

REGISTERED NUMBER: 02078270 (England and Wales)

BOURNEMOUTH INTERNATIONAL AIRPORT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021



**CONTENTS OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

	Page
Company Information	1
Strategic Report	2 to 5
Report of the Directors	6 to 8
Independent Auditor's Report	9 to 12
Income Statement	13
Statement of Comprehensive Income	14
Balance Sheet	15
Statement of Changes in Equity	16
Notes to the Financial Statements	17 to 34

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2021**

DIRECTORS:	Mr A M Bell Mrs K G Cook Mr S L Gill
COMPANY SECRETARY:	Mrs K G Cook
REGISTERED OFFICE:	Bournemouth Airport Parley Lane Christchurch Dorset BH23 6SE United Kingdom
REGISTERED NUMBER:	02078270 (England and Wales)
AUDITOR:	Deloitte LLP Statutory Auditor Four Brindleyplace Birmingham B1 2HZ United Kingdom
BANKER:	Bank of Scotland plc 300 Lawnmarket Edinburgh EH1 2PH

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2021**

The directors present their strategic report for the year ended 31 March 2021.

REVIEW OF THE BUSINESS

Trading throughout the whole year took place in the grip of the COVID-19 pandemic which fundamentally disrupted the everyday lives of citizens and businesses around the world. Travel has been one of the hardest hit sectors, with three separate lock downs in England restricting people's ability to move around both domestically and internationally. Early in the pandemic airlines began to cancel flights and, as the situation grew more serious, shut down operations - in some cases entirely - grounding aircraft fleets. Despite some relief from restrictions in summer 2020, there was little opportunity to restart meaningful domestic or international travel due to the unstable and inconsistent public health situations in different countries.

Throughout the pandemic the company has continued to work closely with government, both in its own right and as a Board member of the Airport Operators Association, to communicate the evolving plight of regional airports and to seek to ensure both ongoing government support and government plans to enable the safe restart of travel reflect the requirements of the public and the industry.

The company recognised early the likely scenario that the year under review would be heavily disrupted by the pandemic and acted quickly and decisively to mitigate as far as possible the impact on its revenues and liquidity. The company made extensive use of the government's Coronavirus Job Retention Scheme, seeking to retain as many skilled employees as possible to ensure operations could be restarted when permitted. The company received £1,188,000 (2020: £94,000) of grants from furloughing an average of 118 employees each month under the Coronavirus Job Retention Scheme. Nevertheless, the company regrettably had to make structural reductions in its staff numbers through various means. In addition, the company was also able to access £531,000 of funding through the government's Airport and Ground Operations Support Scheme.

Despite the challenges of the pandemic the company has sought to meet the needs of based businesses and operators as far as could be tolerated by maintaining the operational capability of the airport itself. Businesses based at the airport are important partners and it was vital that support was offered as far as possible to help them navigate the pandemic and be ready to recover strongly when the opportunity arises. Professional pilot training, military operations, MRO and cargo operations have all continued from the airport throughout the pandemic, ensuring these important services could continue to provide the local region and the country with the benefits of their operations.

In the year, the company welcomed 71,000 passengers and handled 44,000 flights. This represents a reduction of 737,000 passengers on the previous year. In spite of the unprecedented reductions, there were a number of positive developments in the year which, whilst not offsetting the devastating impact of COVID-19 on passenger operations, are important in that they strengthen the foundations for the recovery phase. Firstly, the company took over the supply of aviation fuel from 23 March 2020 enabling it to ensure a consistent and competitive offer is available at the airport. Secondly, while the pandemic grounded all passenger activity for most of the year and saw the airport become home to a large number of parked aircraft for several months, a new opportunity to develop cargo operations in partnership with a based airline emerged from the sudden lack of belly hold capacity in the global network and the urgent requirement for certain types of goods in the UK. Over the year the initial opportunity has been further developed, with the airport investing in a new cargo transit shed and handling facilities for a major new customer who is in the early stages of developing a global network from the airport. Cargo activity has now established itself as a key strategic opportunity for the airport through and beyond the COVID-19 recovery phase.

During the year under review turnover increased 36% to £22,767,000 driven by the insourcing of into plane refuelling in April 2020. Operating profit was £2,918,000 compared to an operating profit of £511,000 for the previous year. The increase in operating profit was due to a £1,898,000 fair value gain on investment property against a £1,145,000 fair value loss on investment property reported during the previous year. Operating profit for the year excluding the fair value adjustment was £1,020,000, a decrease of £636,000 compared to £1,656,000 operating profit for the previous 12 months. Profit before tax for the year was £1,342,000, being a reduction of £38,190,000 on the previous financial year which included £40,338,000 dividends received from subsidiary investments.

STRATEGIC REPORT - continued
FOR THE YEAR ENDED 31 MARCH 2021

REVIEW OF THE BUSINESS – continued

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

	31 March 2021 £'000	31 March 2020 £'000	Change %
Turnover	22,767	16,702	36
Operating profit	2,918	511	471
Profit after tax	1,342	39,532	(97)
Shareholders' funds	28,778	27,374	5
Passengers	71,000	808,000	(91)

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

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

RCA has built a reputation as an efficient, safe and capable operator, driving improvements to route development, commercial revenues, operating costs and capital investment in order to deliver a consistently sound commercial return. As RCA grows, it is increasingly able to leverage significant buying power and shared expertise. RCA is a leading player in the regional airport sector and is taking advantage of the lack of capacity at major hub airports in the UK to demonstrate how regional airports can ease the strain.

RCA is a wholly owned subsidiary of Rigby Group (RG) plc (Rigby Group). Rigby Group is the multinational, service-based holding company for a portfolio of privately owned and highly successful businesses operating across Europe. Diversifying from its origins as a principally technology-led business, Rigby Group has evolved across the last 46 years, generating £3.0bn turnover with over 7,500 employees. Rigby Group comprises six key divisions: Technology, Airports, Hotels, Real Estate, Aviation, and Finance. Rigby Group is a values-led business built around three core principles: foresight, working hard and enabling others, aiming to liberate companies within the Group to be the very best they can be, by providing expert and highly personal leadership and swift yet sound decision-making, always with an eye firmly on the long-term outcome. Further information is available at www.rigbygroupplc.com.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks in the airport environment centre on COVID-19, security, finance, health and safety, change management, investment, environmental compliance and regulation, changes in government policy and changes in demand.

COVID-19

The COVID-19 global pandemic has had a devastating impact on global aviation. Although there is growing confidence in the ability for international travel to restart, it is unclear how quickly the industry will recover with travel restrictions, perception of passenger safety and consumer confidence continuing to affect demand for air travel. The directors regularly review projections and update stakeholders on potential outcomes. These plans help the directors to understand the financial implications of the pandemic and inform the most appropriate response to ensure the company is in the best financial and operational position for recovery.

**STRATEGIC REPORT - continued
FOR THE YEAR ENDED 31 MARCH 2021**

PRINCIPAL RISKS AND UNCERTAINTIES – continued

Security

The company ranks the security of customers and staff as one of the most important operational risks that the airport has to manage. The company invests in security equipment and technology to comply with regulatory standards and closely monitors the performance of the departments that fulfil the security provisions at the airports. co-operation is maintained with government agencies and the police to ensure that the security regime is responsive to changes in external threats as they arise.

Finance

The airport operations expose it to a number of financial risks including credit, liquidity and interest rate risk. These risks are managed through the use of robust financial controls and procedures which assess, monitor and minimise the impact of these risks. Credit risk is managed by restricting the provision of credit facilities to customers who demonstrate an appropriate payment history and satisfy credit-worthiness procedures. Liquidity risk is mitigated by managing cash generation from operating activities and monitoring cash collection. In addition, in the event that the operating cash flows would not cover all financial obligations, the division of which the company is a member has sufficient and sustainable revolving credit facilities and long-term debt available. The risk of exposure to interest rates' changes are managed through financial derivatives depending on management's view of the future direction of interest rates.

Health and safety

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

Change management

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

Investment

Investment in infrastructure is a key requirement of a regional airport. The airport's ability to correctly assess the investment required both to maintain and keep pace with operational requirements and for commercial development, and to obtain an appropriate rate of return on that investment, is key to ensuring the required level of asset investment can be supported.

Environmental compliance and regulation

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

Changes in government policy

The company's operations are exposed to changes in government policy, which could lead to the necessity to react to changes in legislation with limited advance warning. The company mitigates this risk by maintaining effective working relationships with public institutions coupled with sufficient available funding facilities.

Changes in demand

Demand in the aviation industry is closely linked to macroeconomic performance. This, combined with the risk of specific events such as terrorism, creates demand risk. The company mitigates this risk by the application of prudent financial controls, the gathering of business intelligence and contingency planning. Short-term and dramatic changes in demand would clearly contribute a significant risk to the company's business. The combined effect of the company's mitigating actions is to make the company capable of a more flexible response in the event of business interruption.

STRATEGIC REPORT - continued
FOR THE YEAR ENDED 31 MARCH 2021

FUTURE DEVELOPMENTS

The key strategic business objective remains to position Bournemouth Airport as the airport choice for the south coast, acting as the gateway to connecting its partners with passengers, businesses and influencers in and out of the communities which it serves. The immediate challenge on this journey is to emerge from the global pandemic in a sound financial position ready to resume operations throughout 2021.

The airport will continue to be at the heart of transport and communications in the region as a key economic asset, contributing to regional economic growth and central to the success of Bournemouth and the surrounding counties.

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


.....
Mr A M Bell - Director

Date: 28 July 2021

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2021**

The directors present their annual report with the audited financial statements of the company for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

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

STRATEGIC REPORT

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

DIVIDENDS

Total dividends distributed for the year ended 31 March 2021 were £nil (2020: £25,774,687).

DIRECTORS

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

Sir P Rigby *(resigned 31 July 2020)*
A M Bell
R Seal *(resigned 31 July 2020)*
S L Gill
Mrs K G Cook *(appointed 31 July 2020)*

DIRECTORS' INDEMNITIES

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

GOING CONCERN

Trading throughout the whole year took place in the grip of the COVID-19 pandemic which fundamentally disrupted the everyday lives of citizens and businesses around the world. Travel has been one of the hardest hit sectors, with three separate lock downs in England restricting people's ability to move around both domestically and internationally. Early in the pandemic airlines began to cancel flights and, as the situation grew more serious, shut down operations, and in some cases entirely grounding aircraft fleets. Despite some relief from restrictions in summer 2020, there was little opportunity to restart meaningful domestic or international travel due to the unstable and inconsistent public health situations in different countries.

The company recognised early the likely scenario that the year under review would be heavily disrupted by the pandemic and acted quickly and decisively to mitigate as far as possible the impact on its revenues and liquidity. The company made extensive use of the government's Coronavirus Job Retention Scheme, seeking to retain as many skilled employees as possible to ensure operations could be restarted when permitted. Nevertheless, the company regrettably had to make structural reductions in its staff numbers through various means. The company was also able to access funds through the government's Airport and Ground Operations Support Scheme.

Looking ahead, the company will continue to face significant challenges from the pandemic. There remains considerable uncertainty about the timing and nature of the restart of international travel in particular, however there is growing confidence that the successful vaccination programmes gathering momentum not only in the UK but in company's key international markets will provide for a stable platform for the restart of travel, albeit in the short term with varying degrees of restrictions which will serve to dampen demand. Although the restart of commercial passenger operations remains at risk of further ongoing disruption, the company benefits from a reliable and stable income stream from its sizable property estate, which has proved resilient to the impact of the pandemic to date. Furthermore, plans to build upon the cargo operation established during the year as well as the insourced into plane refuelling operation, provides further sound revenue streams to the company and alleviates the disruption felt in other areas of the business.

**REPORT OF THE DIRECTORS - continued
FOR THE YEAR ENDED 31 MARCH 2021**

GOING CONCERN - continued

In response to this prevailing situation, the directors regularly review projections and update stakeholders on potential outcomes. These plans help the directors to understand the financial implications of the pandemic and inform the most appropriate response to ensure the company is in the best financial and operational position for recovery.

Financial forecasts have been prepared for the Regional & City Airports Holdings Limited group (the group), comprising all subsidiaries of Regional & City Airports Holdings Limited including the company. These detailed forecasts incorporate airline flights on sale, commercial agreements in place and a realistic view of the ongoing cost base. While the financial performance of the group was adversely impacted for the financial year ending 31 March 2021, it is expected that the group will return to profitability in future years and generate sufficient cash flows to enable the group to continue to settle liabilities as they fall due.

The forecast has been used as the basis for assessing the group's ability to continue as a going concern for the twelve months from the date of signing the financial statements. Under all reasonable downside scenarios, reflecting a more protracted recovery due to the continued prevalence of the pandemic suppressing the ability for commercial flights to resume, the projection shows that the group and the company will have sufficient liquidity to be able to settle its liabilities as they fall due.

The net current liability position at the year is impacted by £1m of deferred income which does not result in a future cash outflow. In addition, trading profits are expected to extinguish the net current liability position in future years.

The directors have considered the uncertainties, risks and challenges posed by the global pandemic as discussed in the Strategic Report and the output of a range of financial scenarios, and it is deemed that such uncertainties have no significant impact on the company's ability to continue as a going concern over the next 12 months from the date of signing the financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT

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

EMPLOYEES

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

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors concerning the performance of the company. This is achieved through formal and informal meetings and communications on the company's internal and external websites. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

AUDITOR

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

**REPORT OF THE DIRECTORS - continued
FOR THE YEAR ENDED 31 MARCH 2021**

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

APPROVED AND SIGNED ON BEHALF OF THE BOARD:


.....
Mr A M Bell - Director

Date: 28 July 2021

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included UK Civil Aviation Authority Regulations, Streamlined Energy and Carbon Reporting Regulation and General Data Protection Regulation.

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

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

Valuation of Investment Properties

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

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

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

To address this risk:

- We have evaluated the methodology and assumptions used in the valuation by working with our Real Estate valuation specialists to challenge the reasonableness of key inputs subject to estimation as detailed above. Our specialists have held discussions with the company's/group's valuation team to understand the valuation methodology applied and have benchmarked this methodology to normal market practice;
- For a sample of properties, we have considered the key inputs used in determining the asset yield percentage and assessed the appropriateness of such to determine the valuation, by reference to market information where possible.

We have verified the accuracy and completeness of such key inputs by corroborating to underlying investment property schedules and supporting lease agreements.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

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

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.



Andrew Halls FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

Date: 28 July 2021

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021**

	Notes	2021 £'000	2020 £'000
REVENUE	3	22,767	16,702
Other operating income	4	1,719	-
Operating costs		(23,466)	(15,046)
Gain/(loss) on revaluation of investment property		<u>1,898</u>	<u>(1,145)</u>
OPERATING PROFIT	7	2,918	511
Dividend income from investments	8	-	40,338
Interest receivable and similar income	9	2	12
Interest payable and similar expenses	10	<u>(916)</u>	<u>(946)</u>
PROFIT BEFORE TAXATION		2,004	39,915
Tax on profit	11	<u>(662)</u>	<u>(383)</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>1,342</u></u>	<u><u>39,532</u></u>

All activities derive from continuing operations.


STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'000	2020 £'000
Profit for the year		1,342	39,532
Cashflow hedge fair value movement	23	77	(157)
Tax relating to component of other comprehensive income		<u>(15)</u>	<u>92</u>
TOTAL OTHER COMPREHENSIVE INCOME/(EXPENSE)		<u>62</u>	<u>(65)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,404</u></u>	<u><u>39,467</u></u>

BALANCE SHEET
AS AT 31 MARCH 2021

		2021		2020	
	Notes	£'000	£'000	£'000	£'000
NON-CURRENT ASSETS					
Tangible fixed assets	12		16,169		16,693
Investment property	13		37,106		35,208
Investments	14		-		-
Debtors: amounts falling due after one year	16		<u>314</u>		<u>706</u>
			53,589		52,607
CURRENT ASSETS					
Stocks	15	307		322	
Debtors: amounts falling due within one year	16	4,542		3,856	
Cash at bank		<u>1,967</u>		<u>638</u>	
		6,816		4,816	
CREDITORS					
Amounts falling due within one year	17	<u>(7,323)</u>		<u>(5,850)</u>	
NET CURRENT LIABILITIES			<u>(507)</u>		<u>(1,034)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			53,082		51,573
CREDITORS					
Amounts falling due after more than one year	18		(17,807)		(17,928)
PROVISIONS FOR LIABILITIES	19		<u>(6,497)</u>		<u>(6,271)</u>
NET ASSETS			<u>28,778</u>		<u>27,374</u>
CAPITAL AND RESERVES					
Called up share capital	21		16,000		16,000
Share premium	21		193		193
Cash flow hedge reserve	23		(295)		(357)
Accumulated profit	21		<u>12,880</u>		<u>11,538</u>
SHAREHOLDERS' FUNDS			<u>28,778</u>		<u>27,374</u>

The financial statements were approved and authorised for issue by the Board of Directors on 28 JULY 2021 and were signed on its behalf by:


Mr A M Bell (Director)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Called up share capital £'000 (Note 21)	Share premium £'000 (Note 21)	Cashflow hedge reserve £'000 (Note 23)	Accumula ted profit/ (losses) £'000 (Note 21)	Total equity £'000 (Note 23)
At 1 April 2019	16,000	193	(292)	(2,219)	13,682
Profit for the year	-	-	-	39,532	39,532
Fair value loss on financial derivative	-	-	(157)	-	(157)
Deferred tax	-	-	92	-	92
Total comprehensive (expense)/income for the year	-	-	(65)	39,532	39,467
Dividend paid	-	-	-	(25,775)	(25,775)
At 31 March 2020	16,000	193	(357)	11,538	27,374
Profit for the year	-	-	-	1,342	1,342
Fair value profit on financial derivative	-	-	77	-	77
Deferred tax	-	-	(15)	-	(15)
Total comprehensive income for the year	-	-	62	1,342	1,404
At 31 March 2021	16,000	193	(295)	12,880	28,778

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

1. ACCOUNTING POLICIES

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

Basis of preparation

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

The financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006. The Company has applied the following amendments to FRS 102 issued by the Financial Reporting Council for the first time during the year:

- Amendments issued by the FRC in December 2019. The amendments enable the Company to take advantage of the temporary amendments to specific hedge accounting requirements in FRS 102 paragraphs 12.25C to 12.25F to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The Company is exposed to GBP LIBOR within its hedge accounting relationships, which is subject to interest rate benchmark reform.

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

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

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

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

The financial statements contain information about Bournemouth International Airport Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Rigby Group (RG) plc, a company registered in England and Wales.

Going concern

Trading throughout the whole year took place in the grip of the COVID-19 pandemic which fundamentally disrupted the everyday lives of citizens and businesses around the world. Travel has been one of the hardest hit sectors, with three separate lock downs in England restricting people's ability to move around both domestically and internationally. Early in the pandemic airlines began to cancel flights and, as the situation grew more serious, shut down operations, and in some cases entirely grounding aircraft fleets. Despite some relief from restrictions in summer 2020, there was little opportunity to restart meaningful domestic or international travel due to the unstable and inconsistent public health situations in different countries.

The company recognised early the likely scenario that the year under review would be heavily disrupted by the pandemic and acted quickly and decisively to mitigate as far as possible the impact on its revenues and liquidity. The company made extensive use of the government's Coronavirus Job Retention Scheme, seeking to retain as many skilled employees as possible to ensure operations could be restarted when permitted. Nevertheless, the company regrettably had to make structural reductions in its staff numbers through various means. The company was also able to access funds through the government's Airport and Ground Operations Support Scheme.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021**

1. ACCOUNTING POLICIES - continued

Going concern – continued

Looking ahead, the company will continue to face significant challenges from the pandemic. There remains considerable uncertainty about the timing and nature of the restart of international travel in particular, however there is growing confidence that the successful vaccination programmes gathering momentum not only in the UK but in company's key international markets will provide for a stable platform for the restart of travel, albeit in the short term with varying degrees of restrictions which will serve to dampen demand. Although the restart of commercial passenger operations remains at risk of further ongoing disruption, the company benefits from a reliable and stable income stream from its sizable property estate, which has proved resilient to the impact of the pandemic to date. Furthermore, plans to build upon the cargo operation established during the year as well as the insourced into plane refuelling operation, provides further sound revenue streams to the company and alleviates the disruption felt in other areas of the business.

In response to this prevailing situation, the directors regularly review projections and update stakeholders on potential outcomes. These plans help the directors to understand the financial implications of the pandemic and inform the most appropriate response to ensure the company is in the best financial and operational position for recovery.

Financial forecasts have been prepared for the Regional & City Airports Holdings Limited group (the group), comprising all subsidiaries of Regional & City Airports Holdings Limited including the company. These detailed forecasts incorporate airline flights on sale, commercial agreements in place and a realistic view of the ongoing cost base. While the financial performance of the group was adversely impacted for the financial year ending 31 March 2021, it is expected that the group will return to profitability in future years and generate sufficient cash flows to enable the group to continue to settle liabilities as they fall due.

The forecast has been used as the basis for assessing the group's ability to continue as a going concern for the twelve months from the date of signing the financial statements. Under all reasonable downside scenarios, reflecting a more protracted recovery due to the continued prevalence of the pandemic suppressing the ability for commercial flights to resume, the projection shows that the group and the company will have sufficient liquidity to be able to settle its liabilities as they fall due.

The net current liability position at the year is impacted by £1m of deferred income which does not result in a future cash outflow. In addition, trading profits are expected to extinguish the net current liability position in future years.

The directors have considered the uncertainties, risks and challenges posed by the global pandemic as discussed in the Strategic Report and the output of a range of financial scenarios, and it is deemed that such uncertainties have no significant impact on the company's ability to continue as a going concern over the next 12 months from the date of signing the financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment.

Impairment of financial and non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES - continued

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.

Tangible fixed assets

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

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

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

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

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

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

Stocks

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

Provisions

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

Short term debtors and creditors

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

Cash and cash equivalents

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021**

1. ACCOUNTING POLICIES – continued

Taxation

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

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

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

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

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

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

Government grants

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

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

Revenue

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

Leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES - continued

Financial instruments

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

(i) Financial assets and liabilities

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

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

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

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

(ii) Equity instruments

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

(iii) Derivative financial instruments

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

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

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

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

(iv) Fair value measurement

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

1. ACCOUNTING POLICIES - continued

Pensions

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

Interest-bearing loans and borrowings

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

2. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Critical judgements in applying the company's accounting policies

Going concern

Going concern is a key judgement in the preparation of the financial statements and further details of this is set out in the going concern accounting policy section of the notes to the financial statements.

Key sources of estimation uncertainty

Revaluation of investment properties

The company carries its investment property at fair value, with changes in fair value being recognised in the profit and loss account. There is a lack of comparable market data because of the nature of the properties. The valuation technique applied a discounted rental yield depending on the location and the quality of the property, tenant and lease. Therefore, the determined fair value is most sensitive to the estimated yield. There is additional uncertainty around the carrying value of the properties at the balance sheet date as a result of the COVID-19 pandemic. This uncertainty has been recognised through an additional adjustment to the estimated yield.

At 31 March 2021, the overall portfolio yield is 6.7% and this overall rate is then amended for each property, tenant and lease as appropriate. An increase in yield of 0.5% across the whole portfolio would result in the balance sheet fair value of £37m reducing by approximately £3m whereas a decrease in the yield of 0.5% would result in an increase in the fair value of approximately £3.5m. Refer to note 13 for further information.

Impairment of tangible fixed assets

In the context of the COVID-19 pandemic and the impact on the trading performance of the group, the carrying values of tangible fixed assets have been reviewed for impairment. In arriving at recoverable valuations, management have assessed the value in use by determining the present value of the future operating cash flows expected to be generated by the company. Compared to the net book value of £46.0m, there was headroom of £5.8m and therefore no impairment was recognised. The headroom reduced to -£5.1m (impairment) when the discount rate was increased by 2 percentage points. Refer to note 12 for further information.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

3. TURNOVER

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

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

	2021 £'000	2020 £'000
Airport operations	17,707	10,967
Property & property related	<u>5,060</u>	<u>5,735</u>
	<u><u>22,767</u></u>	<u><u>16,702</u></u>

The increase in turnover is primarily driven by the provision of into plane refuelling which was insourced on 23 March 2020.

4. OTHER OPERATING INCOME

	2021 £'000	2020 £'000
Government revenue grant – Coronavirus Job Retention Scheme	1,188	94
Government revenue grant – Airport and Ground Operations Support Scheme	<u>531</u>	<u>-</u>
	<u><u>1,719</u></u>	<u><u>94</u></u>

During the year, the company was able to utilise the Government's Coronavirus Job Retention Scheme to contribute to the employment cost of staff furloughed under the scheme. In addition, the company was able to access further financial support available as a result of the COVID-19 pandemic and received funds through the Government's Airport and Ground Operations Support Scheme.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

5. STAFF COSTS

	2021 £'000	2020 £'000
Wages and salaries	5,889	6,049
Social security	466	545
Other pension	<u>217</u>	<u>218</u>
	<u><u>6,572</u></u>	<u><u>6,812</u></u>

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

	2021 No	2020 No
Sales	1	1
Operational	217	222
Managerial & Administrative	<u>7</u>	<u>7</u>
	<u><u>225</u></u>	<u><u>230</u></u>

6. DIRECTORS' EMOLUMENTS

	2021 £'000	2020 £'000
Aggregate remuneration in respect of qualifying services	<u>135</u>	<u>178</u>
Aggregate value in respect of company pension contribution	<u>15</u>	<u>20</u>
Number of directors accruing benefits under defined contribution schemes	<u>1</u>	<u>1</u>

In respect of the highest paid director:

Aggregate remuneration in respect of qualifying services	<u>135</u>	<u>178</u>
Aggregate value in respect of company pension contribution	<u>15</u>	<u>20</u>

A M Bell and K G Cook do not receive emoluments for qualifying services performed for the company. The emoluments for A M Bell and K G Cook are taken into account in the disclosures of director's emoluments in the financial statements of Regional & City Airports Limited. It is not practical to determine the proportion of such emoluments which are attributable to the directors' services to the company. No loss of office compensation was paid to any directors during the year.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

7. OPERATING PROFIT

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

	2021 £'000	2020 £'000
Auditor's remuneration: audit of financial statements	37	26
Auditor's remuneration: non-audit fees	-	-
Depreciation of tangible fixed assets (note 12)	1,255	1,513
Operating lease rentals: plant & machinery	136	142
Operating lease rentals: property	63	57
Contingent rent recognised as income	(62)	(987)
Other concession income	(10)	(190)
Rent receivable on investment property	(2,349)	(2,640)
Movement on revaluation of investment property	(1,898)	1,145
Government grants (note 4)	<u>(1,719)</u>	<u>(94)</u>

8. DIVIDEND INCOME FROM INVESTMENTS

On 31 October 2019, the company received a dividend in specie of £39,808,808 from Bournemouth Airport Property Investments (Industrial) Limited and a dividend in specie of £529,314 from Bournemouth Airport Property Investments (Offices) Limited. Both dividends in specie were satisfied by the assignment of the benefit of a loan of equivalent values due by the company to its subsidiaries.

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £'000	2020 £'000
Bank interest	<u>2</u>	<u>12</u>
	<u>2</u>	<u>12</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £'000	2020 £'000
Bank loan interest	495	613
Amortisation of debt issue costs	84	90
Interest rate swaps	189	141
Finance leases	<u>148</u>	<u>102</u>
	<u>916</u>	<u>946</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

11. TAX ON PROFIT**Analysis of the tax charge**

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

	2021 £000	2020 £000
Current tax:		
UK corporation tax on profits for the period	(19)	207
Adjustment in respect of previous years	<u>(31)</u>	<u>(11)</u>
Total current tax	<u>(50)</u>	<u>196</u>
Deferred tax:		
Origination and reversal of timing differences	480	(112)
Adjustment in respect of prior periods	232	10
Effects of changes in tax rates	<u>-</u>	<u>289</u>
Total deferred tax	<u>712</u>	<u>187</u>
Total tax per income statement	<u>662</u>	<u>383</u>

	2021 £000	2020 £000
Other comprehensive income items		
Deferred tax current year credit	(15)	(42)
Deferred tax – prior year	<u>-</u>	<u>(50)</u>
Total current tax	<u>(15)</u>	<u>(92)</u>

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

	2021 £000	2020 £000
Profit before tax	<u>2,004</u>	<u>39,915</u>
Tax on profit at the standard UK tax rate of 19% (2020: 19%)	381	7,584
Effects of:		
Expenses not deductible	108	104
Income not taxable	(26)	(7,664)
Transfer pricing adjustments	(2)	67
Gains/rollover relief	-	3
Adjustments from previous periods	201	(1)
Tax rate changes	-	289
Other	<u>-</u>	<u>1</u>
Total charge for the year	<u>662</u>	<u>383</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

11. TAX ON PROFIT - continued

The standard rate of corporation tax in the UK is 19% with effect from 1 April 2017. The Finance Act 2016 includes a reduction in the standard rate of corporation tax from 19% to 17% from 1 April 2020. However, on 11 March 2020 in the UK Budget it was further announced that the cut in the tax rate to 17% will now not occur and the tax rate will instead remain at 19%. This rate change was substantively enacted on 17 March 2020 via the Provisional Collection of Taxes Act 1968. As this change had been substantively enacted by 31 March 2021 it is reflected in these financial statements.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate was substantively enacted on 24 May 2021. As the rate was not substantively enacted at the balance sheet date deferred tax balances as at 31 March 2021 continue to be measured at 19%.

12. TANGIBLE FIXED ASSETS

	Freehold land and property £'000	Long leasehold property £'000	Airport infra- structure £'000	Plant & equipment £'000	Assets under construction £'000	Total £'000
Cost						
At 1 April 2020	8,536	21,960	27,901	23,219	3,037	84,653
Additions	-	5	43	371	338	757
Transfers	-	579	515	592	(1,686)	0
Disposals	-	-	-	(178)	(23)	(201)
At 31 March 2021	8,536	22,544	28,459	24,004	1,666	85,209
Depreciation						
At 1 April 2020	(5,268)	(16,820)	(25,707)	(20,165)	-	(67,960)
Charge for the year	-	(302)	(440)	(513)	-	(1,255)
Disposals	-	-	-	175	-	175
At 31 March 2021	(5,268)	(17,122)	(26,147)	(20,503)	-	(69,040)
Net book value						
At 31 March 2021	3,268	5,422	2,312	3,501	1,666	16,169
At 31 March 2020	3,268	5,140	2,194	3,054	3,037	16,693

Plant and machinery includes assets held under finance leases with a net book value of £746,870 (2020: £783,085). Assets under construction includes assets held under finance leases with a net book value of £676,413 (2020: £676,413).

The company has term loans secured through fixed and floating charges over the company's assets including tangible fixed assets with a net book value of £16,694,164 (2020: £16,693,000). Further detail on the secured loans is set out in note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

13. INVESTMENT PROPERTY

	£'000
Fair value	
At 1 April 2020	35,208
Revaluations	<u>1,898</u>
At 31 March 2021	<u>37,106</u>

Investment properties, which are all long leasehold, were revalued to fair value as at 31 March 2021. The valuation was undertaken by the property team of the parent company holding relevant professional qualifications and recent experience in the class of investment property being valued. An external valuation was undertaken by an independent Chartered Surveyor as at 31 March 2018. In determining fair value, a discounted cashflow method has been applied, with the discount rate reflecting local market conditions, the covenant of tenants across the portfolio and the condition of properties. In assessing fair value, assumptions have been made about the future rental income, expenditure and occupancy of each property.

The historical cost of investment properties held at fair value is £29,827,000 (2020: £29,827,000).

14. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost and net book value	
At 31 March 2021 and 31 March 2020	<u>-</u>

At 31 March 2021 the company directly held 100% of the share capital of the following subsidiary undertakings:

Subsidiary	Country of registration	Principal activity
Bournemouth Airport Property Investments (Industrial) Limited	United Kingdom	Non-trading
Bournemouth Airport Property Investments (Offices) Limited	United Kingdom	Non-trading
Bournemouth Airport Core Property Investments Limited	United Kingdom	Dormant

The registered office of the above companies is Airport House, Exeter Airport, Exeter, Devon, EX5 2BD.

The company holds; 1 Ordinary Share in Bournemouth Airport Property Investments (Industrial) Limited; 1 Ordinary Share in Bournemouth Airport Property Investments (Offices) Limited; and 1 Ordinary Share in Bournemouth Airport Core Property Investments Limited.

15. STOCKS

	2021 £'000	2020 £'000
Raw materials and consumables	202	236
Goods for resale – aviation fuel	<u>105</u>	<u>86</u>
	<u>307</u>	<u>322</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

16. DEBTORS**Amounts falling due within one year**

	2021 £'000	2020 £'000
Trade debtors	1,259	1,552
Amounts owed by other subsidiary undertakings	765	573
Prepayments	379	158
Accrued income	1,860	1,480
Other debtors	152	-
Corporation tax group relief	19	11
Deferred tax asset (note 20)	<u>108</u>	<u>82</u>
	<u>4,542</u>	<u>3,856</u>

Amounts falling due after one year

	2021 £'000	2020 £'000
Deferred tax asset (note 20)	<u>314</u>	<u>706</u>
	<u>314</u>	<u>706</u>

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

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Trade creditors	1,302	693
Amounts owed to parent undertakings	1,329	-
Amounts owed to other subsidiary undertakings	132	412
Social security & other taxes	134	501
Corporation tax	176	205
Other payables	781	945
Accrued costs	2,184	2,194
Deferred income	1,006	683
Finance leases	<u>279</u>	<u>217</u>
	<u>7,323</u>	<u>5,850</u>

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

18. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2021 £'000	2020 £'000
Bank term loans (note 22)	16,304	16,220
Financial derivative (note 23)	372	449
Finance leases	<u>1,131</u>	<u>1,259</u>
	<u>17,807</u>	<u>17,928</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

19. PROVISIONS FOR LIABILITIES

	2021 £'000	2020 £'000
Deferred tax liability (note 20)	3,697	3,336
Sewage treatment works	<u>2,800</u>	<u>2,935</u>
	<u>6,497</u>	<u>6,271</u>

The company has a planning obligation to decommission the existing airport sewage treatment works and to connect the airport to the local Wessex Water main sewage system. This is expected to be utilised over the next few years.

20. DEFERRED TAX

	2021 £'000	2020 £'000
Deferred tax		
- Fixed asset timing differences	(330)	(675)
- Short term timing differences - trading	(21)	(28)
- Short term timing differences – non trading	(71)	(85)
- Losses	-	-
- Fair value adjustments	<u>3,697</u>	<u>3,336</u>
	<u>3,275</u>	<u>2,548</u>
Provision at start of year	2,548	3,005
Adjustment in respect of prior years	232	(40)
Deferred tax charge to the income statement for the year	480	177
Deferred tax charge in OCI for the period	15	(42)
Movement arising from the transfer of trade	<u>-</u>	<u>(552)</u>
Provision at end of year	<u>3,275</u>	<u>2,548</u>
	2021 £'000	2020 £'000
Deferred tax assets		
Recoverable within 12 months	108	82
Recoverable after 12 months	<u>314</u>	<u>706</u>
	<u>422</u>	<u>788</u>
Deferred tax liabilities		
Payable after 12 months	<u>3,697</u>	<u>3,336</u>
	<u>3,697</u>	<u>3,336</u>

The net reversal of deferred tax assets and liabilities expected in the next 12 months to 31 March 2022 is (£107,861). This is expected to arise because depreciation is anticipated to be lower than the available capital allowances and due to the reversal of short-term timing differences. However, further reversal (or further increase in deferred tax balances) may arise as a result of the hedge fund performance and revaluations of investment properties. As any future deferred tax balances will be dependent on changes in fair values of assets and liabilities throughout the associated period, it is not possible to estimate any further future reversals.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

21. CALLED UP SHARE CAPITAL AND RESERVES

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021 £'000	2020 £'000
16,000,000	Ordinary shares	£1	<u>16,000</u>	<u>16,000</u>
			<u>16,000</u>	<u>16,000</u>

Share premium

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

Cash flow hedge reserve

This reserve comprises effective portion of cash flow hedges.

Accumulated losses

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

22. LOANS

	2021 £'000	2020 £'000
Amounts falling due between one and five years		
Bank loans	<u>16,304</u>	<u>16,220</u>
	<u>16,304</u>	<u>16,220</u>

Bank loans of £16,304,000 (2020: £16,220,000) is stated after the deduction of associated unamortised debt issue costs of £140,000 (2020: £224,000).

On 30 November 2017, a group undertaking, Imperial Park Bournemouth Limited, entered into a five-year term loan facility of £24,000,000 and subsequently increased to £30,932,000 on 1 August 2018. On 4 December 2017, Bournemouth International Airport Limited, acceded to the agreement as additional borrower and guarantor. The loan is secured by fixed and floating charges over all of the assets and the entire undertaking of the guarantors. The loan is repayable on 30 November 2022 and carries interest at 2.75% above LIBOR. At the balance sheet, the facility held by the company was £16,444,000 (2020: £16,444,000) and £14,350,000 (2020: £14,350,000) was held by Imperial Park Bournemouth Limited.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

23. FINANCIAL DERIVATIVE

On 25 January 2018, the company entered into an interest rate swap agreement with a notional balance of £11,031,000, and subsequently reduced to £9,432,168, reflecting the company's initial balance drawn on the £30,932,000 term loan facility. Trade commenced on 20 April 2018 and expires on 30 November 2022 in line with the term loan facility. The floating rate on the swaps is 3 month's LIBOR. The interest rate swaps settle on a quarterly basis, with the company settling the difference between the fixed and floating interest rates on a net basis.

On 3 August 2018, the company entered into another interest rate swap agreement with a notional balance of £7,012,000 reflecting the company's remaining balance drawn on the £30,932,000 term loan facility during the year. Trade commenced on 22 October 2018 and expires on 30 November 2022 in line with the term loan facility. The floating rate on the swaps is 3 month's LIBOR. The interest rate swaps settle on a quarterly basis, with the company settling the difference between the fixed and floating interest rates on a net basis.

All interest rates swap contracts exchanging floating rate interest amounts are designated as cash flow hedges to reduce the company's cash flow exposure resulting from variable interest rates on borrowings. The hedged cash flows are expected to occur and to affect profit and loss over the period to maturity of the interest rate swaps.

The fair value of the hedging arrangement is based on the market price of comparable instruments at the balance sheet date. The profit on the change in fair value during the period was £77,000 (2020: £157,000 loss) as recognised in the Statement of Other Comprehensive Income.

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

	Average contract fixed interest rate		Notional principal value		Fair value	
	2021 %	2020 %	2021 £'000	2020 £'000	2021 £'000	2020 £'000
More than 1 year	1.384	1.384	16,444	16,444	(372)	(449)
			16,444	16,444	(372)	(449)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

24. CAPITAL AND LEASE COMMITMENTS**Capital commitments**

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

	2021 £'000	2020 £'000
Plant and equipment	<u>223</u>	<u>223</u>
	<u>223</u>	<u>223</u>

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2021 £'000	2020 £'000
Within one year	192	186
In two to five years	387	467
In over five years	<u>24</u>	<u>79</u>
	<u>603</u>	<u>732</u>

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

	2021 £'000	2020 £'000
Within one year	2,224	2,226
In two to five years	7,273	7,273
In over five years	<u>34,558</u>	<u>35,447</u>
	<u>44,055</u>	<u>44,946</u>

Finance lease commitments

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

	2021 £'000	2020 £'000
Within one year	279	217
In two to five years	<u>1,131</u>	<u>1,258</u>
	<u>1,410</u>	<u>1,475</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2021

25. RELATED PARTY DISCLOSURES

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

Cash settled and unsecured transactions with related parties not meeting the exemption criteria were as follows:

	2021 £'000	2020 £'000
Capital Air Ambulance Limited: airport services	<u>10</u>	<u>9</u>
	<u>10</u>	<u>9</u>

The balances included in debtors at 31 March 2021 were:

	2021 £'000	2020 £'000
Capital Air Ambulance Limited	<u>-</u>	<u>4</u>
	<u>-</u>	<u>4</u>

Capital Air Ambulance Limited is controlled by the same controlling party as Bournemouth International Airport Limited, Rigby Group (RG) plc.

26. ULTIMATE CONTROLLING PARTY

The immediate parent company is Regional & City Airports (Investments) Limited whilst the ultimate parent company of the group is Rigby Group (RG) plc.

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

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

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

Sir Peter Rigby, a director of Rigby Group (RG) plc, controlled the company as a result of holding 68.28% of the issued ordinary share capital and 80% of the voting share capital of Rigby Group (RG) plc, the ultimate parent company.