery and reviewing the principal risks and risk management framework. Decisions taken by the Board of Directors and the Executive Committee follow extensive review and consideration regarding stakeholder impact, as well as the need to maintain high standards of business conduct and the need to act fairly.

Employee interests and engagement

Employee involvement and consultation is managed in a number of ways including employee surveys, team updates, briefings, road shows and an intranet, while collective consultation takes place with the unions such as Unite and Prospect for those employee groups where unions are recognised. The Company also operates frameworks for consultation and is committed to managing people fairly through change.

Together these arrangements aim to provide a common awareness amongst employees of the financial and economic factors affecting the performance of their business. Bonuses paid to employees reflect the financial performance of the business. In addition, some senior management participate in a long term incentive plan which also rewards based on Group performance.

Communication with employees has been vital during the COVID-19 pandemic, with the Group Chief Executive Officer chairing live broadcasts with employees regularly throughout the pandemic and senior management engaging regularly with employee representative bodies and unions. These broadcasts have continued throughout 2022 to ensure communication to staff is maintained.

Business relationships

Airline and passenger service, safety and security are of critical importance to the company, with passengers central to the Group's activities. Health, Safety and Wellbeing is at the heart of everything we do. Following successfully gaining top rating in the 5 star audits in 2022 at all three airports, they were also all awarded the prestigious "Sword of Honour" from the British Safety Council in 2022, the first airport group ever to do so. All three also received an International Safety Award with Aberdeen and Glasgow attaining Merit and Southampton attaining Distinction in 2022.

Aberdeen International Airport Limited

Strategic report (continued)

Business relationships (continued)

The company aims to manage its business relationships as effectively and efficiently as possible. Regular engagement and communication occur with airlines to monitor, share plans, and ultimately ensure that the airport meets the airlines' required operating environment. For supplier contracts this is underpinned by robust and responsible procurement practices which consider the resilience and sustainability of suppliers before contracts are commenced with them, as well as frequently monitoring of their operational performance once they commence business with the airports. The company continues to work closely with Government agencies to ensure that the Group is responsive to and remains fully compliant with COVID-19 travel requirements and thus, providing a safe environment for passengers to travel.

The airports are subject to regulations from the Civil Aviation Authority ("CAA") and Department for Transport ("DfT") and have staff dedicated to ensuring full compliance with regulatory requirements, to establish a sound relationship with the regulator and to advise the Executive Committee, the Health, Safety, Security and Sustainability ("HSSS") Committee and Board on regulatory matters. The former EASA Regulations continue to be implemented through the Regulation (EU) No 139/2014 as retained (and amended in UK domestic law) under the European Union (Withdrawal) Act 2018.

Community and sustainability impact

Achieving the Aberdeen International Airport Limited's vision relies heavily on the Aberdeen Airport being managed in a socially responsible manner. This means enhancing the airport's social and economic benefits whilst reducing our environmental impacts. The airport's independently audited carbon footprint report is published annually. Aberdeen Airport takes pride in the valuable contribution it makes to the local economy in terms of generating employment and providing the vital connectivity that allows the local region to thrive. As in each year, since 2019, Aberdeen International Airport Limited took part along with the other AGS group airports in the GRESB in 2022. GRESB is recognised as the global ESG benchmark for real assets. In the 2022 ratings, Aberdeen Airport Limited ranked fifth place in the UK and seventh in Europe and all AGS airports were recognised as being "airport transport sector leads".

Business conduct

The Board of Directors determines the Company's long term strategy, to ensure that the Company acts ethically and has the necessary resources to meet its objectives, to monitor performance and to ensure the Company meets its responsibilities to its various stakeholders.

Company's member activity

The Company's parent and ultimate parent relationships are disclosed in note 17.

Internal controls and risk management

Internal control and risk management is the responsibility of the Directors. The Executive Committee, Board and Audit and Risk Committee ("ARC") referred to below relate to the Executive Committee, Board and ARC of AGS Airport Holdings Group. A separate sub-group of the board was formed to ensure governance over Health, Safety, Security and Environment through the HSSE Committee.

Internal controls

The directors are responsible for the system of internal controls designed to mitigate the risks faced by the Company and for reviewing the effectiveness of the system. This is implemented by applying the Group internal control procedures, supported by a Code of Professional Conduct Policy, appropriate segregation of duties, controls, organisational design and documented procedures. These internal controls and processes are designed to manage, to as low as reasonably practicable, rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatements or loss.

The key features of the Company's internal control and risk management systems in relation to the financial reporting process include:

- a Company-wide comprehensive system of financial reporting and financial planning and analysis;
- documented procedures and policies;
- defined and documented levels of delegated financial authority;
- an organisational structure with clearly defined and delegated authority thresholds and segregation of duties;
- a formal risk management process that includes the identification of financial risks;
- detailed reviews by the Executive Committee and the Board of monthly management accounts measuring actual performance against both budgets and forecasts on key metrics;
- the Audit and Risk Committee ("ARC") review of financial results and key interim and annual financial statements, before submission to the Board, scrutinising amongst other items;
 - compliance with accounting, legal, regulatory and lending requirements;
 - critical accounting policies and the going concern assumption; and
 - significant areas of judgement;
- independent review of controls by the internal audit function; and
- a confidential whistleblowing process.

Aberdeen International Airport Limited

Strategic report (continued)

Internal controls (continued)

In addition, the ARC:

- considers the tender, selection and appointment of the external auditor, making appropriate recommendations to the Board, and assesses the independence of the external auditor;
- ensures that the provision of non-audit services does not impair the external auditor's independence or objectivity;
- discusses with the external auditor, before the audit commences, the nature and the scope of the audit and reviews the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- reviews external auditor management letters and responses from management;
- has a standing agenda to meet privately with the external auditor independent of the executive directors; and
- reviewed the scope, operations and reports of the Company's internal audit function on the effectiveness of systems for internal financial control, financial reporting and risk management.

Principal risks and uncertainties and risk management

The Company's risk management process is used to facilitate the identification, evaluation and effective management of the threats to the achievement of the Company's purpose, vision, objectives, goals and strategies. The vision of risk management is to embed the awareness of risk at all levels of the organisation, in such a way that day to day activities are managed effectively and all significant business decisions are risk-informed.

Risk forms part of the Company's Managing Responsibly System ("MRS") which is locally governed by the Company's Managing Responsibly Governance Group ("MRGG"). The MRGG meets on a monthly basis, and is chaired by the Company's Operations Director and consists of the airport's heads of departments and Group Head of Assurance. The MRS is linked with the key strategic intent to run our airport responsibly by being "Safe, Secure and Sustainable".

The risk management process is evidenced in risk registers which are used as the basis for regular review of risks and their management, up to AGS Airports Holdings Limited Board level. The risk registers are also used to inform decisions relating to the procurement of insurance cover. The risk management process also supports clear accountabilities, processes and reporting formats that deliver efficient and effective management assurance to the Board to ensure statutory compliance whilst supporting business units to successfully manage their operations.

The operation of the risk management process and the individual risk registers are subject to periodic review by the ARC, whose primary responsibility is to provide independent assurance to the Board that the controls put in place by management to mitigate risks are working effectively. In addition to the ARC, a new sub Group of the AGS Airports Holdings Limited Board was formed in 2020, the HSSS Committee. This committee is a governance group overseeing all aspects of HSSS and receives reports from the respective MRGG meetings. The Company is currently certificated to ISOs 14001; 55001 and 45001. Its primary responsibility is to provide independent assurance that the controls put in place by management to mitigate risks are working effectively.

Assurance is provided through the management reporting processes and reports to the Group Executive Committee and the HSSE Committee.

The principal corporate and reputational risks as identified by the Executive Committee are:

Safety risks

Health, Safety and Wellbeing is a core value of the business and the Group actively promotes the role of safety leadership in creating a safety culture that is intolerant of accidents and incidents. Aberdeen, Glasgow and Southampton airports are all certificated to the international standard ISO 45001 with Glasgow also being certificated to the Business Continuity Standard ISO 22301.

The Group's Safety Management System called the 'Managing Responsibly System' (MRS), includes risk assessment processes for all activities entailing significant risk and proportionate control measures employed to safeguard everyone impacted by the Group's business. The Group also operates robust asset management processes to ensure property and equipment remains safe. Compliance oversight of the MRS is provided by the Group Head of Assurance who is deemed competent and holds suitable and sufficient qualifications and provides regular updates to the AGS Airports Holdings Limited Board. Each of the Group's airports is certificated to the asset management standard, ISO 55001.

Governance, led by the airports' Managing Responsibly Governance Group (MRGG) and assurance processes are used to ensure the aforementioned remain effective and to encourage continuous improvement.

Security risks

Security risks are regarded as critical risks to manage. The Company mitigates these risks by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in leading-edge security technology. The Company works closely with government agencies, including the DfT, the police and the UK Border Force through a statutory framework to establish joint accountabilities for airport security and shared ownership of risk, thus ensuring security measures remain both flexible and proportionate to the prevailing threat environment.

Aberdeen International Airport Limited

Strategic report (continued)

Regulatory environment, legal and other reputational risks

CAA and DfT regulations

From 1 January 2021, following the Brexit transition period, the Company's operations were no longer subject to regulation by the EASA. The EASA regulations were adopted by the UK through the Regulation (EU) No 139/2014 as retained (and amended in UK domestic law) under the European Union (Withdrawal) Act 2018, which is overseen in the UK by the CAA. The CAA is concerned with air safety, airspace regulation, consumer protection and environmental research and consultancy. The CAA also regulates aviation issues and ensures that consumer interests are represented. The DfT oversees aviation security policy, whilst the CAA sets the common standards for UK airports in the field of aviation and airport safety. Consequently, the Company is exposed to the risk of changes in day to day operations resulting from regulatory guidelines issued by the various regulators and mitigates this so far as reasonably possible. The airport is represented by dedicated Glasgow Airport Limited and AGS Airports Group staff that ensure full compliance with regulatory requirements, establish sound relationships with regulators and advise the Executive Committee, HSSS Committee and Board on regulatory matters.

Competition rules

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

Environmental risks

Environmental risk is managed throughout the Group as it has the potential to impact negatively upon the AGS Airports Group's reputation and jeopardise the airports' licences/certification to operate and to grow. Aberdeen Airport is certificated to ISO 14001, environmental management standard. The Company has a dedicated Environmental Advisor resource whose remit covers noise, waste, air and water quality, and carbon emissions. This role ensures that Aberdeen International Airport's operations comply with legislative obligations and the Company's standards. In addition, the Company has a carbon management plan to enable the setting of an ambitious target to support its carbon neutral status, which it attained in 2020 through PAS 2060 which sets out requirements for quantification, reduction and offsetting of greenhouse gas emissions for organisations, products and events. An independently audited carbon footprint report is published annually covering all areas of environmental performance. The Company gained the Airport Carbon Accreditation certificate from ACI Europe in 2020 and this was extended through 2022, gaining level 3+ status. All of the Group's airports have been assessed against the GRESB standard which is part of their external corporate social responsibility verification process. Aberdeen airport fared well in the 2022 benchmark, attaining 4-star status.

The Company endeavours that all activities undertaken are conducted in a manner that promotes environmental, economic, and social responsibility and aims to achieve continuity of supply chain.

Slavery and human trafficking risks

The group is committed to ensuring that there is no modern-day slavery or human trafficking in its supply chains or in any part of its business. AGS Airports Group's Sustainable and Ethical Procurement Policy has been updated to reflect anti-slavery legislation. AGS' Group Procurement perform due diligence checks on the AGS supply chain on an annual basis and at the commencement of any new sourcing activity to ensure modern slavery compliance. The Group expects these entities to comply with the Modern Slavery Act 2015 and have suitable anti-slavery and human trafficking policies and processes in place. The Group's supplier base is mainly UK companies and branches.

Commercial and financial risks

Operational disruption

There are a number of circumstances that can pose short term risks to the normal operations of Aberdeen International Airport Limited such as shocks to the macroeconomic environment, terrorism, wars, airline bankruptcies, human health scares, weather conditions and natural disasters whose cause may be remote from the location of the airport. Where possible the Company seeks to anticipate the effects of these events on its operations and also maintains business continuity and/or contingency plans to minimise disruption wherever possible. The directors are monitoring the war in Ukraine however they don't believe there is a direct material impact to the Group.

COVID-19

UK COVID-19 travel restrictions were lifted in March 2022 and Airport Testing continued across the airports until July 2022. The demand for air travel was significantly better than 2021 as a result, with passengers recovering to 68% of pre pandemic (2019) levels.

The UK and Scottish governments promoted 3rd booster vaccinations to certain categories of the population which continued to reduce the effects of COVID. As such no further travel restrictions were imposed and the Group did not experience any negative demand because of this.

Changes in demand

The risk of unanticipated long term changes in passenger demand for air travel could lead to a shortfall in turnover and misaligned operational capacity within the Company. Since it is not possible to identify the timing or period of such an effect, the Company carries out evaluations through a series of scenario planning exercises.

Aberdeen International Airport Limited

Strategic report (continued)

Commercial and financial risks (continued)

Airline consolidation

The lasting impact of COVID-19 and other inflationary pressures within the industry have resulted in airline failures and other airlines seeking buyers or refinancing. Airlines have also cut or closed bases in response to overcapacity in the European market. Similar to demand changes, it is not possible to identify the timing or period of such an effect and so the Group reviews this risk as part of its scenario planning exercises.

Industrial relations

The risk of industrial action by key staff that affects critical services, curtails operations and has an adverse financial and reputational impact on the Company is recognised. The Company has a range of formal national and local consultative bodies to discuss pay, employment conditions and business issues with the Trade Unions. The Company has robust and well tested contingency plans in place should there be a need to implement them in the event of industrial action. The Company could also be exposed in the short term to the effect of industrial action involving other key stakeholders in the aviation sector such as airlines, air traffic controllers, baggage handlers and Border Force.

UK withdrawal from the EU

The Brexit transition period ended on 31 December 2020 with the UK and EU agreeing a Comprehensive Trade Agreement, which included an aviation chapter. This has allowed Aberdeen Airport to operate without disruption in 2022.

As a result of Brexit, on the 1 January 2021 in the UK the Airside Extra Statutory Concession Scheme ceased to exist, which means no tax free sales for vatable goods and impacts both duty free operators and airside specialist shops. On 25 May 2021 the Judicial review concluded with the High Court and Court of Appeal judges upholding the Government position, rejecting claims about its decision making process and approach. This is disappointing for the industry, however, the return of duty free alcohol and tobacco for all passengers leaving the UK should assist the duty free operators to partially offset the losses from tax free. The conclusion of the Judicial Review also allows the industry to increase efforts on lobbying the Treasury and Government on the introduction of arrivals duty free, which would allow UK airports and duty free operators to take advantage of the increased arrivals allowances that the government reintroduced as part of Brexit. If successful, this will increase duty free sales.

Treasury

The Company's financial risk management objectives are aligned with its ultimate parent company, AGS Airports Holdings Limited, which is the parent undertaking that consolidates these financial statements. AGS Airports Limited (the "AGS Group") is the entity where external funds are borrowed and lent on to the Company and the level at which financial risks for the Company are managed. The Company's treasury policies are in compliance with the wider AGS Group and are set out below.

The Group Board approves prudent treasury policies and delegates certain responsibilities including changes to treasury policies, and the implementation of funding and risk strategy to the AGS Group Finance Team. Senior management directly control day to day treasury operations on a centralised basis.

The treasury function is not permitted to speculate in financial instruments. Its purpose is to identify, mitigate and hedge treasury related financial risks inherent in the AGS Group's business operations and funding. To achieve this, the AGS Group enters into interest rate swaps to protect against interest rate risks.

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

(a) Interest rates

The Group has floating rate debt and manages the risk through use of interest rate hedging instruments. As at 31 December 2022, the Group's fixed floating interest rate profile, after hedging, on gross third parties debt was 84.3% (2021: 84.3%).

(b) Funding and liquidity

The Group is financed through bank facilities totalling £757million (2021: £757million) and shareholder loans totalling £263million (2021: £246million). For 2022 the Group has a positive cashflow, driven by the positive EBITDA generated following recovery from the COVID-19 pandemic. As at 31 December 2022, cash and cash equivalents were £52million (2021: £39million). The undrawn headroom under shareholders' subsequent equity commitment was £30million at 31 December 2022 (2021: £30million).

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

Aberdeen International Airport Limited

Strategic report (continued)

Commercial and financial risks (continued)

Treasury (continued)

(c) Counterparty credit

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

The Group maintains a prudent split of cash and cash equivalents across market counterparties in order to mitigate counterparty credit risk. Board approved investment policies and relevant debt facility agreements provide counterparty investment limits, based on short term and long term credit ratings.

Approved by the Board and signed on its behalf by

DocuSigned by:

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Andrew Cliffe
Director

31 March 2023

Company registration number: SC096622

Aberdeen International Airport Limited

Directors' report

The directors present their Annual report and the audited financial statements for Aberdeen International Airport Limited for the year ended 31 December 2022.

Principal activities

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

Results and dividends

The profit after taxation for the financial year amounted to £176k (2021: £9,166k loss). No dividends were proposed or paid during the year (2021: £nil). The statutory results are set out on page 16.

Directors

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

Andrew Carlisle
Andrew Cliffe
Simon Geere
David Kenny
Miguel Roderia Onaderra
Madhulika Saraf

Alternative Directors

Gordon Parsons

Employment policies

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

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

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

Employee engagement

Details of the Company's employee engagement policies and practices can be found on page 4 in the section 172(1) disclosures within the Strategic report.

Business relationships

Details of the Company's business relationship management and maintenance can be found on page 4 in the section 172(1) disclosures within the Strategic report.

Energy and carbon reporting

Details of the Company's energy consumption and carbon emissions are included within AGS Airports Holdings Limited's Strategic report, which can be obtained as disclosed in note 17.

Streamlined Energy and Carbon Reporting

The UK Government's Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1 April 2019. Data is collected on an annual basis as part of carbon footprint reporting. UK government conversion factors are then used to collate this data into a table. This table is included within AGS Airports Holdings Limited's Strategic report, page 7.

Emissions have been grouped according to the GHG Protocol Corporate Standard.

We have used the following data sources for the report for the:

- Energy and Fuel Data – Energy supplier billing data and electricity half hour data.
- Transport Data – Company mileage records and fuel purchasing, in litres.
- Refrigerant Emissions – Engineering maintenance records.

Political donations

No political donations have been made in the year (2021: £nil).

Aberdeen International Airport Limited

Directors' report

Internal controls and risk management

The Company actively manages identified corporate risks and has in place a system of internal controls designed to mitigate these risks. The mitigation controls are identified within each Risk Register, with risk registers in place for each Group airport and function which are managed through their respective MRGG meeting. These are then reviewed, assessed and extrapolated to form the Group risk register. A full risk report is presented at each Audit and Risk Committee meeting and HSSS Committee meeting, providing an overview of the mitigating risk controls in place. Details of the Company's internal controls and risk management policies can be found on pages 5 to 9 in the internal controls and risk management section of the Strategic report.

Financial risk management objectives and policies

The Company's financial risk management objectives and policies, along with the Company's exposure to risk have been disclosed in the Internal controls and risk management section of the Strategic report.

Directors' indemnity

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

Auditor

Deloitte LLP resigned as auditor of the Company on 13 May 2022. Following a tender process, the Directors have appointed Ernst & Young LLP as auditor of the company.

Statement of disclosure of information to the auditor

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

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

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

Approved by the Board and signed on its behalf by

DocuSigned by:

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Andrew Cliffe
Director

31 March 2023

Company registration number: SC096622

Aberdeen International Airport Limited

Directors' responsibilities statement in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and 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 they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101, "Reduced Disclosure Framework".

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 its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with applicable accounting standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

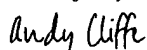
Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the AGS Airports Limited Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

DocuSigned by:

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Andrew Cliffe
Director

31 March 2023

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Aberdeen International Airport Limited for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We draw attention to page 21 in the financial statements, which describes the Directors' assessment over the Company's ability to continue as a going concern. As stated on page 21, the Company is reliant on support from the ultimate parent entity, AGS Airports Holdings Limited, who have provided a letter of support confirming it will provide support for the period through to 31 March 2024. The Directors have considered the ability of the parent Company to provide support through the going concern period and conclude sufficient liquidity is available, however, acknowledge the fact that the parent Company reports a material uncertainty in respect of the ability to successfully complete the refinancing exercise on group debt due to mature on 18 June 2024. This therefore indicates that a material uncertainty exists in respect of the ability of the Company to rely on parental support that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The financial statements do not reflect any adjustments that would be required to be made if they were prepared on basis other than going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, 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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

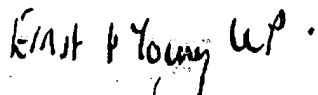
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant those that relate to the reporting framework (FRS101 and the Companies Act 2006), and the relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations defined by the Civil Aviation Authority (CAA), the European Aviation Safety Agency (EASA), Aerodromes (UK Reg (EU) No 139/2014), and the Aviation Security Facilitation (ICAO) as well as laws and regulations in relation to health and safety and employee matters.
- We understood how Aberdeen International Airport Limited is complying with those frameworks by making enquiries of management including those who are responsible for legal and compliance procedures, to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries by reading Board minutes and papers provided to the Board and reading correspondence with tax and regulatory authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand their assessment of areas susceptible to fraud, and considered the risk of management override of controls due to performance targets and their propensity to influence efforts made by management to manage earnings or influence the perceptions of stakeholders. Where the risk was considered to be higher we performed specific audit procedures including incorporating data analytics into our testing of revenue and manual journals and transactions recorded by management. We identified and agreed transactions, based on selected criteria, back to independent supporting evidence or source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved obtaining legal advice given to management, discussing matters directly with internal and external legal counsel, reading Board briefings, involving EY Forensic specialists, substantively testing the legal expenses account, and considering whether any events or conditions during the audit might have indicated non-compliance with laws and regulations, including obtaining supporting evidence as relevant. We also completed procedures to conclude on the compliance of the disclosures in the financial statements with the reporting framework (FRS101 and Companies Act 2006).

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

Independent auditor's report for the members of Aberdeen International Airport 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.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, slightly slanted style.

Annie Graham (Senior statutory auditor)

For and on behalf of Ernst & Young LLP

Statutory Auditor

Glasgow, UK

31 March 2023

Aberdeen International Airport Limited

Profit and loss account for the year ended 31 December 2022

	Note	Year ended 31 December 2022			Year ended 31 December 2021		
		Before certain re- measurements	Certain re- measurements ¹	Total	Before certain re- measurements	Certain re- measurements ¹	Total
		£000	£000	£000	£000	£000	£000
Turnover	1	46,284	-	46,284	31,901	-	31,901
Operating costs	2						
Recurring		(41,989)	-	(41,989)	(36,730)	-	(36,730)
Total operating costs		(41,989)	-	(41,989)	(36,730)	-	(36,730)
Other income	3	-	-	-	20	-	20
Fair value loss on investment properties	7	-	(5,526)	(5,526)	-	(412)	(412)
Operating gain/(loss)		4,295	(5,526)	(1,231)	(4,809)	(412)	(5,221)
Financing							
Interest receivable and similar income	4	2,428	-	2,428	2,342	-	2,342
Interest payable and similar charges	4	(931)	-	(931)	(682)	-	(682)
Profit/(Loss) before tax		5,792	(5,526)	266	(3,149)	(412)	(3,561)
Taxation (charge)/credit	5	1,291	(1,381)	(90)	(9,458)	3,853	(5,605)
Profit/(Loss) for the year	14	7,083	(6,907)	176	(12,607)	3,441	(9,166)

The notes on pages 20 to 38 form an integral part of these financial statements.

1 Certain re-measurements defined on page 22

Aberdeen International Airport Limited**Statement of comprehensive income** for the year ended 31 December 2022

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Profit/(Loss) for the year	14	176	(9,166)
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Return on pension plan assets excluding interest income	15	(23,804)	(1,904)
Actuarial movements on defined benefit pension plan	15	20,637	3,080
Deferred tax on defined benefit pensions	10	792	27
Other comprehensive (loss)/profit for the year net of tax		(2,375)	1,203
Total comprehensive loss for the year		(2,199)	(7,963)

The notes on pages 20 to 38 form an integral part of these financial statements.

Aberdeen International Airport Limited**Statement of financial position as at 31 December 2022**

	Note	31 December 2022 £000	31 December 2021 £000
Assets			
Fixed assets			
Property, plant and equipment	6	69,161	72,761
Investment properties	7	99,751	105,213
Pension asset	15	-	1,272
		168,912	179,246
Current assets			
Stocks	8	345	330
Debtors due within one year	9	27,411	24,979
		27,756	25,309
Total assets		196,668	204,555
Liabilities			
Creditors: Amounts falling due after more than one year			
Deferred tax liabilities	10	(22,898)	(24,673)
Pension liability	15	(1,878)	-
		(24,776)	(24,673)
Creditors: Amounts falling due within one year			
Provisions	6	(41)	(40)
Trade and other payables	11	(23,609)	(29,401)
		(23,650)	(29,441)
Total liabilities		(48,426)	(54,114)
Net current assets/(liabilities)		4,106	(4,132)
Total assets less current liabilities		173,018	175,114
Net assets		148,242	150,441
EQUITY			
Capital and reserves			
Called up share capital	12	12,000	12,000
Revaluation reserve	13	85,778	85,778
Profit and loss account	14	50,464	52,663
Total shareholders' funds		148,242	150,441

The notes on pages 20 to 38 form an integral part of these financial statements.

The financial statements of Aberdeen International Airport Limited (Company registration number: SC096622) were approved by the Board of Directors and authorised for issue on 31 March 2023. Signed on behalf of the Board by:

DocuSigned by:

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Andrew Cliffe
 Director

31 March 2023

Aberdeen International Airport Limited**Statement of changes in equity** for the year ended 31 December 2022

	Attributable to the owner of the Company			
	Share capital £000	Revaluation reserve ¹ £000	Profit and loss account £000	Total £000
Balance at 1 January 2021	12,000	85,778	60,626	158,404
Comprehensive loss:				
Loss for the year	-	-	(9,166)	(9,166)
Other comprehensive gain	-	-	1,203	1,203
Total comprehensive loss	-	-	(7,963)	(7,963)
Balance at 1 January 2022	12,000	85,778	52,663	150,441
Comprehensive profit:				
Profit for the year	-	-	176	176
Other comprehensive loss	-	-	(2,375)	(2,375)
Total comprehensive loss	-	-	(2,199)	(2,199)
Balance at 31 December 2022	12,000	85,778	50,464	148,242

¹ The revaluation reserve relates to the historic revaluation of investment properties. Current revaluations of investment properties are included in the profit and loss account.

The notes on pages 20 to 38 form an integral part of these financial statements.

Aberdeen International Airport Limited

Accounting policies for the year ended 31 December 2022

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

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

Basis of preparation

Aberdeen International Airport Limited is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 and 3 and directors' report on pages 10 and 11. The Company is a private company, limited by shares and is registered in Scotland.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of International Financial Reporting Standard ("IFRS") 16 Leases ("IFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

These financial statements are separate financial statements. Details of the parent in whose consolidated financial statements the Company is included are shown in note 17 to the financial statements.

The Company has taken advantage of certain disclosure exemptions in FRS 101 as its financial statements are included in the publicly available consolidated financial statements of AGS Airports Holdings Limited. The disclosure exemptions available under that standard are in relation to presentation of a cash-flow statement, standards not yet effective, the requirements of IFRS 7 Financial Instruments: Disclosures, the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement, related party transactions, the requirement set out in IAS 1 Presentation of Financial Statements ("IAS 1") para 38 to present comparative information in respect of property, plant and equipment and investment properties and certain requirements under IFRS 16.

Primary financial statements format

A columnar approach has been adopted in the profit and loss account and the impact of two principal groups of items is shown in a separate column ("certain re-measurements"). This allows the presentation of the performance of the business before these specific fair value gains and losses. These items are:

- i fair value gains and losses on investment property revaluations; and
- ii the associated tax impacts of item (i) above.

Aberdeen International Airport Limited

Accounting policies for the year ended 31 December 2022

Going concern

The Directors of Aberdeen International Airport Limited have made an assessment to review the appropriateness of the going concern assumptions in preparing financial statements for the year ended 31 December 2022. The assessment period considered by the Directors is the date of signing the accounts to 31 March 2024.

The Directors note that at the year end the Company had net assets of £148million (2021: £150million) and net current assets of £4.1million (2021: net current liabilities £4.1million). At the year end the Company had a net cash balance of nil (2021: nil).

The Company's principal funding is received via a group cash pooling arrangement and intercompany loans. The Directors have received confirmation from AGS Airports Holdings Limited that they will provide financial support following the approval of these financial statements ensuring the Company is able to meet financial obligations as they fall due for the period through to 31 March 2024. The Directors have considered the ability of AGS Airports Holdings Limited to provide the financial support and have concluded that it is appropriate to continue the going concern basis of accounting in preparing the annual financial statements, however, have acknowledged that AGS Airports Holdings Limited report a material uncertainty in respect of the Group's ability to conclude new financing facilities which is due in June 2024.

The Directors conclude that a material uncertainty exists in respect of Aberdeen International Airport Limited as a result of the material uncertainty present at AGS Airports Holdings Limited which may cast significant doubt over the Company's ability to continue as a going concern.

Having taken all of the above factors into considerations, the Directors of Aberdeen International Airport Limited have concluded that it is appropriate to continue to adopt the going concern basis of preparation. Accordingly, these financial statements do not include the adjustments that would be required if the Company was unable to continue as a going concern.

Adoption of new and revised IFRSs

During the year, the Company adopted the following amendments to IFRSs issued by the International Accounting Standards Board that are mandatorily effective for accounting periods beginning on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

- **Amendments to IAS 16 (Property, Plant and Equipment):** The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- **Amendments to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets):** Onerous Contracts – Cost of Fulfilling a Contract. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- **Amendments to References to the Conceptual Framework in IFRS Standards -** The amendments include consequential amendments to affected standards so that they refer to the new Framework.

The following amendments are not applicable to the Company:

- Amendments to IFRS 5: Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'
- Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions
- Annual Improvements to IFRSs 2018-2020 Cycle

Aberdeen International Airport Limited

Accounting policies for the year ended 31 December 2022

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Aeronautical

- Passenger charges based on the number of departing passengers.
- Aircraft departure charges levied according to weight of departing aircraft.
- Aircraft landing charges levied according to weight recognised on landing.
- Aircraft parking charges based on a combination of weight and time parked as provided.
- Airline contracts may include short term pricing arrangements including discounts and rebates which are applied where appropriate.
- Other charges levied for passenger and baggage operation when these services are rendered.

Retail

- Concession fees from retail and commercial concessionaires at or around airports are based upon turnover certificates supplied by concessionaires and are recognised in the period to which they relate.
- Car parking income is recognised at the time of exiting the car park in accordance with operator management fee arrangements. Pre-booked car parking income is recognised at the time of entering the car park.

Property and operational facilities

- Property letting rentals, recognised on a straight line basis over the term of the rental period.
- Proceeds from the sale of trading properties, recognised on the unconditional completion of the sale.
- Usage charges made for operational systems (e.g. check-in desks), recognised as each service is provided.
- Other invoiced sales, recognised on the performance of the service.

Other

- Charges related to passengers with restricted mobility and various other services, recognised at the time of delivery.
- COVID-19 testing income based on the number of passenger tests.

Aeronautical rebates

Airline contracts may include short term pricing arrangements such as discounts or rebates. These may include volume related discounts or rebates which are based on target passenger numbers. Management will make judgements at the year end to determine whether the targets have been or will be met and accordingly will make an accrual which results in a debit to turnover.

Grants and contributions

On occasion, the Company may receive grants to provide financial incentives to improve airport infrastructure considered to be in the best interest of the public. Grants received are treated as a reduction in the cost of the related fixed assets.

Grants that compensate the Company for expenses incurred are recognised in the profit and loss account in "Other income" over the periods when the related costs are incurred.

Non-recurring items and certain re-measurements

On the face of the profit and loss account, the Company presents non-recurring items and certain re-measurements separately. Non-recurring items are material items of income or expense that, because of their size or incidence, merit separate presentation to allow an understanding of the Company's financial performance.

Re-measurements may include fair value gains and losses on investment property revaluations, and the associated tax impacts and non-recurring items may include gains or losses on the disposal of businesses or assets that do not qualify as discontinued operations, major reorganisation of businesses, closure or mothballing of terminals and costs incurred in bringing new airport terminal complexes and airfields to operational readiness that are not able to be capitalised as part of the project.

There are non-recurring items and certain re-measurements to note.

Operating loss

Operating loss is stated after the fair value gain on investment properties but before financing.

Interest

Interest receivable is recognised when it is probable that the economic benefits will flow to the Company and the amount of interest can be measured reliably. Interest receivable is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Aberdeen International Airport Limited

Accounting policies for the year ended 31 December 2022

Property, plant and equipment

Operational assets

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

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

Depreciation

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

<i>Terminal complexes</i>	<i>Fixed asset lives</i>
Terminal building, pier and satellite structures	20–60 years
Terminal fixtures and fittings	5–20 years
<i>Airport plant and equipment</i>	
Baggage systems	15 years
Screening equipment	7 years
Lifts, escalators and travellers	20 years
Other plant and equipment, including runway lighting and building plant	5–20 years
Tunnels, bridges and subways	50–100 years
<i>Airfields</i>	
Runway surfaces	10–15 years
Runway bases	100 years
Taxiways and aprons	50 years
<i>Plant and equipment</i>	
Motor vehicles	4–8 years
Office equipment	5–10 years
Computer equipment	4–5 years
Computer software	3–7 years
Fixtures and fittings	5–10 years
Other plant and equipment	5–10 years
<i>Other land and buildings</i>	
Freehold property	10–50 years
Right-of-use asset	Lower of useful economic life or lease period

The asset's residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Impairment of assets

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

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

Aberdeen International Airport Limited

Accounting policies for the year ended 31 December 2022

Investment properties

Investment properties, which is property held to earn rentals and/or for capital appreciation, are initially measured at cost and subsequently measured at fair value at the reporting date, as determined by the directors and by external valuers every year. Gains or losses arising from changes in the fair value of investment property are recognised in the profit and loss account in the period in which they arise. Gains or losses on disposal of an investment property are recognised in the profit and loss account on the unconditional completion of the sale.

Capitalisation of interest

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

Intangible assets

Computer software costs principally relate to operating software. These assets are amortised over a period of 4-7 years. Amortisation for the year is charged through operating costs. The assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Leases

Company as a lessee

The Company recognises a right-of-use asset, with the exception of short term (12 months or less) and low value leases, and a lease liability at the lease commencement date on the balance sheet.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as the Company's other property, plant and equipment. Right-of-use assets are included in the review for impairment of property, plant and equipment, if there is an indication that the carrying amount of a cash generating unit may be impaired.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments include fixed lease payments, variable lease payments that depend on an index or rate, amounts payable under a residual value guarantee and extension options expected to be exercised. Where a lease contains an extension option which the Company can exercise without negotiation, lease payments for the extension period are included in the liability if the Company is reasonably certain that it will exercise the option. When the lease liability is remeasured when there is a change in future lease payments a corresponding adjustment is made to the right-of-use asset.

The Company recognises lease payments associated with for short term and low value leases as an expense on a straight line basis over the lease term.

Company as a lessor

Rental income from leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating a lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables expected credit losses ("ECL") are calculated using an approach which reflects the previous history of credit losses on the financial assets, applying different provision levels based on the age of the receivable. For other receivables, where there is a history of no credit losses, and where this is expected to persist into the future, no ECL is recognised.

Stocks

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

Aberdeen International Airport Limited

Accounting policies for the year ended 31 December 2022

Deferred income

Contractual income received in advance is treated as deferred income and released to the profit and loss account as earned.

Provisions

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

Contractual income received in advance is treated as deferred income and released to the profit and loss account as earned.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless part of a fair value hedge relationship. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest rate method. Borrowings being novated or cancelled and re-issued, with a substantial modification of the terms, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any resulting gain or loss recognised in the profit and loss account.

Trade and other payables

Trade and other payables are non-interest bearing and are stated at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Pension costs

Defined benefit pension plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Company is a participating employer in the AGS Airports defined benefit pension scheme.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of other comprehensive income, actuarial gains and losses.

The Company's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The Company determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA which have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Following consultation with its members and trustees, the defined benefit pension scheme was closed to future accrual with effect from 30 June 2019. The members of the scheme were thereafter entitled to participate in the Company's defined contribution scheme, details of which are noted below. The value of a net defined benefit pension asset is restricted to the sum of any amount the Company expects to recover by way of refunds from the plan or reductions in future contributions. The Company is able to recognise any potential surplus in respect of the pension scheme as the pension scheme Trust Deeds and Rules state that the Company has the right to the assets once its obligations have been met.

Defined contribution plan

Contributions due in relation to the defined contribution plan are recognised in operating costs in the profit and loss account when payable.

Aberdeen International Airport Limited

Accounting policies for the year ended 31 December 2022

Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company's financial statements. Deferred income taxation is not provided on the initial recognition of an asset or liability in a transaction, other than a business combination, if at the time of the transaction there is no effect on either accounting or taxable profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In particular, deferred tax assets arising from the carry forward of unused tax losses and tax credits are recognised only to the extent that the Company has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the Company.

Deferred income taxation is determined using the tax rates and laws that have been enacted or substantively enacted, by the reporting date, and are expected to apply when the related deferred tax asset or liability is realised or settled.

Income tax relating to items recognised directly in equity and other comprehensive income is recognised in equity and other comprehensive income and not in the profit and loss account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

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

Dividend distribution

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

Critical accounting judgements and key sources of estimation uncertainty for the year ended 31 December 2022

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

Key sources of estimation uncertainty

Going concern

The Going Concern section of the Company's Accounting policies on page 21, indicates that due to the Group's external debt facilities maturing on 18 June 2024 and the process of refinancing not yet having commenced, the directors have highlighted material uncertainties at this time which may cast significant doubt regarding the Group's ability to continue as a going concern. The Directors conclude that a material uncertainty exists in respect of Aberdeen International Airport Limited as a result of the material uncertainty present at AGS Airports Holdings Limited.

Investment properties

Investment properties were valued at fair value by CBRE Limited. The valuations were prepared in consideration of IFRS and in accordance with the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence relevant to each specific property or class of properties. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence. Independent valuations were obtained for 100% of the investment properties. Further details are available in note 7.

Aberdeen International Airport Limited

Accounting policies for the year ended 31 December 2022

Pensions

Certain assumptions have been adopted for factors that determine the valuation of the Company's liability for pension obligations at period end and charges to the profit and loss account. The factors have been determined in consultation with the Company's actuary, taking into account market and economic conditions. Changes in assumptions can vary from period to period as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Company's liability for pension obligations. The objective when setting pension scheme assumptions for future periods is to reflect the expected actual outcomes, other than the discount rate which must be set by reference to the yield on high quality corporate bonds with a term consistent with the obligations. Actuarial gains and losses due to the change in actuarial assumptions are recorded in other comprehensive income. Further details are available in note 15.

Critical judgements in applying the Company's accounting policies

No judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the financial statements.

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2022

1 Segment information

The directors consider the business has only one segment. All of the Company's turnover arises in the United Kingdom and relates to continuing operations.

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Turnover	46,284	31,901
Other income		
Other income (note 3)	-	20
Interest receivable and similar income (note 4)	2,428	2,342
Total	48,712	34,263

2 Operating costs

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Employment costs		
Wages and salaries	2,846	2,646
Social security	332	287
Pensions	400	388
Other staff related costs	111	53
Employment costs	3,689	3,374
Depreciation of property, plant and equipment	5,867	6,544
Other operating costs	32,433	26,812
Total operating costs	41,989	36,730
Analysed as:		
Adjusted operating costs	36,122	30,186
Depreciation - recurring	5,867	6,544
Total operating costs	41,989	36,730

Within operating costs the Company recognised an expense of £3k (2021: £3k) relating to short term leases.

Auditor remuneration

Audit fees and non-audit fees for the current financial year were borne by AGS Airports Limited and recharged in accordance with the Shared Services Agreement.

For the year ended 31 December 2022, the fee payable to the Company's auditor for the audit of the Company's annual accounts was £49k (2021: £53k). No non-audit fees payable to the Company's auditor were incurred in 2022 (2021: £nil).

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2022

2 Operating costs (continued)

Employee numbers

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

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
Office and management	4	6
Airside, security and operations	55	52
Retail and commercial	-	1
	59	59

This does not include headcount relating to central support functions for the Company which are rendered by AGS Airports Limited and charged as intra-group charges in accordance with the Shared Service Agreement.

Director's remuneration

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Director's remuneration		
Aggregate emoluments	19	123
Value of pension contributions to a defined contribution pension scheme	1	15
	20	138

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
Number of directors who:		
are members of a defined contribution pension scheme	1	1

3 Other income

During 2021, the Company utilised the Coronavirus Job Retention Scheme implemented by the United Kingdom government until it ended on 30 September 2021. Employees designated as being "furloughed workers" were eligible to have between 60% and 80% of their wage costs paid up to a maximum of between £1,875 per month and £2,500 per month. The total amount of such relief received by the Company amounted to £20k. No such relief was received by the Company during the year ended 31 December 2022. There are no unfulfilled conditions or contingencies relating to this scheme.

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2022

4 Interest

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Interest receivable and similar income		
AGS pension scheme (note 15)	878	668
Interest receivable from Group undertakings ¹	1,550	1,674
Total interest receivable and similar income	2,428	2,342
Interest payable and similar charges		
AGS pension scheme (note 15)	(855)	(668)
Interest on leases	(76)	(14)
Total interest payable and similar charges	(931)	(682)

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

5 Taxation

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Current tax		
Current year	163	315
Group tax relief payable	1,225	-
Adjustments in respect of prior years	(315)	(682)
Total current tax charge/(credit)	1,073	(367)
Deferred tax		
Current year	(903)	(204)
Adjustments in respect of prior years	(80)	3
Change in tax rate - impact on deferred tax balances	-	6,173
Total deferred tax (credit)/charge	(983)	5,972
Taxation charge for the year	90	5,605

The tax charge on the Company's profit/(loss) before tax differs from the theoretical amount that would arise by applying the UK statutory tax rate due to the following:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Profit/(loss) before tax	266	(3,561)
Reconciliation of the tax charge		
Tax calculated at the UK statutory rate of 19.00% (2021: 19.00%)	50	(677)
Adjustments in respect of current income tax of previous years	(315)	(682)
Adjustments in respect of deferred tax of previous years	(80)	3
Change in tax rate - impact on deferred tax balances	(217)	6,173
Permanent differences	652	788
Taxation charge for the year	90	5,605

The effective income tax rate for the year ended 31 December 2022 was 34% (2021: 157%).

In the 3 March 2021 Budget it was announced that the UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This is reflected within the above figures.

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2022

6 Property, plant and equipment

	31 December 2022 £000	31 December 2021 £000
Property, plant and equipment	68,917	72,627
Intangibles	193	90
Right-of-use assets	51	44
Total property, plant and equipment	69,161	72,761

Property, plant and equipment

	Terminal complexes £000	Airfields £000	Plant and equipment £000	Other land and buildings £000	Assets in the course of construction £000	Total £000
Cost						
At 1 January 2022	75,400	60,100	19,965	4,851	267	160,583
Additions	-	-	43	-	2,283	2,326
Reclassifications	(121)	(42)	(59)	-	222	-
Transfer to completed assets	254	1,280	528	-	(2,062)	-
Transfer to investment properties	-	-	-	-	(88)	(88)
Transfer to intangibles	-	-	-	-	(112)	(112)
Disposals	(1,656)	-	(157)	-	-	(1,813)
Reclassifications to intangibles	-	-	(67)	-	-	(67)
At 31 December 2022	73,877	61,338	20,253	4,851	510	160,829
Depreciation						
At 1 January 2022	(36,577)	(32,445)	(16,697)	(2,237)	-	(87,956)
Charge for the year	(2,712)	(2,229)	(677)	(151)	-	(5,769)
Disposals	1,656	-	157	-	-	1,813
At 31 December 2022	(37,633)	(34,674)	(17,217)	(2,388)	-	(91,912)
Net book value at 31 December 2022	36,244	26,664	3,036	2,463	510	68,917
Net book value at 31 December 2021	38,823	27,655	3,268	2,614	267	72,627

The directors have reviewed the Company's property, plant and equipment for impairment at 31 December 2022 and concluded that no impairment is required.

Assets in the course of construction

Assets in the course of construction comprise capital expenditure on ongoing developments under the Company's capital investment programme. Projects in progress at 31 December 2022 at Aberdeen International Airport include de-icing salt storage equipment and ice alert system replacement, installation of electric bus chargers, purchase of baggage trolley replacement and retention system and provision for an enhanced passenger parking area.

Borrowing costs capitalised

£4.2k (2021: £2.6k) has been capitalised in the year at an average capitalisation rate of 3.29% (2021: 2.05%) based on a weighted average cost of borrowings.

Provision for disposal of property, plant and equipment

A provision of £41k (2021: £40k) has been included as a non-current liability in relation to costs associated with the disposal of property, plant and equipment due to changes in legislation.

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2022

Right-of-use assets

	Other land and buildings £000
Cost	
At 1 January 2022	139
Additions	68
31 December 2022	207
Depreciation	
At 1 January 2022	(95)
Charge for the year	(28)
Lease reassessment (Change in terms)	(33)
At 31 December 2022	(156)
Net book value at 31 December 2022	51
Net book value at 31 December 2021	44

Intangibles

Cost	
At 1 January 2022	158
Transfer from property, plant and equipment	112
Reclassification from property, plant & equipment	67
Disposal	(11)
31 December 2022	326
Depreciation	
At 1 January 2022	(68)
Charge for the year	(71)
Disposal	6
At 31 December 2022	(133)
Net book value at 31 December 2022	193
Net book value at 31 December 2021	90

7 Investment properties

	Investment properties £000
Fair value	
1 January 2022	105,213
Transfer from property, plant and equipment	88
Reclassifications	(24)
Valuation loss	(5,526)
31 December 2022	99,751

Investment properties were valued at fair value at 31 December 2022 by CBRE Limited, Chartered Surveyors. Investment properties include £22k (2021: £46k) of assets acquired under a lease.

Details of valuations performed are provided below:

	31 December 2022 £000	31 December 2021 £000
CBRE Limited	99,751	105,213

Investment properties, which are all freehold, were valued to fair value at 31 December 2022 by CBRE Limited, Chartered Surveyors. All valuations were prepared in consideration of IFRS and in accordance with the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence relevant to each specific property or class of properties. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence relevant to each specific property or class of properties. There were no restrictions on the realisability or remittance of income or proceeds on disposal. The fair value measurement hierarchy used in calculating fair value has been classified as Level 3. The higher the discount rate, terminal yield and expected vacancy rate, the lower the fair value. The higher the current and potential future income or rental growth rate, the higher the fair value.

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2022

7 Investment properties (continued)

Investment properties are let on either full repair and insuring leases, under which all outgoings are the responsibility of the lessee, or under tenancies, where costs are recovered through a service charge levied on tenants during their period of occupation.

Sensitivity analysis

The investment property portfolio includes car parks (for passengers and employees) and airside assets, which together account for 68% (2021: 69%) of the fair value of the investment property portfolio at 31 December 2022. The valuation of maintenance hangers is largely based on long term contractual terms. The following table summarises the impact on the valuation of car parks to changes in certain assumptions:

	Change in assumption	Increase/(decrease) in asset valuation 31 December 2022 £000	Increase/(decrease) in asset valuation 31 December 2021 £000
Car parks – Base revenue	by +10% pa	4,420	4,210
	by -10% pa	(4,400)	(4,210)
Car parks – Revenue growth	by +1% pa	2,940	4,910
	by -1% pa	(2,690)	(4,390)
Car parks – Operating costs growth	by +1% pa	(530)	(910)
	by -1% pa	490	820

The sensitivity analysis above relating to the valuation of car parks has been determined based on reasonably possible changes to the respective assumptions, holding all other assumptions constant. The methodology used in arriving at the incremental changes shown above is consistent with that used for the valuation at the year end.

The property rental income earned by the Company from its investment property, amounted to £5.3million (2021: £4.8million).

8 Stocks

	31 December 2022 £000	31 December 2021 £000
Consumables	345	330

The total amount of stock consumed in the year relating to continuing operations was £818k (2021: £545k).

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

9 Debtors

	31 December 2022 £000	31 December 2021 £000
Due within one year		
Trade receivables	5,870	4,355
Less: allowance for doubtful debts	(4)	(71)
Trade receivables – net	5,866	4,284
Amounts owed by Group undertakings - interest bearing ¹	21,064	20,352
Prepayments	481	343
	27,411	24,979

¹ Amounts owed by Group undertakings – are payable on demand, interest bearing and mainly relate to cash sweeps transferred to AGS Airports Limited. Cash is swept between the companies on a regular basis. As at 31 December 2022, the balance accrues interest at a rate of 7% per annum (2021: 7%).

The fair value of trade and other receivables is not materially different from the carrying value.

Unless otherwise stated, trade and other receivables do not contain impaired assets.

Trade receivables are non-interest bearing and are generally on 14 day terms. No collateral is held as security.

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2022

10 Deferred tax liabilities

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

	31 December 2022	31 December 2021
	£000	£000
1 January	24,673	18,728
Credited to profit and loss account	(903)	(201)
(Credited)/Charged to profit and loss account – change in tax rate	(80)	6,173
Tax credited to SOCI		
Credited to SOCI - defined benefit pensions	(792)	(27)
31 December	22,898	24,673

The amounts of deferred tax provided are detailed below:

	Revaluation of investment properties fair value	IBAs ¹	Other	Total
	£000	£000	£000	£000
1 January 2021	12,526	7,274	(1,072)	18,728
Charged/(credited) to profit and loss account	3,853	2,634	(515)	5,972
Credited to SOCI	-	-	(27)	(27)
1 January 2022	16,379	9,908	(1,614)	24,673
(Credited)/Charged to profit and loss account	(1,381)	(1,272)	1,670	(983)
Credited to SOCI			(792)	(792)
31 December 2022	14,998	8,636	(736)	22,898

¹ Industrial building's allowance (IBA)

Deferred tax credited to SOCI during the year is as follows:

	31 December 2022	31 December 2021
	£000	£000
Defined benefit pension scheme	(792)	(27)

Deferred tax for the year ended 31 December 2022 and 31 December 2021 includes the impact of the substantively enacted UK tax rate increase of 19% to 25% from 1 April 2023.

11 Trade and other payables

	31 December 2022	31 December 2021
	£000	£000
Accruals	4,984	3,163
Deferred income	845	1,267
Trade payables	2,066	1,684
Other tax and social security	82	76
Other payables	608	540
Lease liabilities	122	142
Capital payables	1,060	637
Group tax relief payables	13,653	12,671
Corporation tax payable	189	9,221
	23,609	29,401

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

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2022

12 Share capital

	31 December 2022 £000	31 December 2021 £000
Allocated, called up and fully paid	12,000	12,000

12,000,002 (2021: 12,000,002) ordinary shares of £1 each.

13 Revaluation reserve

	31 December 2022 £000	31 December 2021 £000
Closing balance	85,778	85,778

The revaluation reserve relates to the historic revaluation of investment properties and is non-distributable to the shareholders. Current revaluations of investment properties are included in the profit and loss account.

14 Profit and loss account

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
1 January	52,663	60,626
Profit/(loss) for the year	176	(9,166)
Return on plan assets excluding interest income	(23,804)	(1,904)
Actuarial gain of defined benefit pension scheme	20,637	3,080
Deferred tax on pension scheme	792	27
31 December	50,464	52,663

15 Employee benefits

Pension plans

Defined benefit scheme

The Company is a participating employer in the AGS Airports Limited defined benefit pension scheme.

The Group's defined benefit pension fund is a self-administered defined benefit scheme (the "AGS Airports Pension Scheme" or the "Scheme") and was closed to future accrual with effect from 30 June 2019 and was previously closed to new employees. Following the closure of the Scheme to future accrual, the members of the Scheme were entitled to participate in the Group's defined contribution pension plan, details of which are noted below. The Scheme is based on a final salary arrangement. As required by UK pension law, a Pension Trustee's Board has been established, which together with the Group, is responsible for governance of the Scheme. The Trustee Board is comprised of Company and employee nominated Trustees. Employee Trustees are nominated and elected by the employees who are members of the Scheme.

The employer's contributions have been calculated based on advice received from the Scheme's actuaries, ISIO Group Limited, and assumptions determined by the Trustee and agreed by the Group. The pension fund is subject to triennial valuations and the defined obligation or surplus calculated twice a year by the Scheme's actuaries.

The information disclosed below is in respect of the whole of the plan for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed Group policy throughout the periods shown.

	31 December 2022 £000	31 December 2021 £000
Defined benefit obligation	(27,305)	(47,982)
Fair value of plan assets	25,427	49,254
Net (liability)/asset for defined benefit obligations (see following table)	(1,878)	1,272

Aberdeen International Airport Limited

Notes to the financial statements for the year ended 31 December 2022

15 Employee benefits (continued)

Movements in net defined benefit (liability)/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (liability)/asset	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	£000	£000	£000	£000	£000	£000
Balance at 1 January	(47,982)	(53,325)	49,254	53,438	1,272	113
Past service cost	-	-	-	-	-	-
Interest (cost)/income	(855)	(668)	878	668	23	-
Scheme administration expenses	-	-	(6)	(17)	(6)	(17)
Re-measurement gains/(losses) included in SOCI						
Actuarial changes arising from changes in demographic assumptions	121	1,365	-	-	121	1,365
Actuarial changes arising from changes in financial assumptions	21,738	1,486	-	-	21,738	1,486
Experience adjustments	(1,222)	229	-	-	(1,222)	229
Return on plan assets excluding interest income	-	-	(23,804)	(1,904)	(23,804)	(1,904)
Other						
Benefits paid out	895	2,931	(895)	(2,931)	-	-
Balance at 31 December	(27,305)	(47,982)	25,427	49,254	(1,878)	1,272

Fair value of plan assets

	31 December 2022	31 December 2021
	£000	£000
Property	2,604	3,216
Bonds	428	8,807
Cash	2,078	2,513
Liability Driven Investment	9,859	18,139
Diversified growth funds	-	5,404
Direct lending	5,716	6,462
Infrastructure fund	4,742	4,713
Total	25,427	49,254

All plan assets (excluding Direct Lending) have market quoted prices.

The Scheme invests in a Liability Driven Investment ("LDI") mandate with BMO. LDI is a risk management investment approach, which aims to hedge the movement of the Scheme liabilities and provides protection from adverse movements in interest rates and inflation. The aim of the mandate is to hedge 100% of the movement in the Scheme's technical provisions liability value.

The pension Scheme's Trustee investment policy is guided by an overall objective of achieving, over the long term, a rate of return on the investments which is consistent with the long term assumptions made by the actuary in determining the funding of the Scheme. Over the shorter term, the objective is to achieve a favourable return against an appropriate benchmark return. All decisions about the day to day management of the assets have been delegated to the investment managers via a written agreement.

Actuarial assumptions

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

	31 December 2022	31 December 2021
	%	%
Discount rate at 31 December	4.60	1.80
RPI inflation	3.15	3.25
Pension increases in payment	2.85	3.15

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Notes to the financial statements for the year ended 31 December 2022

15 Employee benefits (continued)

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60-year old to live for a number of years as follows:

Current pensioner aged 60: 25 years (male), 28 years (female).

Future retiree upon reaching 60: 27 years (male), 30 years (female).

The accounting standard requires that the discount rate used to discount the liability is determined by reference to market yields at the reporting date on high quality corporate bond investments. The currency and terms of these should be consistent with the currency and estimated term of the post-employment obligations. The discount rate has been based on the yield on AA rated corporate bonds of a term similar to the liabilities.

The expected rate of inflation is an important assumption for the salary growth and pension increase assumptions. A rate of inflation is "implied" by the difference between the yields on fixed and index-linked government bonds.

As required under the accounting standard, interest income on the plan assets is calculated by multiplying the fair value of the plan assets by the discount rate as discussed above.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions:

Impact on overall liabilities	Change in assumption	31 December 2022 £000	31 December 2021 £000
Discount rate	by 1%	5,808	12,850
Rate of inflation	by 1%	4,138	10,519
Life expectancy	by 1 year	631	1,744

Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

A full actuarial valuation of the Scheme is conducted at least every three years. The most recent full actuarial valuation was carried out at 30 June 2021. The valuation results showed a funding level of 100% and not further funding was required.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years (2021: 23 years).

Defined contribution plan

The Company operates a defined contribution pension plan for all employees. The total cost of defined contribution pension arrangements is fully expensed as employment costs.

The total expense relating to the defined contribution pension plan was £400k (2021: £388k).

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Notes to the financial statements for the year ended 31 December 2022

16 Commitments

The Company, together with AGS Airports Limited and each of its fellow subsidiaries (other than BAA Lynton Limited), together, have granted security over their assets to secure their obligations to the lenders under the Senior Facilities Agreement dated 24 February 2017. Total Group borrowings at 31 December 2022 amount to £1,021million (2021: £1,002million).

Non-cancellable lease commitments – Company as a lessor

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

	31 December 2022 Land and buildings £000	31 December 2021 Land and buildings £000
Within one year	4,549	4,879
Within two to five years	12,619	13,479
After five years	13,037	16,334
Total	30,205	34,692

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

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

Company commitments for capital expenditure

Contracted capital expenditure commitments amount to £181k (2021: £16k).

17 Ultimate parent undertaking

The shares of the Company are held by Airport Holdings NDH1 Limited, a company incorporated in England and Wales. Copies of its financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate parent entity is AGS Airports Holdings Limited. The shareholders of AGS Airports Holdings Limited are AGS Ventures Airports Limited (an entity managed by Macquarie Infrastructure and Real Assets (Europe) Limited) (50%) and Faero UK Holding Limited (an indirect subsidiary of Ferrovial, S.A., Spain) (50%).

The Company's results are included in the audited consolidated financial statements of AGS Airports Limited for the year ended 31 December 2022, which is the parent undertaking of the smallest group to consolidate these financial statements. AGS Airports Holdings Limited is the largest Group to consolidate these financial statements. Both AGS Airports Holdings Limited and AGS Airports Limited are incorporated in England and Wales and copies of their financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Cardiff, CF14 3UZ. The registered office address of both companies is 1 Park Row, Leeds, LS1 5AB.

18 Events after reporting date

Since the year end there has been one significant non-adjusting post balance sheet event which has impacted the company. On 28th January 2023 Flybe Limited entered administration. The Directors have made assessments based on a number of likely scenarios and do not anticipate that the impact of Flybe's administration will have a significant adverse EBITDA impact in 2023. In addition, the Directors have instituted different measures to preserve cash and have implemented measures to mitigate against the loss of Flybe.