AGS Airports Limited
Consolidated financial statements from incorporation on 3 September 2014 to 31 December 2015

Company registration number 09201991

AGS Airports Limited

Contents

AGS Airports Limited

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AGS Airports Limited

Strategic Report – Management review

Strategic report

AGS Airports Limited (the 'Company') was incorporated on 3 September 2014 On 18 December 2014, it acquired the entire share capital of Airport Holdings NDH1 Limited from the Heathrow Airport Holdings Limited group Airport Holdings NDH1 Limited is the holding company of a group of companies that principally owns and operates three airports in the UK located in Glasgow, Aberdeen and Southampton as well as BAA Lynton Limited (together the "Group")

The financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') The accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Management review

Review from incorporation to 31 December 2015

Passenger traffic trends
Passenger traffic for the period ended 31 December 2015 across the Group's airports is analysed below

	Period ended 31-Dec-15
Passengers by airport (millions)	
Aberdeen	3 6
Glasgow	9 0
Southampton	1 8
Total passengers[1]	**14.4**

	Period ended 31-Dec-15
Passengers by market served (millions)	
United Kingdom	8 0
European Union	4 8
Non-European Union	1 6
Total passengers[1]	**14.4**

[1] These figures have been calculated using un-rounded passenger numbers

During the period, traffic across the Group's airports was 14 4 million passengers The Group's domestic traffic was 8 0m, European Union traffic was 4 8m while Non-European Union traffic was 1 6m

<u>Glasgow</u>
Glasgow airport's traffic was 9 0 million passengers with increased capacity provided by both new and existing carriers A full year of operation and the addition of further routes from Ryanair, who commenced on 26 October 2014, contributed to the good results in both the European and UK markets European traffic also includes the launch of new routes by Wizz Air and easyJet and the introduction of an additional aircraft by Jet2 in April 2015 Long haul traffic reflected new carrier Westjet commencing in April 2015 with daily flights to Halifax

<u>Aberdeen</u>
Aberdeen airport's traffic was 3 6 million passengers The traffic to typical oil and gas destinations was impacted by the decline in global oil price London traffic was impacted by the removal of Virgin's Heathrow route

<u>Southampton</u>
Southampton airport's traffic was 1 8million passengers with good results on routes to Aberdeen/Leeds, Newcastle, Faro and La Rochelle

Strategic Report – Management review *(continued)*

Investment in modern airport facilities

The Group's most significant investment included the commencement of significant terminal remodel works in Glasgow, the completion of an extension to the East Pier, rehabilitation works on the runway transverse joints and on aircraft parking stands, and an upgrade to the executive passenger lounge now renamed Upper Deck

Investments at Aberdeen airport included terminal transformation project design work, new aircraft parking stands and taxiway resurfacing

The Board of AGS Airports Holdings Limited, approved enhanced plans for a major terminal expansion and redevelopment at Aberdeen International Airport in January 2016 Detailed design work is nearing completion, as is the necessary preliminary works and construction of the main extension is planned to commence in Q2'2016

Southampton airport investments included replacement of the fire training simulator and landside buses, works were also completed to refurbish areas of the aircraft stands

Service standards

The Group continues to focus on delivering consistently high service standards across its airports, a key strategic priority It also expects high service standards to play a key part in driving cost efficiency

All three airports achieved high levels of departure punctuality, measured by the proportion of aircraft departing within 15 minutes of schedule 89 1% was achieved by Aberdeen Airport, 79 2% by Glasgow Airport and 82 7% by Southampton Airport

The three airports participate in the Airport Council International's Airport Service Quality benchmarking survey which includes over 90 European airports and hundreds worldwide

Glasgow Airport improved on its highest ever annual score for overall customer satisfaction, scoring 4 1 in 2015

Glasgow Airport saw its commitment to customer service recognised through a number of awards achieved during the year including Scottish Airport of the Year, UK Airport of the Year and the Airport Operators Association's Best Airport with 3 to 10 million passengers

Aberdeen airport's average overall passenger satisfaction scores in the quarterly Airport Service Quality ('ASQ') survey was 3 78 out of 5 Categories measuring interaction with airport staff – at check-in, security and generally within the airport - were the best performing areas of the survey The Terminal Transformation project is expected to drive overall improvement in passenger satisfaction

Southampton's average score for 2015 was 4 24 out of 5

Outlook

Glasgow

Glasgow expects continued growth in passenger traffic in 2016 This reflects expected volume gains from the full year impact of new routes/increased capacity on existing routes introduced in 2015 by Ryanair, easyJet, Wizz Air, British Airways, new operator Blue Air, the addition of a further aircraft into Flybe's operation, increased utilisation by Jet2 of their 6th aircraft and the commencement of new operator Air Canada Rouge's service to Toronto

Aberdeen

Aberdeen expects the current depression of passenger traffic to continue throughout 2016 in line with the forecast continued low oil price This will be partially offset by increased passengers from new scheduled Non-EU routes and holiday charters

Southampton

Southampton expects passenger traffic in 2016 to increase above 2015 levels In January 2016, Flybe announced they would introduce new destinations of Biarritz and Toulon in their schedule for the summer of 2016 as well as resume their route to Bastia In February 2016, BMI Regional announced that it would introduce new routes from Southampton to Munich that would operate from April 2016 with 12 flights per week KLM will also introduce double daily services to Amsterdam commencing in mid-May

AGS Airports Limited

Strategic Report – Financial review

Introduction

The following financial review, based on the consolidated financial statements of the Group, provides commentary on the performance of the three airports in the Group's operations, Airport Holdings NDH1 Limited and BAA Lynton Limited

	Period ended 31-Dec-15 £m
Revenue	201
Adjusted operating costs[1]	(126)
Adjusted EBITDA[2]	**75**
Non Recurring costs	(5)
EBITDA	**70**
Fair value gain on investment properties	22
Depreciation	(26)
Operating profit	**66**
Finance costs (net)	(53)
Profit before tax	**13**
Taxation	22
Profit for the period	**35**

[1] Adjusted operating costs are stated before depreciation and non-recurring items
[2] Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, certain re-measurements and non-recurring items

Revenue
In the period ended 31 December 2015, revenue was £201 million

	Period ended 31-Dec-15 £m
Aeronautical income	105
Retail income	60
Other income[1]	36
Total revenue	**201**

[1] Other income includes operational facilities, utilities, property rental, fire training services and check-in baggage rents

Aeronautical income
Aeronautical income was £105 million Average aeronautical income per passenger was £7 3

Retail income
Across the Airports gross retail income was £60 million Net retail income per passenger was £4 1

Reconciliation of gross retail income with net retail income and net retail income per passenger

	Period ended 31-Dec-15 £m
Airport's gross retail income (£m)	60
Total retail expenditure (£m)	(3)
Total net retail income (£m)	**57**
Fixed wing passengers (million)[1]	14
Net retail income (NRI) per passenger	**£4 1**

[1] Excludes helicopter passengers of 0 5 million at Aberdeen airport that have no direct access to retail facilities

Strategic Report – Financial review *(continued)*

Retail income (continued)

Retail income performance by airport

	Period ended 31-Dec-15 £m
Aberdeen	14
Glasgow	37
Southampton	9
Retail expenditure	(3)
Total	**57**

At Glasgow, gross retail income was £37m which reflects the good results on passenger numbers, the strong performance from bureau and the inclusion of net income from the Upper Deck executive passenger lounge

At Aberdeen, gross retail income was £14m, impacted by the decline in global oil price

At Southampton, gross retail income was £9m which reflects the strong performance within car parking, with the increase of the average transactional value

Other income
Income from activities other than aeronautical and retail was £36 million

Adjusted operating costs
Adjusted operating costs exclude depreciation and non-recurring items from total operating costs

	2015 £m
Employment costs	52
Rents and rates	9
Utility costs	7
Maintenance expenditure	11
Retail expenditure	3
General expenses	44
Total adjusted operating costs	**126**

Adjusted EBITDA
In the period ended 31 December 2015 Adjusted EBITDA was £75m

Non-recurring costs – acquisition and separation costs
This item relates to costs incurred in order to acquire and separate Airport Holdings NDH1 Limited from the Heathrow Airport Holdings Limited group

Fair value movements on investment properties
Investment properties were valued at fair value by CBRE Limited, Chartered Surveyors Investment properties comprise mainly car parks and airside assets that are considered less driven by the market volatility than the overall market The investment property valuation as at 31 December 2015 resulted in a gain of £22 million

Dividend
No dividend was paid or declared in the year ended 31 December 2015

Strategic Report – Financial review *(continued)*

Pension scheme

Subsequent to the acquisition of the Group by AGS Airports Limited, the members of the Company no longer have a liability to the LHR Airports pension schemes AGS Airports Limited has, following consultation with members, created its own defined benefit scheme on 18 December 2014 to provide benefits for those employees who were previously members of the BAA Pension Scheme The AGS Scheme provides the same benefits as the BAA Pension Scheme and includes those benefits built up by the employees in the BAA Pension Scheme

The AGS scheme actuary has calculated the share of the pension scheme assets and liabilities attributable to each of the participating employers, being the Airport trading companies Initial advice was received from the AGS scheme actuary on the value of the bulk transfer of pension assets and obligations as at 18th December 2014 for the purposes of accounting under IAS 19 together with an estimate of the required level of funding for 2015 Separately, the trustees of the scheme engaged in negotiations with the trustees of the LHR Airports scheme to finalise the amount of the bulk transfer in respect of members transferring over to the AGS Airports scheme This exercise was concluded on July 2015 and a formal valuation performed Going forward the scheme will be subject to a triennial valuation

Going concern

The Group finances its activities through funds generated from operations and has access to inter group funding from its parent companies as well as having issued a long term debenture

The Group's trading and cash flow projections identify that the business will be cash generative through the period ended 31 March 2017 The bank borrowings of the AGS Airports Holdings Limited group are secured over the assets of the company The directors having considered and made appropriate enquiries of management as to the assumptions underlying the projections and have a reasonable expectation that the company and Group will continue in operational existence for the foreseeable future Accordingly the going concern basis continues to be adopted in the preparation of the financial statements

Capital expenditure

In the period ended 31 December 2015, the cash flow impact of the capital investment programme was £31m

Glasgow capitalised £12m of expenditure Significant areas of investment were works on the remodel of the airside departure lounge in the main terminal building to improve passenger experience, completion of the extension to the East Pier that has created additional pier-served gate area capacity facilitating the simultaneous use of all stands, rehabilitation works on the runway transverse joints and on aircraft parking stands and an upgrade to the executive passenger lounge now renamed Upper Deck Other major projects included the completion of the upgrade and automation of central search security equipment, IT investment and the commencement of various projects including runway resurfacing, stand capacity and baggage hall equipment upgrade works

Aberdeen capitalised £5m of expenditure Significant areas of investment were terminal transformation project design work, new aircraft parking stands and taxiway resurfacing

The Board of AGS Airports Holdings Limited, approved enhanced plans for a major terminal expansion and redevelopment at Aberdeen International Airport in January 2016 Detailed design work is nearing completion, as is the necessary preliminary works and construction of the main extension is planned to commence in Q2'2016

Southampton capitalised £3m of expenditure Significant areas of investment were replacement of the fire training simulator and landside buses, works were also completed to refurbish areas of the aircraft stands

AGS Airports Limited capitalised £11m

Net debt and liquidity

The analysis below focuses on the Group's external debt and excludes restricted cash

As a result of the acquisition of the Group by AGS Airports Holdings Limited on 18 December 2014, the previous bank financing was totally repaid The Group is now funded by intra-group loans from the Company and external debt At 31 December 2015, the Group had intercompany borrowings of £464m, external debt of £529m and £14m cash at bank

Accounting and reporting policies and procedures

This annual report complies with the European regulation to report consolidated financial statements in conformity with IFRS The consolidated results in the financial statements for the period ended 31 December 2015 are presented on an IFRS basis as adopted by the European Union The Group's accounting policies and areas of significant accounting judgements and estimates are detailed within the Group financial statements The Company accounts are stated under IFRS

Strategic Report – Internal controls and risk management

Subsequent to the acquisition by AGS Airports Limited, Internal control and risk management became the responsibility of the AGS Airports Holdings Limited Group The Executive Committee, Board and Audit and Risk Committee ('ARC') referred to below relate to the Executive Committee, Board and ARC of AGS Airports Holdings Limited

Internal controls

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

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

- a group-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 review of financial results press releases and key interim and annual financial statements, before submission to the Board, scrutinising amongst other items,
    - compliance with accounting, legal, regulatory and lending requirements
    - critical accounting policies and the going concern assumption
    - significant areas of judgement,
- independent review of controls by the Internal Audit function, reporting to the ARC (up to 18 December 2014), and
- a confidential whistleblowing process

In addition, the ARC

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

Principal Risks and Uncertainties and Risk Management

The Group's risk management process is used to facilitate the identification, evaluation and effective management of the threats to the achievement of the Group'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 is locally overseen at each airport by the appropriate Managing Responsibly Governance Group ('MRGG') which meets on a monthly basis, is chaired by a senior manager and consists of functional heads The MRGG is linked with the key strategic intent to 'Run our Airports Responsibly, Safely and Securely

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

Strategic Report – Internal controls and risk management *(continued)*

Principal risks and uncertainties and risk management *(continued)*
The operation of the risk management process and the individual risk registers are subject to periodic review by the Audit and Risk Committee, 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

Assurance is provided through the management reporting processes and reports to the ARC

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

Safety risks
Health and safety is a core value of the business and the Group actively promotes the role of safety leadership in creating a safety culture that is intolerant of accidents and incidents

The Group's Safety Management System includes risk assessment processes for all activities entailing significant risk and proportionate control measures employed to safeguard everyone impacted by the Group's business The Group also operates robust asset management processes to ensure property and equipment remains safe 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 throughout the Group The Group mitigates these risks by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in leading-edge security technology The Group works closely with government agencies, including the police and Border Force building a framework to establish joint accountabilities for airport security and shared ownership of risk, thus ensuring security measures remain both flexible and proportionate to the prevailing threat environment

Regulatory environment, legal and other reputational risks
Civil Aviation Authority ('CAA') regulation
The Group's operations are currently subject to regulation by the CAA The CAA is concerned with air safety, airspace regulation, consumer protection and environmental research and consultancy The CAA also advises the government on aviation issues and ensures that consumer interests are represented Consequently the Group is exposed to the risk of changes in day to day operations resulting from regulatory guidelines issued by the CAA and mitigates this as far as possible The airports are represented by dedicated staff that ensure full compliance with regulatory requirements, establish a sound relationship with the regulator and advise the Executive Committee and Board on regulatory matters

Competition rules
The penalties for failing to comply with the 1998 Competition Act and relevant EU law are recognised as risks to manage within the Group, 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 Group breaching these regulations

Environmental risks
Environmental risk is managed throughout the Group as it has the potential to impact negatively upon the Group's reputation and jeopardise its licence to operate and to grow The Group controls and mitigates these risks at a number of levels Proactive environmental management systems and employee training programmes are embedded within operations through clear environmental strategies and resource conservation initiatives Progressive influencing of third parties, stakeholder engagement and community relations programmes are also established The Group works closely with a range of stakeholders to ensure that it reacts effectively to the challenges posed by the environmental agenda

Commercial and financial risks
Operational disruption
There are a number of circumstances that can pose short-term risks to normal airport operations 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 affected airport Where possible the Group seeks to anticipate the effects of these events on its operations and also maintains contingency plans to minimise disruption wherever possible

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

AGS Airports Limited

Strategic Report – Internal controls and risk management *(continued)*

Commercial and financial risks (continued)
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 Group is recognised The Group has a range of formal national and local consultative bodies to discuss pay, employment conditions and business issues with the Trade Unions The Company's pay agreement, which was reached in mid- 2014, established the pay structure for 2014 and 2015 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

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

The policy is not to permit speculation in financial instruments Its purpose is to identify, mitigate and hedge treasury-related financial risks inherent in the AGS Airports Holdings Group's business operations and funding Interest rate swaps are entered into as considered appropriate to protect against interest rate risks

The primary treasury-related financial risks faced by the Group are

(a) Interest rates
The AGS Group maintains a mix of fixed and floating rate debt The risk is managed through use of interest rate hedging instruments

(b) Funding and liquidity
The AGS Group is financed through bank facilities totalling £617 million and a £30m bond The AGS Airports Group is cash positive after capital expenditure and interest on external debt As at 31 December 2015, cash and cash equivalents were £23 million and undrawn headroom under bank credit facilities was £116 million

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

(c) Counterparty credit
The AGS Group 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 AGS 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 Investment activity is reviewed on a regular basis and no cash or cash equivalents are placed with counterparties with short-term credit ratings lower than A-2/F1

On behalf of the Board

John Bruen

Director

Ignacio Aitor Garcia Bilbao

Director

31 March 2016

AGS Airports Limited

Directors' report

The Directors present their Annual report and the audited financial statements for AGS Airports Limited for the period from incorporation on 3 September 2014 to 31 December 2015

Principal activities

AGS Airports Limited (the 'Company') was incorporated on 3 September 2014 On 18 December 2014, it acquired the entire share capital of Airport Holdings NDH1 Limited from the Heathrow Airport Holdings Limited group Airport Holdings NDH1 Limited is the holding company of a group of companies that principally owns and operates three airports in the UK located in Glasgow, Aberdeen and Southampton as well as BAA Lynton Limited (together the "Group")

Results and dividends

The profit after taxation for the financial period for the Group amounted to £35m No dividends were proposed or paid during the period The statutory results are set out on page 14

Directors

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

Richard Abel
Juan Carlos Bullon Aleman
Martyn Booth
John Bruen
Ignacio Aitor Garcia Bilbao
Fidel Lopez Soria
Sir Peter Mason

Employment policies

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

The Group and 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 Group and the Company actively encourage a diverse range of applicants and commits to fair treatment of all applicants The Group and the Company investment in learning and development is guided by senior line managers who ensure that the Group and the Company provide the learning opportunities to support the competencies that are seen as key to the Group and the Company's success

Disabled persons have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities The Group and the Company have 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 Group and the Company endeavour to ensure continuing employment through the arrangement of appropriate training

Employee involvement and consultation is managed in a number of ways including employee surveys, team updates, briefings, road shows and an intranet, while collective consultation takes place with the unions such as Unite and Prospect for those employee groups where unions are recognised The Group and the Company also operate 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

Supplier payment policy

The Group and the Company comply with the UK government's Better Payment Practice Code which states that responsible companies should

- agree payment terms at the outset of a transaction and adhere to them,
- provide suppliers with clear guidance on payment procedures,
- pay bills in accordance with any contract agreed or as required by law, and
- advise suppliers without delay when invoices are contested and settle disputes quickly

AGS Airports Limited

Directors' report *(continued)*

Going concern
The Group and the Company finance its activities through funds generated from operations and has access to external funding, inter group funding from its parent companies as well as having issued a long term debenture

The Group and the Company's trading and cash flow projections identify that the business will be cash generative through the period ended 31 March 2017 The bank borrowings of the AGS Airports Holdings Limited group are secured over the assets The directors having considered and made appropriate enquiries of management as to the assumptions underlying the projections have a reasonable expectation that the Group and the Company will continue in operational existence for the foreseeable future Accordingly the going concern basis continues to be adopted in the preparation of the financial statements

Political donations
The rules surrounding what may be classified as a political donation under the Political Parties, Elections and Referendums Act 2000 and Part 14 of the Companies Act 2006 are complex It is against the Group and the Company's policy to make political donations

Internal controls and risk management
The Group and the Company actively manage identified corporate risks and has in place a system of internal controls designed to mitigate these risks Details of the Group and the Company's internal controls and risk management policies can be found in the Internal controls and risk management section of the Strategic Report

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

Directors' indemnity
The Group and 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 Group or the Company shall be indemnified out of the assets of the Group or the Company against any loss or liability incurred by him in defending any proceedings in which judgement is given in his favour, or in which he is acquitted or in connection with any application in which relief is granted to him by the court for any negligence, default, breach of duty or breach of trust by him in relation to the Group or the Company or otherwise in connection with his duties or powers or office

Auditor
Pursuant to the provisions of section 485 of the Companies Act 2006, a resolution relating to the appointment of the auditor Deloitte LLP will be proposed within the period set out in section 485, or Deloitte LLP will be appointed following the period set out in section 485 where no such resolution is proposed, in accordance with section 487

Statement of disclosure of information to the Auditor
Each of the persons who is a director at the date of approval of this annual report confirms that
- so far as the director is aware, there is no relevant audit information of which the Group and the Company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group and the Company's auditor is aware of that information

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

On behalf of the Board

John Bruen

Director

31 March 2016

Ignacio Aitor Garcia Bilbao

Director

Director's responsibilities statement

The directors are responsible for preparing the Annual Report including the financial statements for the Company and the Group 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 International Financial Reporting Standards as adopted by the EU ("Adopted IFRS") 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 the Group and of the profit or loss of the Company and the Group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company or the Group will continue in business

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

Independent auditor's report to the members of AGS Airports Limited

We have audited the financial statements of AGS Airports Limited for the date of incorporation on 3 September 2014 to 31 December 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the Group and Parent Company statement of financial position, the Group and Parent Company statement of changes in equity, the consolidated cash flow statement, the accounting policies, the critical accounting judgements and key resources of estimation uncertainty, and the related notes 1 to 26 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor
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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the period then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

David Sweeney, C A (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow, UK
31 March 2016

AGS Airports Limited

Consolidated income statement from incorporation on 3 September 2014 to 31 December 2015

		Period ended 31 December 2015		
		Before certain re-measurements	Certain re-measurements	Total
	Note	£m	£m	£m
Revenue		201	-	201
Operating costs	3			
Recurring		(152)	-	(152)
Non recurring		(5)	-	(5)
Other operating costs				
Fair value gain on investment properties	8	-	22	22
Operating profit		44	22	66
Finance costs (net)	4	(53)	-	(53)
(Loss) / Profit before tax		(9)	22	13
Taxation	5	25	(3)	22
Consolidated profit for the period		16	19	35

AGS Airports Limited

Consolidated statement of comprehensive income from incorporation on 3 September 2014 to 31 December 2015

	Note	Period ended 31-Dec-15 £m
Profit for the period	*21*	**35**
Items that will not be reclassified subsequently to profit or loss		
Re-measurement of defined benefit asset	*18*	2
Income tax relating to items that will not be reclassified subsequently to profit or loss		-
		2
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
Losses arising during the period	*20*	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss		-
		(1)
Other comprehensive income for the period net of tax		**1**
Total comprehensive income for the period		**36**

AGS Airports Limited

Consolidated statement of financial position as at 31 December 2015

	Note	Group 31-Dec-15 £m	Company 31-Dec-15 £m
ASSETS			
Non-current assets			
Property, plant and equipment	6	412	11
Intangible assets	7	554	-
Investment properties	8	303	-
Investment in subsidiaries	9	-	1,045
Employee benefits	18	9	-
Current corporation tax		-	2
Trade and other receivables	11	2	-
		1,280	**1,058**
Current assets			
Inventories	10	1	-
Trade and other receivables	11	25	75
Cash and cash equivalents	12	23	23
		49	**98**
Total assets		**1,329**	**1,156**
LIABILITIES			
Non-current liabilities			
Borrowings	13	991	958
Derivative financial instruments	14	1	1
Deferred income tax liabilities	16	162	-
		1,154	**959**
Current liabilities			
Borrowings	13	2	1
Trade and other payables	17	37	99
		39	**100**
Total liabilities		**1,193**	**1,059**
Net assets		**136**	**97**
EQUITY			
Share capital	19	-	-
Share premium account	20	100	100
Hedging reserve	20	(1)	(1)
Retained earnings	21	37	(2)
Equity attributable to the Owners of the Company		**136**	**97**

The statutory financial statements of AGS Airports Limited (Company registration number 09201991) were approved by the Board of Directors and authorised for issue on 31 March 2016 They were signed on its behalf by

John Bruen
Director

Ignacio Aitor Garcia Bilbao
Director

AGS Airports Limited

Consolidated statement of changes in equity as at 31 December 2015

		Equity attributable to the owners of the Company				
		Share capital	Share premium account	Hedging reserve	Retained earnings	Total equity
Group	**Note**	**£m**	**£m**	**£m**	**£m**	**£m**
Issue of initial share capital	*19-20*	-	100	-	-	100
Comprehensive income:						
Profit for the period	*21*	-	-	-	35	35
Other comprehensive income	*18-20*	-	-	(1)	2	1
Total comprehensive income		-	-	(1)	37	36
Balance at 31 December 2015		-	100	(1)	37	136

		Equity attributable to the owners of the Company				
		Share capital	Share premium account	Hedging reserve	Retained earnings	Total equity
Company	**Note**	**£m**	**£m**	**£m**	**£m**	**£m**
Issue of initial share capital	*19-20*	-	100	-	-	100
Comprehensive income						
Loss for the period	*21*	-	-	-	(2)	(2)
Other comprehensive income	*20*	-	-	(1)	-	(1)
Total comprehensive income		-	-	(1)	(2)	(3)
Balance at 31 December 2015		-	100	(1)	(2)	97

AGS Airports Limited

Consolidated statement of cash flows as at 31 December 2015

	Note	Period ended 31-Dec-15 £m
Operating activities		
Cash generated from continuing operating	23	62
Net cash from operating activities		**62**
Investing activities		
Acquisition of business net of cash acquired	1	(247)
Purchase of Property, Plant and Equipment		(32)
Investment in Restricted Cash		(9)
Net cash used in investing activities		**(288)**
Financing activities		
Proceeds from issue of share capital		100
Interest paid		(53)
Repayment of loan to shareholders		(24)
Cancellation of derivatives		(34)
Drawdown of capital expenditure facility		29
Proceeds from new loan		472
Borrowings from group undertakings		488
Fees paid		(9)
Repayment of senior loan facility		(320)
Repayment of borrowings from former parent		(409)
Net cash from financing activities		**240**
Closing cash and cash equivalents as at 31 December 2015	12	**14**

Accounting policies from incorporation on 3 September 2014 to 31 December 2015

General information
AGS Airports Limited (the 'Company') was incorporated on 3 September 2014 On 18 December 2014, it acquired the entire share capital of Airport Holdings NDH1 Limited from the Heathrow Airport Holdings Limited group Airport Holdings NDH1 Limited is the holding company of a group of companies that principally owns and operates three airports in the UK located in Glasgow, Aberdeen and Southampton (together the 'Airports' or the 'Group')

The Group's financial statements are presented in Sterling and all values are rounded to the nearest million pounds (£m) except when otherwise indicated

The principal accounting policies applied in the preparation of the statutory financial statements are set out below These policies have been applied consistently unless otherwise stated

Basis of preparation
The Group financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU') and are prepared under the historical cost convention, except for investment properties, derivative financial instruments and financial liabilities that qualify as hedged items under a fair value hedge accounting system (please refer to page 25 for more information) These exceptions to the historic cost convention have been measured at fair value in accordance with IFRS

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices),
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The Director's present their Annual report and the audited financial statements for AGS Airports Limited for the period since incorporation on 3 September 2014 until 31 December 2015 The extended period is a one off which was agreed with the relevant statutory authorities Future financial statements will be for the calendar year in line with the rest of the companies in the group

Primary financial statements format
The Group financial statements are presented in accordance with IFRS and International Accounting Standard ('IAS') 1 'Presentation of Financial Statements'

A columnar approach has been adopted in the income statement and the impact of two principal groups of items is shown in a separate column ('certain re-measurements') This allows the presentation of the performance of the business before these specific fair value gains and losses These items are
i fair value gains and losses on investment property revaluations and disposals,
ii the associated tax impacts of the items in (i) above

Going concern
The Group finances its activities through funds generated from operations and has access to external funding, inter group funding from its parent companies as well as having issued a long term debenture

The Group's trading and cash flow projections identify that the business will be cash generative through the period ended 31 March 2017 The bank borrowings of the AGS Airports Holdings Limited group are secured over the assets The directors having considered and made appropriate enquiries of management as to the assumptions underlying the projections have a reasonable expectation that the company and Group will continue in operational existence for the foreseeable future Accordingly the going concern basis continues to be adopted in the preparation of the financial statements

Adoption of new and revised Standards
The Group's financial statements have been prepared in accordance with International Financial reporting Standards (IFRSs) as adopted by the European Union and the Companies Act 2006 as they apply to the financial statements of the Group for the period ended 31 December 2015

Standards not affecting the reported results and financial position
At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some cases) had not yet been adopted by the EU

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
IFRS 11 (amendments)	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 16	*Leases*
IAS 1 (amendments)	*Disclosure Initiative*
IAS 12 (amendments)	*Income Taxes*
IAS 16 and IAS 38 (amendments)	*Clarification of Acceptable Methods of Depreciation and Amortisation*
IAS 16 and IAS 41 (amendments)	*Agriculture Bearer Plants*
IAS 27 (amendments)	*Equity Method in Separate Financial Statements*
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
IFRS 10, IFRS 12 and IAS 28 (amendments)	*Investment Entities Applying the Consolidation Exemption*
Annual Improvements to IFRSs 2012-2014 Cycle	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 *Financial Instruments Disclosures*, IAS 19 *Employee Benefits* and IAS 34 *Interim Financial Reporting*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed

Business combinations

Business combinations are accounted for by applying the acquisition method Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group

The Group measures goodwill at the acquisition date as
- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interests in the acquiree, plus
- the fair value of the existing equity interest in the acquiree, less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred

When the consideration transferred by the Group in a business combination includes asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill Measurement period adjustments are adjustments that arise from additional information obtained during "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date

Accounting policies from incorporation on 3 September 2014 to 31 December 2015 *(continued)*

Basis of consolidation

The Group financial statements consolidate the financial statements of AGS Airports Limited ('the Company') and all its subsidiaries

The AGS Airports Limited Group was formed on 18 December 2014, when the Company acquired the share capital of Airport Holdings NDH1 Limited That company owns Aberdeen International Airport Limited, Glasgow Airport Limited, Southampton International Airport Limited and BAA Lynton Limited

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity Intra-group balances and transactions of the continuing operations are eliminated during the consolidation process

Segment reporting

For the purposes of Group reporting, the reportable segments are consistent with those operating segments reported upon on a monthly basis to the chief operating decision-maker The chief operating decision-maker is considered to have responsibility for allocating resources and assessing performance of the operating segments and has been identified as the Board

The Group's operating segments are organised according to their type of operation and geographic location The operating segments are primarily the individual airports which are organised and managed separately on the basis of the above operating environment As such, the following operating segments are reported to the Board on a monthly basis

- Aberdeen International Airport
- Glasgow Airport
- Southampton International Airport
- BAA Lynton Limited

Revenue

Revenue 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 landing charges levied according to noise, emissions and weight recognised on landing
- Aircraft departure charges levied according to weight
- Aircraft parking charges based on a combination of weight and time parked as provided
- Other charges levied for passenger and baggage operation when these services are rendered

Retail

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

Property and operational facilities

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

Other

- Charges related to passengers with restricted mobility and various other services, recognised at the time of delivery

Grants and contributions

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

Non-recurring costs

On the face of the income statement, the Group presents non-recurring items 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 Group's financial performance

Such events 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

Accounting policies from incorporation on 3 September 2014 to 31 December 2015 *(continued)*

Finance income

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

Finance costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until the asset is complete and available for use Such finance costs are capitalised whilst projects are in progress

Where assets in the course of construction are financed by specific 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 income statement as a depreciation expense over the life of the relevant asset

All other finance costs are recognised in the income statement in the year in which they are incurred

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 Group The Group 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

Terminal complexes	*Fixed asset lives*
Terminal building, pier and satellite structures	20–60 years
Terminal fixtures and fittings	5–20 years
Airport plant and equipment	
Baggage systems	15 years
Screening equipment	7 years
Lifts, escalators and travelators	20 years
Other plant and equipment, including runway lighting and building plant	5–20 years
Tunnels, bridges and subways	50–100 years
Airfields	
Runway surfaces	10–15 years
Runway bases	100 years
Taxiways and aprons	50 years
Plant and equipment	
Motor vehicles	4–8 years
Office equipment	5–10 years
Computer equipment	4–5 years
Computer software	3–7 years
Other land and buildings	
Short leasehold properties	Over period of lease
Leasehold improvements	Lower of useful economic life or lease period

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

Impairment of assets
The Group 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 Group estimates the asset's recoverable amount Where the asset does not generate cash flows independent of other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset Where the carrying amount of a cash-generating unit exceeds its recoverable amount, the cash-generating unit is considered impaired and is written down to its recoverable amount

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

Investment properties
Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at fair value at the reporting date, as determined at the reporting dates 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 income statement in the period in which they arise

Gains or losses on disposal of an investment property are recognised in the income statement on the unconditional completion of the sale

Capitalisation of interest
Interest costs resulting from financing tangible fixed assets that are in the course of construction are 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 and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee Any impairment is recognised in the income statement An impairment loss recognised in respect of this indefinite life intangible asset is not reversed in subsequent periods

Goodwill is not amortised but is subject to an impairment review at least annually, or more frequently if there is an indication that the carrying value of goodwill may be impaired and indicates if potential impairment are originally marked bold

Right to operate

Right to operate relates to the permission to levy charges for the use of the airport infrastructure Right to operate is not amortised but is subject to an annual impairment test Any impairment is recognised in the income statement An impairment loss recognised in respect of this indefinite life intangible asset is not reversed in subsequent periods

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability Finance costs are charged directly against income

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed

Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income

Inventories
Inventories are stated at the lower of cost and net realisable value

Restricted cash
Cash that can only be used for a specific purpose or where access is restricted is classified as restricted cash

Cash and cash equivalents
For the purposes of the Statement of cash flows, cash and cash equivalents comprise cash at bank, cash in hand, restricted cash and short-term deposits with an original maturity of three months or less, held for the purpose of meeting short-term cash commitments and bank overdrafts

Deferred income
Contractual income is treated as deferred income and released to the income statement as earned

Provisions
Provisions are recognised when the Group 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

Restructurings
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the on-going activities of the entity

Onerous contracts
Present obligations arising under onerous contracts are recognised and measured as provisions An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it

Financial instruments

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less provision for impairment

Accounting policies from incorporation on 3 September 2014 to 31 December 2015 *(continued)*

Investments

On initial recognition, financial assets are measured at fair value, plus, in the case of investments not at fair value through the Income statement, directly attributable transaction costs After initial recognition, investments that are classified as 'held-for-trading' and 'available-for-sale' are measured at fair value Fair value gains or losses on investments held-for-trading are recognised in the income statement Fair value gains or losses on available-for-sale investments are recognised in a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative fair value gain or loss previously reported in equity is included in the Income statement In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indication that the security is impaired If impairment is indicated, the cumulative fair value gain or loss previously reported in equity is included in the income statement

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that provides a residual interest in the assets of a business after deducting all other liabilities

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred Borrowings with a maturity date are subsequently stated at amortised cost unless part of a fair value hedge relationship Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement 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 income statement

Trade and other payables

Trade and other payables are not interest bearing and are stated at their fair value and subsequently measured at amortised cost using the effective interest rate method

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged

The Group designates certain derivatives as either

- fair value hedges, where they hedge exposure to changes in the fair value of the hedged asset or liability, or
- cash flow hedges, where they hedge exposure to variability in cash flows that are either attributable to a particular risk associated with any changes in the fair value of the hedged asset, liability or forecasted transaction

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions The Group also documents, both at hedge inception and on an ongoing basis, its assessment of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity is more than 12 months and as a current asset or liability where it is less than 12 months Derivatives that do not qualify for hedge accounting and which are not held for trading purposes are classified based on their maturity

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised in the income statement over the period to maturity

Accounting policies from incorporation on 3 September 2014 to 31 December 2015 *(continued)*

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity The gain or loss relating to the ineffective portion is recognised immediately in the income statement

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement

Derivatives at fair value through the income statement
Where certain derivative instruments do not qualify for hedge accounting, changes in their fair value are recognised immediately in the income statement

When derivatives are designated in a fair value hedge or a cash flow hedge, the net interest payable or receivable on those derivatives is recorded net of the interest on the underlying hedged item in the income statement When derivatives are not in a hedge relationship the fair value changes on these derivatives are recognised within fair value gains / (losses) on financial instruments in the income statement The interest payable and receivable on those derivatives are recorded at their gross amounts in finance costs and finance income in the income statement

Accounting for changes in credit risk
Accounting standards require that the fair value of financial instruments reflects their credit quality, and also changes in credit quality where there is evidence that this has occurred Where material, the credit risk associated with the Group's derivatives is reflected in its derivative valuations This credit factor is adjusted over time to reflect the reducing tenor of the instrument and is updated where the credit associated with the derivative has clearly changed based on market transaction and prices

Embedded derivatives
As required by IAS 39 Financial Instruments Recognition and Measurement embedded derivatives are assessed on the initial recognition of the underlying host contract Where the economic characteristics and risks of the embedded derivative are closely related to the economic characteristics and risks of the host contract, no bifurcation of the embedded derivative from the host contract is undertaken

Financial assets
All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value

Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition
Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL

Pension costs - Defined benefit plans

On acquisition of Airport Holdings NDH1 Limited, employees of that group who were members of the BAA Pension Scheme were given the option to join the AGS Airports Pension Scheme, (the ("Scheme") for future service They were permitted to join the Scheme only if they agreed to transfer their past service benefits from the BAA Pension Scheme into the Scheme

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan The Group's net obligation in respect of defined benefit pension plans 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 (at bid price) are deducted The Group 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 Group's obligations and that are denominated in the currency in which the benefits are expected to be paid

AGS Airports Limited

Accounting policies from incorporation on 3 September 2014 to 31 December 2015 *(continued)*

Pension costs - Defined benefit plans *(continued)*

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 Group 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 Group, 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

Taxation

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

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

Deferred income taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

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

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement

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 Group 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 Group'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

Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency") The consolidated financial statements are presented in Sterling, which is the Company's functional currency

Transactions denominated in foreign currencies are translated into the functional currency of the entity using the exchange rates prevailing at the dates of transactions

Significant accounting judgements and key sources of estimation uncertainty from incorporation to 31 December 2015

In applying the Group's accounting policies, management have made estimates and judgements 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

Investment properties
Investment properties were valued at fair value by CBRE Limited The valuations were prepared in consideration of IFRS and in accordance with the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors Valuations were carried out having regard to comparable market evidence relevant to each specific property or class of properties In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence Independent valuations were obtained for 100% of the investment properties Approximately 62% of the investment properties comprise airport car parks and airside assets that are considered less vulnerable to market volatility than the overall market

Pensions
Certain assumptions have been adopted for factors that determine the valuation of the Group's liability for pension obligations at period end and charges to the income statement The factors have been determined in consultation with the Group'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 Group'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 The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the non-recurring item-pension line in the Consolidated Income Statement Further details are available in Note 18

Hedge accounting
Interest rate swaps were designated in a cash flow hedge relationship to hedge the exposure to variability in cash flows of existing liabilities As at 31 December 2015, £1 million of fair value losses on these derivatives have been deferred into the cash flow hedge reserve Management compares on a regular basis existing hedging arrangements against expectations for future financing If there were significant changes in the expected quantum of future Sterling financing, this may require the recycling of the cash flow hedge reserve through the income statement

Fair value of derivative financial instruments
The fair value of derivative financial instruments is calculated using a discounted cash flow approach and using inputs based on observable market data Where material, the credit risk associated with the derivatives is reflected in its calculation methodology Judgement is used to determine whether the credit risk associated with the derivatives has changed materially over time based on market transactions and prices and, where this is the case, the credit factor is adjusted in the valuation calculation

Fair value measurements and valuation processes
The assets acquired and liabilities assumed on the acquisition of Airport Holdings NDH1 Limited were fair valued as at the date of acquisition The board of directors of the Company determined the process for obtaining the necessary valuations, including the engagement of external advisors

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes to the financial statements

Impairment of goodwill and other intangible assets
Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and intangible assets have been allocated The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value The carrying amount of goodwill at the balance sheet date was £77m The carrying amount of other intangible assets at the balance sheet date was £477m

Useful lives of property, plant and equipment
The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period If there were significant changes in the expected useful lives of the assets management would realign the policies which would result in a different level of depreciation being charged to the income statement

Notes to the Consolidated financial statements from incorporation to 31 December 2015

1 Acquisition of subsidiaries

Acquisitions in the current period

On 18 December 2014 the Company acquired 100% of the issued share capital of Airport Holdings NDH1 Limited (NDH1) for £282 million, satisfied in cash NDH1 owns Aberdeen International Airport Limited, Glasgow Airport Limited, Limited, Southampton International Airport Limited and BAA Lynton Limited

The financial statements for Airport Holdings NDHI Limited report the full results for the acquired group for the full year ended 31 December 2014 These are available from Companies House

Effect of acquisition

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are summarised as follows

	Book value	Fair value adjustments	Fair values on acquisition
	£m	£m	£m
Acquirer's net assets at the acquisition date			
Property, plant and equipment	375	31	406
Investment property	280	1	281
Intangible - Right to operate	-	477	477
Inventories	1	-	1
Trade and other receivables	29	-	29
Cash and cash equivalents	35	-	35
Defined benefit pension asset	7	-	7
Interest-bearing loans and borrowings	(759)	(2)	(761)
Trade and other payables	(52)	-	(52)
Deferred tax liabilities	(86)	(98)	(184)
Derivative financial instruments	(34)	-	(34)
Net identifiable assets and liabilities	**(204)**	**409**	**205**
Consideration paid:			
Initial cash price paid			282
Total consideration	**-**	**-**	**282**
Goodwill on acquisition	**204**	**(409)**	**77**

Net cash outflow on acquisition net of cash acquired	**£m**
Cash consideration	282
Cash and cash equivalents acquired	(35)
	247

In accordance with IFRS 3 "Business Combinations" an initial assessment of the assets and liabilities acquired has been prepared

The fair value adjustments above are amendments identified to the carrying values of the assets and liabilities to reflect the fair values as at 18 December 2014 The basis of valuation is set out below

- Investment Properties – fair value in accordance with the Global RICS Valuation
- Property, plant and equipment – due to the specialised nature of items in this category, valuation is based on depreciated replacement cost (DCR) DCR represents the current cost to replace an asset less deductions for physical deterioration and other factors relating to obsolescence or optimisation
- Right to operate – the fair value of the permission to levy charges (right to operate) has been calculated using discounted cash flows

2 Segment information

Management has determined the reportable segments of the business based on those contained within the monthly reports reviewed and utilised by the Board for allocating resources and assessing performance These segments are organised according to their regulatory environment, type of operation, geographic location and funding arrangements

The 'other operations' segment consists of income from training courses, other transport charges, bus and coach and security services

The performance of the above segments is measured on a revenue and earnings before interest, tax, depreciation and amortisation ('EBITDA') basis, before certain re-measurements and non-recurring items

The reportable segments derive their revenues from a number of sources including aeronautical, retail, property and facilities (including property income and utilities income) and other products and services and this information is also provided to the Board on a monthly basis

Table (a) details total revenue from external customers for the period ended 31 December 2015 and is broken down into aeronautical, retail, property and facilities and other in respect of the reportable segments No information in relation to inter-segmental revenue is disclosed as it is not considered material Also detailed within table (a) is EBITDA on a pre and post non-recurring basis

Table (b) details depreciation and amortisation, fair value adjustments and profit and loss on disposals of fixed assets by reportable segment The fair value adjustment information is not provided to the Board by reportable segment, but is included in this note as additional information

Table (c) details asset, liability and capital expenditure information by reportable segment The assets and liabilities information by segment is not provided to the Board

Revenue and non-current asset information by geographical segment is disclosed in (d)

Table (a)

	Segment revenue					Adjusted EBITDA		
Period ended 31-12-2015	**Aero-nautical**	**Retail**	**Property and facilities**	**Other**	**Total external revenue**	**Pre non-recurring**	**Non-recurring**	**Post non-recurring**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Aberdeen airport	36	14	9	6	65	25	-	25
Glasgow airport	52	37	12	6	107	42	-	42
Southampton airport	17	9	2	1	29	8	-	8
Continuing operations	**105**	**60**	**23**	**13**	**201**	**75**	**0**	**75**
Reconciliation to statutory information								
Unallocated income and expenses								
Acquisition and separation costs						-	(5)	(5)
Depreciation						(26)	-	(26)
Operating profit (before certain re-measurements)						49	(5)	44
Fair value gain on investment properties (after certain re-measurements)								22
Finance costs								(53)
Profit before tax								13
Taxation								22
Consolidated profit for the period								35

Notes to the Consolidated financial statements from incorporation to 31 December 2015 *(continued)*

2 Segment information (continued)

Table (b)	Period ended 31 December 2015	
	Depreciation	Fair value gain[1]
	£m	£m
Aberdeen airport	(7)	8
Glasgow airport	(17)	10
Southampton airport	(2)	4
Total group	**(26)**	**22**

[1] Reflects fair value gains and losses on investment properties only

Table (c)	31 December 2015		
	Assets[1]	Liabilities	Capital expenditure
	£m	£m	£m
Aberdeen airport	462	(11)	12
Glasgow airport	756	(22)	5
Southampton airport	88	(5)	3
	1,306	(38)	20
Other operations	-	(3)	11
Total operations	**1,306**	**(41)**	**31**
Unallocated assets and liabilities			
Cash and borrowings	23	(525)	-
Derivative financial instruments	-	(1)	-
Amounts owed to group undertakings	-	(464)	-
Taxation	-	(162)	-
Total group	**1,329**	**(1,193)**	**31**

[1] Segment assets include primarily airport runways and facilities

(d) Revenue and non-current asset information by geographical segment
AGS Airports Limited is domiciled in the UK All revenue from external customers comes from the UK and for the period from incorporation on 3 September 2014 to 31 December 2015 revenue was £201 million

There are no non-current assets held outside the UK

3 Operating costs

	Period ended 31-Dec-15 £m
Operating costs (including Non-recurring items) include the following:	
Employment costs	52
Depreciation	
Depreciation of property, plant and equipment	26
Other operating costs	
Recurring	74
Non-recurring - Acquisition and separation costs	5
Total operating costs	**157**

Analysed as:	
Operating costs - Recurring	126
Operating costs - Non recurring	5
Depreciation	26
Total operating costs	**157**

Non-recurring costs include costs related with the acquisition of Airports Holdings NDH1 Limited, as disclosed in note 1 These costs are identified as non-recurring in nature

Auditor remuneration

	Period ended 31-Dec-15 £000
Fees payable to the Company's auditor for the audit of the AGS Airports Limited annual accounts	50
Audit of the Company's subsidiaries pursuant to legislation	212
Total Audit fees	**262**
Total Audit fees	**262**

Employee numbers
The average monthly number of employees (including executive directors) within the Group was as follows

	Period ended 31-Dec-15
Aberdeen	283
Glasgow	494
Southampton	190
Total	**967**

Directors' remuneration

	Period ended 31-Dec-15 £m
Aggregate emoluments	1
Value of company pension contributions to defined benefit scheme	0
	1

	Period ended 31-Dec-15
Number of director's who	
are members of a defined benefit pension scheme	3

Notes to the Consolidated financial statements from incorporation to 31 December 2015 *(continued)*

4 Finance Cost

	Period ended 31-Dec-15 £m
Interest on borrowings	
Bonds[1]	(2)
Bank loans and related hedging instruments	(14)
Interest payable to parent	(35)
Facility Fees and other charges	(3)
Total Borrowings costs	**(54)**
Less Capitalised borrowing costs	1
Finance costs	**(53)**

5 Taxation

	Period ended 31-Dec-15 £m
Deferred tax	
Current period	22
Total deferred tax credit	**22**
Taxation credit for the period	**22**

The tax credit on the Group's loss before tax differs from the theoretical amount that would arise by applying the UK statutory tax rate due to the accounting losses of the Group

	Period ended 31-Dec-15 £m
Profit before tax	**13**
Reconciliation of the tax credit	
Tax calculated at the UK statutory rate of 20 25%	(3)
Change in tax rate - difference between 20 25% and 18%	18
Non-deductible expenses	7
Taxation credit for the period	**22**

Notes to the Consolidated financial statements from incorporation to 31 December 2015 *(continued)*

6 Property, plant and equipment

Group	Terminal complexes £m	Airfields £m	Plant and equipment £m	Other land and buildings[1] £m	Assets in the course of construction £m	Total £m
Cost						
On incorporation	-	-	-	-	-	-
On acquisition	192	161	27	10	16	406
Additions	-	-	-	-	31	31
Transfer to completed assets	11	2	3	1	(17)	-
Interest capitalised	-	-	-	-	1	1
Disposals	(15)	(4)	(9)	(1)	-	(29)
At 31 December 2015	**188**	**159**	**21**	**10**	**31**	**409**
Depreciation						
On incorporation	-	-	-	-	-	-
Charge for the period	(14)	(5)	(4)	(3)	-	(26)
Disposals	15	4	9	1	-	29
At 31 December 2015	**1**	**(1)**	**5**	**(2)**	**-**	**3**
Net book value						
On incorporation	-	-	-	-	-	-
At 31 December 2015	**189**	**158**	**26**	**8**	**31**	**412**

[1] Other land and buildings are freehold except for certain short leasehold properties with a net book value of £0 3 million

Assets in the course of construction
Assets in the course of construction comprise capital expenditure on on-going developments under the Group's capital investment programme Projects in progress at 31 December 2015 at Glasgow airport include the airside terminal redevelopment encompassing new retail and catering facilities and enabling works for the next phase of the runway resurfacing programme Projects in progress at Aberdeen airport include the terminal transformation project, construction of new aircraft parking stands and taxiway resurfacing

Security granted by the Group over its assets, including property, plant and equipment, is disclosed in Note 13

7 Intangible assets

Group	Right to operate £m	Goodwill £m	Total £m
Cost			
On incorporation	-	-	-
On acquisition	477	77	554
Balance as at 31 December 2015	**477**	**77**	**554**
Net book value			
On incorporation	-	-	-
On acquisition	477	77	554
As at 31 December 2015	**477**	**77**	**554**

Right to operate and Goodwill

The intangible assets were acquired on the purchase of Airports Holdings NDH1 Limited (Note 1)

The Right to Operate relates to the airports' permissions to levy charges for the use of their infrastructure Right to operate is not amortised but is subject to an annual impairment test

Goodwill represents the excess of the purchase consideration over the fair values of the identifiable assets acquired and the liabilities assumed Goodwill is not amortised but is subject to an annual impairment test

Goodwill and Right to Operate are allocated to the Group's cash-generating units (CGUs), identified as the individual airports The Group tests Goodwill and Right to Operate for impairment at least annually

At 31 December 2015, the Group assessed the recoverable amount of goodwill for CGUs and noted no impairment

The Goodwill attached to each CGU at 31 December 2015 is as follows

Cash generating unit	Right to operate £m	Goodwill £m	Total £m
Aberdeen	208	21	229
Glasgow	269	56	325
Southampton	-	-	-
Total	**477**	**77**	**554**

In considering the Goodwill and Right to Operate for impairment the recoverable amounts of the CGU's are determined from value in use calculations Key assumptions are the forecast operational cash flows and future growth rates and the determination of appropriate discount rates The directors estimate the pre-tax discount rate to be 10% which reflects the current market assessment of the time value of money A long term growth rate of 1 7% is applied, which is in line with the UK long term GDP forecasts Management estimate the discount rates using post tax rates that reflect current market assessment of the time value of money and the risks specific to the CGUs

Management has prepared cash flow forecasts for 28 years up to and including December 2043 These are based on the latest approved Group budget for the year ending 31 December 2016, 5 years long term business plan ending in 31 December 2020 and high level assumptions for subsequent years

Sensitivity testing was performed on the value in use to stress test the impairment This included adjustments to both the discount factor and the net cash flows to assess at what levels an impairment would occur The Group concluded, on the basis of this testing and their view of the forecast cash flows, that no impairment is necessary

Notes to the Consolidated financial statements from incorporation to 31 December 2015 *(continued)*

8 Investment properties

	Group £m
Valuation	
On incorporation	-
On acquisition	281
Gain on revaluation	22
At 31 December 2015	**303**

Investment properties were valued at fair value at 31 December 2015 by CBRE Limited, Chartered Surveyors

Details of valuations performed are provided below

	Group 31 December 2015 £m
CBRE Limited	303

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 relevant to each specific property or class of properties There were no restrictions on the reliability 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

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

Included in investment properties are assets with a fair value of £50 million which the Group has provided as security for a £30 million debenture issued by as subsidiary and due in 2017 on behalf of a subsidiary Security granted by the Group over its assets, including investment properties, is disclosed in Note 133

9 Investment in subsidiaries

	Company £m
On incorporation	-
On acquisition of subsidiary	282
Long term loan to subsidiary	763
31 December 2015	**1,045**

Long term loan to subsidiary relates to the amount lent to Airport Holdings NDH1 Limited, which bears interest at 7% and is due for payment in 2025

Company	Principal place of business/ Country of Incorporation	Registered number	Class of shares held	Ownership
Airport Holdings NDH1 Limited	UK	06408392	Ordinary	**100%**
Glasgow Airport Limited	UK	SC096624	Ordinary	**100%**
Aberdeen International Airport Limited	UK	SC096622	Ordinary	**100%**
Southampton International Airport Limited	UK	2431858	Ordinary	**100%**
BAA Lynton Limited	UK	03330278	Ordinary	**100%**

All of the subsidiaries have ordinary shares, each with a nominal value of £1 All the subsidiaries are directly held and wholly owned by Airport Holdings NDH1 Limited All of the subsidiaries are incorporated in Great Britain and registered in Scotland, with the exception of Southampton International Airport Limited and BAA Lynton Limited which are registered in England and Wales

10 Inventories

	Group 31-Dec-15 £m
Consumables	**1**

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

11 Trade and other receivables

	Group 31-Dec-15 £m	Company 31-Dec-15 £m
Non-current		
Other receivables [1]	2	-
	2	-
Current		
Trade receivables	23	-
Less allowance for doubtful debts	-	-
Trade receivables - net	**23**	-
Prepayments	2	-
Inter-group interest receivable	-	55
Inter-group cash sweeps	-	16
Inter-group trading receivable	-	4
Trade and other receivables	**27**	**75**

[1] Relates primarily to cash collateral on the £30 million debenture, which is not expected to be settled in the short-term

The fair value of trade and other receivables is not materially different from the carrying value No impairments are identified as at 31 December 2015

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

As at 31 December 2015, trade receivables of £20 million were past due but not impaired The ageing analysis of these trade receivables is as follows

Group	31-Dec-15 £m
1-30 days	20
31-60 days	3
61-90 days	-
91-120 days	-
Total	**23**

The Group is not exposed to significant foreign currency exchange Additional disclosure on credit risk management is included in Note 15

12 Cash and cash equivalents

	Group 31-Dec-15 £m	Company 31-Dec-15 £m
Cash	14	14
Restricted cash	9	9
Cash at bank and in hand	**23**	**23**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates and is subject to interest rate risk The fair value of cash and cash equivalents approximates to their book value

Cash include £9m of current restricted cash (Debt Service Reserve Account) not included in the consolidated statement of cash flow

13 Borrowings

	Group 31-Dec-15 £m	Company 31-Dec-15 £m
Current		
Interest payable on third party borrowings	2	1
Total current	**2**	**1**
Non-current		
Secured		
Senior loan facility	472	472
Capex facility	29	29
£30m debenture due 2017	33	-
Unamortised arrangement fee	(7)	(7)
Unsecured		
Loans payable to parent	464	464
Total non-current	**991**	**958**
Total borrowings	**993**	**959**

	Group 31-Dec-15 £m	Company 31-Dec-15 £m
Total borrowings are repayable as follows:		
Amounts due for settlement within 12 months	2	1
Amounts due for settlement between one and five years	527	494
Amounts due for settlement after five years	464	464
	993	**959**

13 Borrowings *(continued)*

Senior loan facility
The senior bank loan facility had been initially drawn on 17 December 2015 The loan matures in 2019 and bears a floating interest rate based on six months Libor plus a margin

Bond Debenture
The £30 million debenture due 2017 has a principal value of £30m and bears a fixed rate coupons of 10 25% The bond is carried at amortised cost The premium amortised for the period amounted to £1m and is considered a non-cash item

Capex facility
The £29 million capex facility relates to the drawn amount at December 2015 of the £145 million facility that the Group has to finance their capital expenditure requirements The facility matures in 2019 and bears a floating interest rate based on six months Libor plus a margin

Unamortised arrangement fee amortisation for the period was £2m and is considered a non-cash item

At 31 December

	Group 31-Dec-15		Company 31-Dec-15	
	Book value £m	Fair value[1] £m	Book value £m	Fair value £m
Non-current				
Long-term debt	534	534	501	501
Loans payable to parent	464	464	464	464
Unamortised arrangement fee	(7)	-	(7)	-
	991	**998**	**958**	**965**

[1] Fair value of borrowings is for disclosure purposes only The balance includes the £30 million debenture repayable in 2017 which has a fair value of £33 million based on a discounted cash flow methodology, utilising yield curves derived from observable market data and is classified as Level 2

Accrued interest is included in current borrowings and is not in the carrying amount of non-current borrowings For unlisted borrowings, the Group establishes fair values by using valuation techniques such as discounted cash flow analysis The fair value of non-current borrowings which have floating interest rate is assumed to equate to their current nominal value

Loans payable to parent
At 31 December 2015, loans payable to parent relate to amounts due to the Group's parent, AGS Airports Investments Limited, which bear an interest rate of 7% as at 31 December 2015 This amount is due for payment in 2025

Security and guarantees
The Company and each of its subsidiaries (other than BAA Lynton Limited) have granted security over their assets to secure their obligations under their financing agreements

The £30 million debenture held by BAA Lynton Limited has a principal value of £30 million and is secured on certain properties and other assets of the Group with a fair value of £52 million

Additional disclosures on risk management and the hedging of borrowings are included in Notes 14 and 15

14 Derivative financial instruments

Group and Company	Notional £m	Assets £m	Liabilities £m	Total £m
31-Dec-15				
Non-current interest rate swaps	**354**	**-**	**(1)**	**(1)**

Interest rate swaps
Interest rate swaps are maintained by the Group and designated as cash flow hedges against variability in interest cash flows on current floating borrowings The gains and losses deferred in equity on the cash flow hedges will be continuously released to the income statement over the period of the hedged risk

15 Financial instruments

Financial risk management objectives and policies
The Group's principal financial instruments (other than derivatives) comprise bank loans, borrowings from the parent company, cash and short-term deposits The main purpose of these instruments was to finance the acquisition and is now to finance the Group's operating activities

The Group also enters into hedging transactions, principally interest rate swaps The purpose of these transactions is to manage the interest rate arising from the Group's operations and its sources of finance

The Group does not use financial instruments for speculative purposes The treasury function operates on a centralised non-speculative basis Its purpose is to identify, mitigate and hedge treasury-related financial risks inherent in the Group's business operations and funding

The main risks arising from the Group's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk The Board approves prudent treasury policies for managing these risks, which are summarised below

Cash flow and fair value interest rate risk
The Group's interest rate risk arises primarily from its borrowings Borrowings entered into a variable interest rates expose the Group to cash flow interest rate risk Borrowings issued at fixed rates expose the Group to fair value interest rate risk The Group's maintain a mix of fixed to floating rate debt such that a minimum of 75% of acquisition facility debt is at a fixed rate To manage this mix, the Group enters into interest rate swaps These swaps may be designated to hedge underlying debt obligations The Group also uses floating rate interest bearing financial assets as a natural hedge of the exposure to fair value interest rate risk

As at 31 December 2015, the Group's fixed floating interest rate profile, after hedging, on gross third parties debt was 70 30

As at 31 December 2015, each 0 50% change in interest rates would have resulted in the following gain/(loss) to pre-tax profit and equity, due to movements in the finance income, finance charge and mark-to-market valuation of derivatives

	Group 31 December 2015		Company 31 December 2015	
	Income statement impact £m	Equity impact £m	Income statement impact £m	Equity impact £m
0 50% increase	(1)	6	(1)	6
0 50% decrease	1	(6)	1	(6)

Credit risk
Credit risk arises from cash and cash equivalents, derivative financial instruments and accounts receivable The Group has no significant concentrations of credit risk 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 and ensuring only counterparties within defined credit risk parameters are used

The Group maintains a split of cash and cash equivalents across market counterparties in order to mitigate counterparty credit risk The Group monitors the credit rating of derivative counterparties and investment activity on regular basis As at 31 December 2015, the Group is not materially exposed to credit risk on its interest rate swaps

Financial assets past due but not impaired comprise trade and other receivables and are disclosed in Note 11

The maximum exposure to credit risk, excluding amounts owed by group undertakings, as at 31 December 2015 was £23m

Liquidity risk
The Group has the following undrawn borrowing facilities available, in respect of which all conditions precedent had been met at 31 December

Floating rate facilities	Group and Company 31 December 2015 £m
Expiring in two to five years	116

Notes to the Consolidated financial statements from incorporation to 31 December 2015 *(continued)*

15 Financial instruments ***(continued)***

The tables below analyse the gross undiscounted contractual cash flows on the Group's financial liabilities and net settled derivative financial instruments as at 31 December to the contractual maturity date

	Group 31 December 2015			
	Less than one year £m	One to two years £m	Two to five years £m	Greater than five years £m
Borrowing principal payments	-	30	501	-
Borrowing & derivatives interest payments	14	13	34	-
Derivative financial instruments	-	-	1	-
Trade payables	24	-	-	-
Capital payables	7	-	-	-

	Company 31 December 2015			
	Less than one year £m	One to two years £m	Two to five years £m	Greater than five years £m
Borrowing principal payments	-	-	501	-
Borrowing & derivatives interest payments	11	11	34	-
Derivative financial instruments	-	-	1	-
Trade payables	2	-	-	-
Capital payables	2	-	-	-

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an appropriate capital structure

The Group monitors capital on the basis of its gearing ratio Gearing is measured by reference to the ratio of net debt to EBITDA Net debt is external consolidated nominal net debt

Notes to the Consolidated financial statements from incorporation to 31 December 2015 *(continued)*

15 Financial instruments ***(continued)***

Financial instruments by category

The Group's financial instruments as classified in the financial statements as at 31 December can be analysed under the following categories

Assets	Group 31 December 2015			
	Loans and receivables £m	Assets at fair value through income statement £m	Derivatives qualifying for hedge accounting £m	Total £m
Cash and cash equivalents	23	-	-	23
Trade receivables	23	-	-	23
Other receivables	2	-	-	2
Total financial assets	**48**	**-**	**-**	**48**

Liabilities	Group 31 December 2015			
	Liabilities at fair value through income statement £m	Derivatives qualifying for hedge accounting £m	Other financial liabilities at amortised cost £m	Total £m
Borrowings	-	-	(991)	(991)
Derivative financial instruments	-	(1)	-	(1)
Trade payables	-	-	(24)	(24)
Capital payables	-	-	(7)	(7)
Total financial liabilities	**-**	**(1)**	**(1,022)**	**(1,023)**

Assets	Company 31 December 2015			
	Loans and receivables £m	Assets at fair value through income statement £m	Derivatives qualifying for hedge accounting £m	Total £m
Cash and cash equivalents	23	-	-	23
Total financial assets	**23**	**-**	**-**	**23**

Liabilities	Company 31 December 2014			
	Liabilities at fair value through income statement £m	Derivatives qualifying for hedge accounting £m	Other financial liabilities at amortised cost £m	Total £m
Borrowings	-	-	(958)	(958)
Derivative financial instruments	-	(1)	-	(1)
Trade payables	-	-	(2)	(2)
Capital payables	-	-	(2)	(2)
Total financial liabilities	**-**	**(1)**	**(962)**	**(963)**

At 31 December 2015, the Group had not designated any financial assets or financial liabilities at fair value through the income statement

15 Financial instruments *(continued)*

Fair value estimation
Financial instruments that are measured in the statement of financial position at fair value are classified by the following fair value measurement hierarchy
- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices),
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis The quoted market price used for financial assets held by the Group is the current bid price These instruments are included in Level 1

The fair value of financial instruments that are not traded in an active market (such as derivatives) is determined by using valuation techniques These valuation techniques maximise the use of observable market data where it is available If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3

Specific valuation techniques used to value financial instruments include
- quoted market prices or dealer quotes for similar instruments,
- market prices for credit spreads based on counterparty's credit default swap prices and company's bond spread,
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves, and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments

At 31 December 2015, all of the resulting fair value estimates in the Group are included in Level 2 (2014 all included in Level 2)

16 Deferred tax

The net movement on the deferred tax account is as follows

	Group £m
On incorporation	-
On acquisition of subsidiary	**184**
Credited to income statement	**(22)**
31 December 2015	**162**

The amounts of deferred tax provided are detailed below

Deferred tax liabilities

	Revaluation of right to operate £m	IBAs £m	Revaluation of investment property to fair value £m	Operational land £m	Other £m	Total £m
On incorporation	-	-	-	-	-	-
On acquisition of subsidiary	98	37	36	6	7	**184**
Credited to income statement	(11)	(3)	-	-	(8)	**(22)**
31 December 2015	**87**	**34**	**36**	**6**	**(1)**	**162**

17 Trade and other payables

	Group 31-Dec-15 £m	Company 31-Dec-15 £m
Current		
Deferred income	3	-
Trade payables	24	2
Capital payables	7	2
Other tax and social security	1	-
Other payables	2	-
Inter-group payables	-	95
Trade and other payables	**37**	**99**

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

18 Employee benefits

Pension plans

Defined benefit scheme

The companies within the AGS Airports Limited Group are participating employers of a defined benefit pension scheme The Group has applied the requirements of the standard IAS 19 "Employee Benefits (Revised 2011)2 ("IAS 19R") for the period ended 31 December 2015

The Group's defined benefit pension fund is a self-administered defined benefit scheme (the "AGS Airports Pension Scheme" or the "Scheme") and is closed to new employees The Scheme is based on a final salary arrangement As required by UK pension law, a Pension Trustee's Board has been established which together with the Group, is responsible for governance of the Scheme The Trustee Board is comprised of Company and employee nominated Trustees Employee Trustees will be nominated and elected by the employees who are members of the Scheme

In the initial period since the Scheme came into existence on 18 December 2014, the employer's contributions have been calculated based on initial advice received from the Scheme's actuaries, KPMG LLP, on the amount of the bulk transfer of assets and liabilities transferred into the Scheme from the former owners Scheme (BAA Pension Scheme) and assumptions determined by the Trustee and agreed by the Group
The Scheme's Trustees in conjunction with the Trustees of the BAA Pension scheme finalised the bulk transfer values in respect of the pension entitlements of those employees who transferred over to the new Group on July 2015 The pension fund will be subject to triennial valuations and the defined obligation or surplus calculated twice a year by the Scheme's actuaries

	Group 31-Dec-15 £m
Defined benefit asset	139
Defined benefit liability	(130)
Net asset for defined benefit obligations (see following table)	**9**

18 Employee benefits *(continued)*

Movements in net defined benefit asset

Group	Defined benefit obligation £m	Fair value of plan assets £m	Net defined benefit asset £m
Balance at incorporation	(123)	130	7
Current service cost	(7)	-	(7)
Interest cost / income	(5)	5	-
Included in SOCI			
Remeasurements loss/(gain)			
Actuarial loss/(gain)	5	-	5
Return on plan assets excluding interest income	-	(2)	(2)
Other			
Employer contributions	-	6	6
Employee contributions	(1)	1	-
Benefits paid out	1	(1)	-
Balance at 31 December 2015	**(130)**	**139**	**9**

Fair value of plan assets

Group	31-Dec-15 £m
Equity	37
Property	7
Bonds	69
Cash	1
DGF	25
Total	**139**

Actuarial assumptions

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

Group	31-Dec-15 %
Discount rate at 31 December	3 85%
Future salary increases	3 35%
RPI inflation	3 35%
Pension increases in payment	3 15%

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 65-year old to live for a number of years as follows

Current pensioner aged 60 27 years (male), 28 4 years (female)

Future retiree upon reaching 60 28 9 years (male), 30 4 years (female)

18 Employee benefits *(continued)*

The accounting standard requires that the discount rate used to discount the liability 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 as a result of a change in the respective assumptions

Impact on overall liabilities	Change in assumption	31-Dec-15 £m
Discount rate	Decrease by 0 1%	3
Rate of inflation	Increase by 0 1%	3
Life expectancy	Increase by 1 year	3
		9

Funding

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

The Group expects to pay £5 4 million in contributions to its defined benefit plans in 2016 The weighted average duration of the defined benefit obligation at the end of the reporting period is 25 years

Defined contribution plans

The Group operates a defined contribution pension plan for all employees who joined the Group (under the former ownership) after 15 June 2008 The total cost of defined contribution pension arrangements are fully expensed as employment costs

The total expense relating to these plans in the current period was £6 5 million

19 Share Capital

	31-Dec-15 £
Allocated, called-up and fully-paid	**1**
1 ordinary shares of £1 each	

The initial share on incorporation was issued for a consideration of £100m, resulting in a share premium of £100m (Note 20)

20 Share Premium and Hedging Reserve

Group and Company	Share Premium £m	Cash flow hedge reserve £m
On incorporation	100	-
Fair value losses recorded in equity	-	(1)
31 December 2015	**100**	**(1)**

Cash flow hedge reserve represents the net losses on effective cash flow hedging instruments recycled to the income statement when the hedged transaction affects profit or loss

21 Retained earnings

	Group £m	Company £m
On incorporation		
Profit/(loss) for the period	35	(2)
Re-measurement of defined benefit asset	2	-
31 December 2015	**37**	**(2)**

22 Commitments and contingent liabilities

Non-cancellable operating lease commitments – Group as a lessee
No material non-cancellable operating lease commitments during the period

Non-cancellable operating lease commitments – Group as a lessor
Total future minimum rentals receivable as at the yearend are as follows

	31-Dec-15 Land and buildings £m
Within one year	8
Within two to five years	22
After five years	36
Total	**66**

The Group 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

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 across the Group's airports

Group commitments for property, plant and equipment
Contracted capital expenditure commitments at 31 December 2015 amount to £1 7 million

23 Notes to the consolidated statement of cash flows

Net cash from operating activities

	Note	Group Period ended 31-Dec-15 £m
Operating activities		
Net profit before tax		13
Adjustments for		
Finance costs	*4*	53
Depreciation of PP&E	*3*	26
Debenture premium depreciation	*13*	1
Arrangement fee depreciation	*13*	2
Fair value gain on investment properties	*8*	(22)
Decrease in receivables		2
Decrease in payables		(13)
Increase in interest payable amounts in borrowings	*13*	2
Decrease in taxation - group relief		(2)
Cash generated from operations		**62**

24 Related party transactions

No balances outstanding with related parties at 31 December 2015

25 Ultimate parent undertaking and controlling party

The parent undertaking of the largest group, which includes the Company and for which group accounts are prepared, is AGS Airports Holdings Limited, a Company incorporated in England and Wales

The parent undertaking of the smallest such group is AGS Airports Holdings Limited, a Company incorporated in England and Wales

The immediate parent undertaking of the Group is AGS Airports Investments Limited, a company registered in England and Wales

The ultimate parent entity is AGS Airports Holdings Limited The shareholders of AGS Airports Holdings Limited are AGS Ventures Airports Limited (a subsidiary of Macquarie European Infrastructure Fund 4 LP) (50%) and Faero UK Holding Limited (an indirect subsidiary of Ferrovial, S A , Spain) (50%)

AGS Airports Pension Trustee Limited (09202431) is exempt from the requirements to prepare individual accounts under Section 394A of the Companies Act 2006