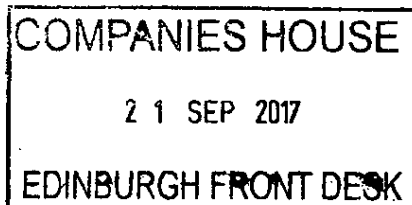


AGS Airports Limited  
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# AGS Airports Limited

## Annual report and financial statements for the year ended 31 December 2016



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# **AGS Airports Limited**

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# **AGS Airports Limited**

## **Officers and professional advisors**

### **Directors**

Simon Geere (appointed 8 March 2016)  
Juan Bullón  
Martyn Booth  
John Bruen  
Ignacio Garcia  
Gonzalo Velasco (appointed 24 May 2016)  
Sir Peter Mason

### **Registered office**

1 Park Row  
Leeds  
LS1 5AB

### **Independent auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
110 Queen Street  
Glasgow  
G1 3BX

### **Bankers**

The Royal Bank of Scotland plc  
36 St Andrew square  
Edinburgh  
EH2 2YE

Barclays Bank plc  
1 Churchill Place  
London  
E14 5HP

# AGS Airports Limited

## 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.

The Strategic report for the year ended 31 December 2016 compares against the longer accounting period from incorporation on 3 September 2014 until 31 December 2015, with trading from 18 December 2014 to 31 December 2015.

## Management review

### Review for the year ended 31 December 2016

#### Passenger traffic trends

Passenger traffic for the year ended 31 December 2016 across the Group's airports is analysed below:

	Year ended 31 December 2016	Period ended 31 December 2015	Change %
<b>Passengers by airport (millions)</b>			
Aberdeen	3.1	3.6	(13.9%)
Glasgow	9.4	9.0	4.4%
Southampton	1.9	1.8	5.6%
<b>Total passengers<sup>1</sup></b>	<b>14.4</b>	<b>14.4</b>	<b>0%</b>

	Year ended 31 December 2016	Period ended 31 December 2015	Change %
<b>Passengers by market served (millions)</b>			
United Kingdom	7.7	8.0	(3.8%)
International	6.7	6.4	4.7%
<b>Total passengers<sup>1</sup></b>	<b>14.4</b>	<b>14.4</b>	<b>0%</b>

<sup>1</sup> These figures have been calculated using un-rounded passenger numbers.

The lower passenger levels at Aberdeen were driven by reduced flights across typical oil and gas market related routes which have been adversely impacted by the downturn in the Energy sector.

Higher passenger levels at Glasgow were driven by increased capacity provided by both new and existing carriers and increased passengers at Southampton reflects growth in domestic traffic and an increase in international traffic.

# AGS Airports Limited

## Strategic Report continued

### Financial overview

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.

	Year ended 31 December 2016	Period ended 31 December 2015
	£m	£m
Turnover	197	201
Adjusted operating costs <sup>1</sup>	(115)	(126)
Adjusted EBITDA <sup>2</sup>	82	75
Non-recurring items	14	(5)
Fair value gain on investment properties	7	22
Depreciation and amortisation	(27)	(26)
Operating profit	76	66
Finance costs (net)	(50)	(53)
Profit before tax	26	13
Taxation	5	22
Profit for the year	31	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.

Turnover in the year ended 31 December 2016 decreased 2% to due to the downturn in the oil and gas sector impacting passengers numbers at Aberdeen.

Operating costs decreased 9% driven by cost savings initiatives across the three airports to offset the impact of reduced passengers at Aberdeen.

The total tax credit recognised for the year ended 31 December 2016 was £5 million (2015: 22 million). Excluding the impact of the change in tax rate, the total tax charge, before certain re-measurements and non-recurring items for the year ended 31 December 2016 was £4 million (2015: £4 million credit).

### Non-recurring items

During the year, the Company agreed changes to the Group's defined benefit pension scheme effective from 1 September 2016. The changes included the introduction of an annual cap on future and past increases to pensionable pay. The changes resulted in a one-off reduction of £15.6 million in the scheme's liabilities, as measured under IAS19, and are classified as a re-measurement item in the income statement. There is no immediate cash flow impact of these changes.

The Group also incurred £2 million costs in relation to the defined benefit pension scheme changes.

### 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 2016 of £310m resulted in a gain of £7 million (2015: £22 million).

### Dividend

No dividend was paid or declared in the year ended 31 December 2016 (2015: £nil).

### Investment in modern airport facilities

The Group has continued to invest in the airports infrastructure. Specific projects during the year include the strategic transformation of the Aberdeen Terminal and the development in Glasgow of new aircraft parking stands, car rental centre and pick up and drop off facility.

### 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. 87% was achieved by Aberdeen Airport (2015: 89%), 78% by Glasgow Airport (2015: 79%) and 75% by Southampton Airport (2015: 83%).

The three airports participate in the Airport Council International's Airport Service Quality benchmarking survey which includes over 90 European airports and hundreds worldwide. The airports average score out of 5 for 2016 was 3.74 for Aberdeen (2015: 3.78), 4.09 for Glasgow (2015: 4.1) and 4.19 for Southampton (2015: 4.24).

# **AGS Airports Limited**

## **Strategic Report continued**

### **Pension scheme**

At 31 December 2016, AGS Airports Limited defined benefit pension scheme had a deficit of £10 million (2015: surplus of £9 million) as measured under IAS 19. The movement mainly reflects the changes in the discount rate partly offset by the changes implemented in 2016.

### **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 2018. The bank borrowings of the AGS Airports 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.

### **Net debt and liquidity**

The Group is funded by intra-group loans and external debt. At 31 December 2016, the Group had intercompany borrowings of £432m, external debt of £562m, £31m cash at bank and £80m undrawn committed borrowing facilities.

### **Outlook**

Glasgow expects continued growth in passenger traffic in 2017. This reflects expected volume gains from additional capacity and new routes introduced by Ryanair and Jet2 and from the commencement of new operator Delta's service to New York.

Aberdeen expects the passenger levels in 2017 to be broadly in line with 2016 actual performance. The demand from the Energy market is anticipated to remain at the lower level experienced from 2016 due to the continuation of low oil prices. However, the Company expects increased international passenger traffic, as a consequence of additional leisure capacity introduced in 2017. Ryanair has announced flights to three destinations – Malaga, Alicante and Faro.

Southampton Traffic levels in 2017 are anticipated to be above those in 2016 given the annualised positive impact of multiple new airline services which commenced mid-2016.

### **Developments since beginning of 2017**

During the first two months of 2017 passenger traffic has decreased 0.6%. The passenger decrease is due to 2016 being a leap year.

The Group was re-financed in February 2017, increasing its bank debt facilities to £763 million plus £30 million to refinance the debenture loan that matures in July 2017

### **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 year ended 31 December 2016 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.

# AGS Airports Limited

## Strategic Report continued

### Internal controls and Risk Management

The directors are responsible for the system of internal controls designed to mitigate the risks faced by the Group 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; and
- a confidential whistleblowing process.

In addition, the Audit and Risk Committee ('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 Responsibility 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.

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

# AGS Airports Limited

## Strategic Report continued

### Safety risks (continued)

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.

#### Slavery and human trafficking risks

The Group is committed to ensuring that there is no modern-day slavery or human trafficking in its supply chains or in any part of its business. AGS Airports Group's Sustainable & Ethical Procurement Policy has been updated to include anti-slavery legislation. The Company's supplier base has been reviewed to identify slavery and human trafficking risks and processes have been established to mitigate those risks. The Company's supplier base is mainly UK companies and branches. The Company expects these entities to comply with the Modern Slavery Act 2015 and have suitable anti-slavery and human trafficking policies and processes in place and has updated its sourcing process to ensure suitable evidence of this is provided.

### 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.

#### 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 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.

# AGS Airports Limited

## Strategic Report continued

### **Commercial and financial risks (continued)**

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 2016, cash and cash equivalents were £31 million (2015: £23 million) and undrawn headroom under bank credit facilities was £80 million (£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 Garcia  
Director

31 March 2017

# **AGS Airports Limited**

## **Directors' Report**

The Directors present their Annual report and the audited financial statements for AGS Airports Limited for the year ended 31 December 2016.

### **Principal activities**

The principal activity of the Group is the management of three airports in the UK located in Glasgow, Aberdeen and Southampton.

### **Results and dividends**

The profit after taxation for the financial year for the Group amounted to £31m (2015: £35m). No dividends were proposed or paid during the year (2015: £nil). The statutory results are set out on page 12.

### **Directors**

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

Juan Bullon  
Martyn Booth  
John Bruen  
Ignacio Garcia  
Sir Peter Mason  
Simon Geere (appointed on 8 March 2016)  
Gonzalo Velasco (appointed on 24 May 2016)  
Richard Abel (resigned on 8 March 2016)  
Fidel Lopez (resigned on 24 May 2016)

### **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

### 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. No political donations have been made in the year (2015: £nil).

### 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



Ignacio Garcia  
Director

31 March 2017

## **AGS Airports Limited**

### **Directors' responsibility 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.

# AGS Airports Limited

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

We have audited the financial statements of AGS Airports Limited for the year ended 31 December 2016 which comprise of 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 sources of estimation uncertainty, and the related notes (1 to 24) to the consolidated financial statements and parent company financial statements (1-15). 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), including FRS 101 "Reduced Disclosure Framework".

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' Responsibility 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 2016 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, based on the work undertaken in the course of the audit:

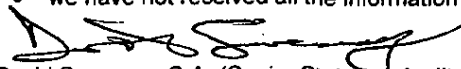
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

### 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  
3 April 2017

# AGS Airports Limited

## Consolidated income statement for the year ended 31 December 2016

	Note	Year ended 31 December 2016			Period ended 31 December 2015		
		Before certain re-measurements	Certain re-measurements	Total	Before certain re-measurements	Certain re-measurements	Total
		£m	£m	£m	£m	£m	£m
Revenue		197	-	197	201	-	201
Operating costs	2						
Recurring		(142)	-	(142)	(152)	-	(152)
Non recurring		-	14	14	(5)	-	(5)
Other operating costs							
Fair value gain on investment properties	7	-	7	7	-	22	22
<b>Operating profit</b>		<b>55</b>	<b>21</b>	<b>76</b>	<b>44</b>	<b>22</b>	<b>66</b>
Finance costs (net)	3	(50)	-	(50)	(53)	-	(53)
<b>Profit/(loss) before tax</b>		<b>5</b>	<b>21</b>	<b>26</b>	<b>(9)</b>	<b>22</b>	<b>13</b>
Taxation	4	1	4	5	25	(3)	22
<b>Consolidated profit for the year/period</b>		<b>6</b>	<b>25</b>	<b>31</b>	<b>16</b>	<b>19</b>	<b>35</b>

The notes on pages 17 to 44 form an integral part of these financial statements.

## AGS Airports Limited

### Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	Year ended 31-Dec-16 £m	Period ended 31-Dec-15 £m
<b>Profit for the year/period</b>	<b>19</b>	<b>31</b>	<b>35</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Re-measurement of defined benefit (liability)/asset	16	(35)	2
Tax relating to items that will not be reclassified subsequently to profit or loss		6	-
		(29)	2
<b>Items that may be reclassified subsequently to profit or loss</b>			
Cash flow hedges:			
Losses arising during the year/period	18	(8)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss		2	-
		(6)	(1)
<b>Other comprehensive (loss)/ income for the year/period net of tax</b>		<b>(35)</b>	<b>1</b>
<b>Total comprehensive (loss)/ income for the year/period</b>		<b>(4)</b>	<b>36</b>

The notes on pages 17 to 44 form an integral part of these financial statements.


# AGS Airports Limited


## Consolidated statement of financial position as at 31 December 2016

	Note	31-Dec-16 £m	31-Dec-15 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	417	412
Intangible assets	6	559	554
Investment properties	7	310	303
Employee benefits	16	-	9
Trade and other receivables	9	-	2
		<b>1,286</b>	<b>1,280</b>
<b>Current assets</b>			
Inventories	8	1	1
Trade and other receivables	9	28	25
Cash and cash equivalents	10	31	23
		<b>60</b>	<b>49</b>
<b>Total assets</b>		<b>1,346</b>	<b>1,329</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	963	991
Derivative financial instruments	12	8	1
Deferred tax liabilities	14	149	162
Employee benefits	16	10	-
		<b>1,130</b>	<b>1,154</b>
<b>Current liabilities</b>			
Borrowings	11	33	2
Trade and other payables	15	51	37
		<b>84</b>	<b>39</b>
<b>Total liabilities</b>		<b>1,214</b>	<b>1,193</b>
<b>Net assets</b>		<b>132</b>	<b>136</b>
<b>EQUITY</b>			
Share capital	17	-	-
Share premium account	18	100	100
Hedging reserve	18	(7)	(1)
Retained earnings	19	39	37
<b>Equity attributable to the Owners of the Company</b>		<b>132</b>	<b>136</b>

The notes on pages 17 to 44 form an integral part of these financial statements.

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 2017. 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 2016

		Equity attributable to the owners of the Company				
Group	Note	Share capital £m	Share premium account £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Issue of initial share capital	17-18	-	100	-	-	100
Comprehensive income:						
Profit for the period	19	-	-	-	35	35
Other comprehensive income		-	-	(1)	2	1
Total comprehensive income		-	-	(1)	37	36
Balance at 31 December 2015		-	100	(1)	37	136
Comprehensive income:						
Profit for the year	19	-	-	-	31	31
Other comprehensive income		-	-	(6)	(29)	(35)
Total comprehensive income		-	-	(6)	2	(4)
Balance at 31 December 2016		-	100	(7)	39	132

The notes on pages 17 to 44 form an integral part of these financial statements.

# AGS Airports Limited

## Consolidated statement of cash flows as at 31 December 2016

	Note	Year ended 31-Dec-16 £m	Period ended 31-Dec-15 £m
<b>Operating activities</b>			
Cash generated from continuing operating	21	86	62
<b>Net cash from operating activities</b>		<b>86</b>	<b>62</b>
<b>Investing activities</b>			
Acquisition of business net of cash acquired		-	(247)
Purchase of Property, Plant and Equipment		(34)	(32)
Investment in Restricted Cash		-	(9)
<b>Net cash used in investing activities</b>		<b>(34)</b>	<b>(288)</b>
<b>Financing activities</b>			
Proceeds from issue of share capital		-	100
Interest paid		(49)	(53)
Repayment of loan to shareholders		(32)	(24)
Cancellation of derivatives		-	(34)
Drawdown of capital expenditure facility		36	29
Proceeds from new loan		-	472
Borrowings from group undertakings		-	488
Fees paid		(1)	(9)
Repayment of senior loan facility		-	(320)
Repayment of borrowings from former parent		-	(409)
Cash collateral on bond		2	-
<b>Net cash from financing activities</b>		<b>(44)</b>	<b>240</b>
<b>Opening cash and cash equivalents</b>		<b>14</b>	<b>-</b>
<b>Movements in the year/period</b>		<b>8</b>	<b>14</b>
<b>Closing cash and cash equivalents as at 31 December</b>	<b>10</b>	<b>22</b>	<b>14</b>

The notes on pages 17 to 44 form an integral part of these financial statements.

# AGS Airports Limited

## Accounting policies at 31 December 2016

### General information

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

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

### 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 fair value hedge accounting (please refer to page 26 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 Directors present their Annual report and the audited financial statements for AGS Airports Limited for the year ended 31 December 2016 with comparatives against the longer accounting period from incorporation on 3 September 2014 until 31 December 2015, with trading from 18 December 2014 to 31 December 2015.

### 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;
- ii defined benefit scheme changes.
- iii the associated tax impacts of the items in (i) and (ii) above
- iv the impact on deferred tax balances of known future changes in tax rates.

### 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 2018. 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 IFRSs

(a) Amended standards adopted by the Group

During the year, the Group adopted a number of amendments to the IFRSs issued by the IASB that are mandatorily effective for accounting periods beginning on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The following amendments, although relevant to the Group, have no impact on the Group's results for the reasons stated:

- Amendments to IAS 1: Disclosure initiative. No financial impact on the Group's results;
- Annual improvements to IFRSs 2012-2014 cycle. The only item of relevance was the discount rate methodology applied for IAS 19, for which the Group already complied with the requirement to apply a high quality corporate bond rate; and
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation. The Group was not affected by this amendment, prohibiting the use of revenue-based depreciation and amortisation methods since the Group uses the straight-line method for depreciation and amortisation for all tangible and intangible fixed assets.

The following amendments are not applicable to the Group:

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – The amendments are not applicable as the Group is applying the consolidation exception;
- Amendments to IAS 27: Equity Method in Separate Financial Statements - The amendments are not applicable to the Group as all investments related to subsidiaries are consolidated rather than accounted for under the equity method;

# AGS Airports Limited

## Accounting policies at 31 December 2016 continued

### Adoption of new and revised IFRSs continued

- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations – The amendments are not applicable to the Group as there are currently no joint operations owned by the Group; and
- Amendments to IAS 116 and IAS 41: Bearer Plants – The amendments are not applicable to the Group as they only apply to agricultural entities.

*(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group*

The following standards, amendments and interpretations, which have not been applied in these financial statements, were in issue but 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 16 Leases;
- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions;
- IAS 7 (amendments) Disclosure Initiative;
- IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses; and
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

IFRS 9 *Financial Instruments* is effective for periods beginning on or after 1 January 2018. The Group will continue to assess the impact of the standard on its derivatives.

IFRS 15 *Revenue from Contracts with Customers* is effective for periods beginning on or after 1 January 2018. The standard outlines the steps that an entity will take to recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to the customer. The potential impact is being assessed.

IFRS 16 *Leases* is effective for periods beginning on or after 1 January 2019. The standard requires a lessee to recognise an asset and corresponding liability for all leases (subject to certain exemptions). As a lessee, the Group will therefore recognise assets held under operating leases and the corresponding liabilities in its Statement of financial position. The Group has determined that the standard will have an impact on the financial statements, however, the financial effect continues to be evaluated.

### 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 is formed by the companies: Aberdeen International Airport Limited, Glasgow Airport Limited, Southampton International Airport Limited, Airport Holdings NDH1 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

### 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.

# **AGS Airports Limited**

## **Accounting policies at 31 December 2016 continued**

### **Revenue continued**

#### **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.

### **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.

## AGS Airports Limited

### Accounting policies at 31 December 2016 continued

#### Depreciation

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

<i>Terminal complexes</i>	<i>Fixed asset lives</i>
Terminal building, pier and satellite structures	20–60 years
Terminal fixtures and fittings	5–20 years
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
<i>Airfields</i>	
Runway surfaces	10–15 years
Runway bases	100 years
Taxiways and aprons	50 years
<i>Plant and equipment</i>	
Motor vehicles	4–8 years
Office equipment	5–10 years
Computer equipment	4–5 years
Computer software	3–7 years
<i>Other land and buildings</i>	
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.

# **AGS Airports Limited**

## **Accounting policies at 31 December 2016 continued**

### **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.

#### **Software**

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

#### **Leases**

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

# **AGS Airports Limited**

## **Accounting policies at 31 December 2016 continued**

### **Provisions continued**

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.

### **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.

#### **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.

# **AGS Airports Limited**

## **Accounting policies at 31 December 2016 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***

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 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.

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

## **AGS Airports Limited**

### **Accounting policies at 31 December 2016 continued**

#### **Pension costs - Defined benefit plans continued**

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.

## **AGS Airports Limited**

### **Significant accounting judgements and key sources of estimation uncertainty for the year ended 31 December 2016**

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 61% 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 year 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 16.

#### **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 2016, £7 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.

#### **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 £482m.

#### **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.

#### **Capitalisation**

Management are required to make judgements in relation to the capitalisation of costs. This relates to both when amounts may begin to be capitalised, where there may be doubt about planning consent or the ultimate completion of the asset, and in relation to the nature of costs incurred. Examples where judgement has been exercised in the year include capitalised interest, where judgement is exercised in relation to the applicable interest rate and the assessment of assets in the course of construction, including expansion costs, projects on hold and operational activities where judgement is exercised to determine costs that are directly attributable to the assets under construction.

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016

### 1 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 year ended 31 December 2016 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 and fair value adjustments 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)**  
**Year ended 31 December 2016**

	Segment revenue					EBITDA		
	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	31	11	9	5	56	21	4	25
Glasgow airport	53	39	12	8	112	53	8	61
Southampton airport	16	10	2	1	29	8	2	10
<b>Continuing operations</b>	<b>100</b>	<b>60</b>	<b>23</b>	<b>14</b>	<b>197</b>	<b>82</b>	<b>14</b>	<b>96</b>

### Reconciliation to statutory information

#### Unallocated income and expenses

Depreciation and amortisation	(27)	-	(27)
<b>Operating profit (before IAS 40)</b>	<b>56</b>	<b>13</b>	<b>69</b>
Fair value gain on investment properties (after IAS 40)			7
Finance costs			(50)
<b>Profit before tax</b>			<b>26</b>
Taxation			5
<b>Consolidated profit for the year</b>			<b>31</b>

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 1 Segment information (continued)

Table (a)  
Period ended 31 December  
2015

	Segment revenue					EBITDA		
	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
<b>Continuing operations</b>	<b>105</b>	<b>60</b>	<b>23</b>	<b>13</b>	<b>201</b>	<b>75</b>	<b>-</b>	<b>75</b>
<b>Reconciliation to statutory information</b>								
<b>Unallocated income and expenses</b>								
Acquisition and separation costs						-	(5)	(5)
Depreciation						(26)	-	(26)
<b>Operating profit (before IAS 40)</b>						<b>49</b>	<b>(5)</b>	<b>44</b>
Fair value gain on investment properties (after IAS 40)								22
Finance costs								(53)
<b>Profit before tax</b>								<b>13</b>
Taxation								22
<b>Profit for the period</b>								<b>35</b>

Table (b)

	Year ended 31 December 2016		Period ended 31 December 2015	
	Depreciation and amortisation	Fair value gain <sup>1</sup>	Depreciation	Fair value gain <sup>1</sup>
	£m	£m	£m	£m
Aberdeen airport	(8)	(10)	(7)	8
Glasgow airport	(17)	14	(17)	10
Southampton airport	(2)	3	(2)	4
<b>Total group</b>	<b>(27)</b>	<b>7</b>	<b>(26)</b>	<b>22</b>

1 Reflects fair value gains and losses on investment properties only.

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 1 Segment information (continued)

Table (c)	31 December 2016			31 December 2015		
	Assets <sup>1</sup>	Liabilities	Capital expenditure	Assets <sup>1</sup>	Liabilities	Capital expenditure
	£m	£m	£m	£m	£m	£m
Aberdeen airport	452	(13)	12	462	(11)	12
Glasgow airport	763	(33)	22	756	(22)	5
Southampton airport	90	(8)	3	88	(5)	3
	1,305	(54)	37	1,306	(38)	20
Other operations	10	(7)	1	-	(3)	11
<b>Total operations</b>	<b>1,315</b>	<b>(61)</b>	<b>38</b>	<b>1,306</b>	<b>(41)</b>	<b>31</b>
Unallocated assets and liabilities:						
Cash and borrowings	31	(564)	-	23	(525)	-
Derivative financial instruments	-	(8)	-	-	(1)	-
Amounts owed to group undertakings	-	(432)	-	-	(464)	-
Taxation	-	(149)	-	-	(162)	-
<b>Total group</b>	<b>1,346</b>	<b>(1,214)</b>	<b>38</b>	<b>1,329</b>	<b>(1,193)</b>	<b>31</b>

<sup>1</sup> 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 year ended 31 December 2016 revenue was £197 million.

There are no non-current assets held outside the UK.

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 2 Operating costs

	<u>Year ended</u> <u>31-Dec-16</u> £m	<u>Period ended</u> <u>31-Dec-15</u> £m
<b>Operating costs (including Non-recurring items) include the following:</b>		
Employment costs	48	52
Depreciation and amortisation		
Depreciation of property, plant and equipment	26	26
Amortisation of intangible assets	1	-
Other operating costs		
Recurring	67	74
Non-recurring items	(14)	5
<b>Total operating costs</b>	<b>128</b>	<b>157</b>

<b>Analysed as:</b>		
Operating costs - Recurring	115	126
Operating costs - Non recurring	(14)	5
Depreciation	27	26
<b>Total operating costs</b>	<b>128</b>	<b>157</b>

2016 non-recurring costs include costs related with the Defined Benefit Pension Scheme changes as disclosed in note 16. 2015 non-recurring costs include costs related with the acquisition of Airports Holdings NDH1 Limited. These costs are identified as non-recurring in nature.

### Auditor remuneration

	<u>Year ended</u> <u>31-Dec-16</u> £000	<u>Period ended</u> <u>31-Dec-15</u> £000
Fees payable to the Company's auditor for the audit of the AGS Airports Limited annual accounts	28	50
Audit of the Company's subsidiaries pursuant to legislation	104	212
<b>Total Audit fees</b>	<b>132</b>	<b>262</b>

### Employee numbers

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

	<u>Year ended</u> <u>31-Dec-16</u>	<u>Period ended</u> <u>31-Dec-15</u>
Aberdeen	265	296
Glasgow	472	481
Southampton	186	190
AGS	32	28
<b>Total</b>	<b>973</b>	<b>995</b>

### Directors' and key management personnel remuneration

	<u>Year ended</u> <u>31-Dec-16</u> £m	<u>Period ended</u> <u>31-Dec-15</u> £m
<b>Director's and key management and highest paid director's remuneration</b>		
Aggregate emoluments	1	1
Value of company pension contributions to defined benefit scheme	-	-
	<b>1</b>	<b>1</b>

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 2 Operating costs continued

	<u>2016</u> Number	<u>2015</u> Number
Number of director's and key management who:		
are members of a defined benefit pension scheme	2	3
are members of a defined contribution pension scheme	1	-

### 3 Finance Cost

	<u>Year ended</u> <u>31-Dec-16</u> £m	<u>Period ended</u> <u>31-Dec-15</u> £m
<b>Finance Income</b>		
Pension interest and other	1	-
	1	-
<b>Finance costs</b>		
Interest on borrowings:		
Bonds	(1)	(2)
Bank loans and related hedging instruments	(14)	(14)
Interest payable to parent	(32)	(35)
Facility Fees and other charges	(5)	(3)
Total Borrowings costs	(52)	(54)
Less: Capitalised borrowing costs	1	1
	(51)	(53)
<b>Net finance costs</b>	<b>(50)</b>	<b>(53)</b>

### 4 Taxation

	<u>Year ended</u> <u>31-Dec-16</u> £m	<u>Period ended</u> <u>31-Dec-15</u> £m
<b>UK Corporation tax</b>		
Current tax at 20% (2015: 20.25%)	(1)	-
Adjustments in respect of prior periods	1	-
<b>Total current tax</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>		
Current year	(3)	22
Adjustments in respect of prior periods	(1)	-
Change in UK corporation tax rate - impact on deferred tax	9	-
<b>Total deferred tax credit</b>	<b>5</b>	<b>22</b>
<b>Taxation credit for the year</b>	<b>5</b>	<b>22</b>

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 4 Taxation continued

The tax credit on the Group's profit 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:

	Year ended 31-Dec-16 £m	Period ended 31-Dec-15 £m
<b>Profit before tax</b>	<b>26</b>	<b>13</b>
<b>Reconciliation of the tax credit</b>		
Tax calculated at the UK statutory rate of 20% (2015: 20.25%)	(5)	(3)
Change in tax rate - difference between 20% and 17%	9	18
Non-deductible expenses	1	7
<b>Taxation credit for the year</b>	<b>5</b>	<b>22</b>

### 5 Property, plant and equipment

Group	Terminal complexes £m	Airfields £m	Plant and equipment £m	Other land and buildings £m	Assets in the course of construction £m	Total £m
<b>Cost</b>						
On incorporation	-	-	-	-	-	-
On acquisition	192	161	27	10	16	405
Additions	-	-	-	-	31	31
Transfers to completed assets	11	2	3	1	(17)	-
Interest capitalised	-	-	-	-	1	1
Disposals	(15)	(4)	(9)	(1)	-	(29)
<b>At 1 January 2016</b>	<b>188</b>	<b>159</b>	<b>21</b>	<b>10</b>	<b>31</b>	<b>409</b>
Additions	-	-	-	-	38	38
Transfer to completed assets	15	6	5	1	(27)	0
Transfer to intangible assets	-	-	-	-	(6)	(6)
Disposals	(2)	-	(1)	-	-	(3)
<b>At 31 December 2016</b>	<b>201</b>	<b>165</b>	<b>25</b>	<b>11</b>	<b>36</b>	<b>438</b>
<b>Depreciation</b>						
On incorporation	-	-	-	-	-	-
Charge for the period	(14)	(5)	(4)	(3)	-	(26)
Disposals	15	4	9	1	-	29
<b>At 1 January 2016</b>	<b>1</b>	<b>(1)</b>	<b>5</b>	<b>(2)</b>	<b>-</b>	<b>3</b>
Charge for the year	(13)	(5)	(5)	(3)	-	(26)
Disposals	1	-	1	-	-	2
<b>At 31 December 2016</b>	<b>(11)</b>	<b>(6)</b>	<b>1</b>	<b>(5)</b>	<b>-</b>	<b>(21)</b>
<b>Net book value</b>						
<b>At 31 December 2016</b>	<b>190</b>	<b>159</b>	<b>26</b>	<b>6</b>	<b>37</b>	<b>417</b>
<b>At 31 December 2015</b>	<b>189</b>	<b>158</b>	<b>26</b>	<b>8</b>	<b>31</b>	<b>412</b>

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 5 Property, plant and equipment continued

#### 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 2016 include the terminal transformation project at Aberdeen, construction of new aircraft parking stands, new car rental centre and new pick up and drop off facility at Glasgow and combining the two Airport control centres at Southampton.

Security granted by the Group over its assets, including property, plant and equipment, is disclosed in Note 11.

### 6 Intangible assets

Group	Right to operate £m	Goodwill £m	Software £m	Total £m
<b>Cost</b>				
On incorporation	-	-	-	-
On acquisition	477	77	-	554
<b>As at 1 January 2016</b>	<b>477</b>	<b>77</b>	<b>-</b>	<b>554</b>
Transfers from PPE	-	-	6	6
<b>Balance as at 31 December 2016</b>	<b>477</b>	<b>77</b>	<b>6</b>	<b>560</b>
<b>Amortisation and impairment</b>				
On incorporation	-	-	-	-
Amortisation for the period	-	-	-	-
<b>As at 1 January 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Amortisation for the year	-	-	(1)	(1)
<b>Balance as at 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(1)</b>
<b>Net book value</b>				
As at 31 December 2015	477	77	-	554
<b>As at 31 December 2016</b>	<b>477</b>	<b>77</b>	<b>5</b>	<b>559</b>

#### Right to operate and Goodwill

The intangible assets were acquired on the purchase of Airports Holdings NDH1 Limited.

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 2016, the Group assessed the recoverable amount of goodwill for CGUs and noted no impairment. The Goodwill attached to each CGU at 31 December 2016 is as follows:

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

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 6 Intangible assets continued

In considering the Goodwill and Right to Operate for impairment the recoverable amounts of the CGU's are determined as fair value less cost to sell. The fair value measurement hierarchy used in calculating fair value has been classified as Level 3.

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 9% which reflects the current market assessment of the time value of money. A long term growth rate of 2.2% 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 27 years up to and including December 2043. These are based on the latest approved Group budget for the year ending 31 December 2017, 5 years long term business plan ending in 31 December 2021 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.

### 7 Investment properties

	Group £m
<b>Valuation</b>	
At 1 January 2016	303
Gain on revaluation	7
<b>At 31 December 2016</b>	<b>310</b>

Investment properties were valued at fair value at 31 December 2016 by CBRE Limited, Chartered Surveyors.

Details of valuations performed are provided below:

	<u>31-Dec-16</u> £m	<u>31-Dec-15</u> £m
<b>CBRE Limited</b>	<b>310</b>	<b>303</b>

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 £52 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 11.

### 8 Inventories

	<u>31-Dec-16</u> £m	<u>31-Dec-15</u> £m
<b>Consumables</b>	<b>1</b>	<b>1</b>

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

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 9 Trade and other receivables

	<u>31-Dec-16</u> £m	<u>31-Dec-15</u> £m
<b>Non current</b>		
Other receivables <sup>1</sup>	-	2
	-	2
<b>Current</b>		
Trade receivables	26	23
Less: provision for impairment	-	-
<b>Trade receivables - net</b>	<b>26</b>	<b>23</b>
Prepayments	2	2
<b>Trade and other receivables</b>	<b>28</b>	<b>27</b>

<sup>1</sup> Relates primarily to cash collateral on the £30 million debenture which was released in 2016 due to the Company meeting the security assets requirements.

The fair value of trade and other receivables is not materially different from the carrying value. No impairments are identified as at 31 December 2016.

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

The ageing analysis of these trade receivables is as follows:

Group	<u>31-Dec-16</u> £m	<u>31-Dec-15</u> £m
1-30 days	23	20
31-60 days	1	3
61-90 days	1	-
91-120 days	1	-
<b>Total</b>	<b>26</b>	<b>23</b>

The Group is not exposed to significant foreign currency exchange. Additional disclosure on credit risk management is included in Note 13.

### 10 Cash and cash equivalents

	<u>31-Dec-16</u> £m	<u>31-Dec-15</u> £m
Cash	22	14
Restricted cash	9	9
<b>Cash at bank and in hand</b>	<b>31</b>	<b>23</b>

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.

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 11 Borrowings

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	£m	£m
<b>Current</b>		
£30m debenture due 2017	31	-
Interest payable on third party borrowings	2	2
<b>Total current</b>	<b>33</b>	<b>2</b>
<b>Non-current</b>		
<b>Secured</b>		
Senior loan facility	472	472
Capex facility	64	29
£30m debenture due 2017	-	33
Unamortised arrangement fee	(5)	(7)
<b>Unsecured</b>		
Loans payable to parent	432	464
<b>Total non-current</b>	<b>963</b>	<b>991</b>
<b>Total borrowings</b>	<b>996</b>	<b>993</b>

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	£m	£m
<b>Total borrowings are repayable as follows:</b>		
Amounts due for settlement within 12 months	33	2
Amounts due for settlement between one and five years	531	527
Amounts due for settlement after five years	432	464
	<b>996</b>	<b>993</b>

#### 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 July 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 year amounted to £1m and is considered a non-cash item.

#### Capex facility

The £64 million capex facility relates to the drawn amount at December 2016 of the £125 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 year was £2m and is considered a non-cash item.

	<u>31-Dec-16</u>		<u>31-Dec-15</u>	
	Book value	Fair value <sup>1</sup>	Book value	Fair value
	£m	£m	£m	£m
<b>Non-current</b>				
Long-term debt	567	567	534	534
Loans payable to parent	432	432	464	464
Unamortised arrangement fee	(5)	-	(7)	-
	<b>994</b>	<b>999</b>	<b>991</b>	<b>998</b>

<sup>1</sup> Fair value of borrowings is for disclosure purposes only. The balance includes the £30 million debenture repayable in July 2017 which has a fair value of £31 million based on a discounted cash flow methodology, utilising yield curves derived from observable market data and is classified as Level 2

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 11 Borrowings continued

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 2016, 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 2016. 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 12 and 13.

### 12 Derivative financial instruments

Group	Notional £m	Assets £m	Liabilities £m	Total £m
31-Dec-16				
Non-current interest rate swaps	354	-	(8)	(8)
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.

### 13 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 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 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 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 2016, the Group's fixed floating interest rate profile, after hedging, on gross third parties debt was 73:87 (2015: 78:83).

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 13 Financial instruments (continued)

As at 31 December 2016, each 0.5% 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.

	31 December 2016		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 2016, 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 9.

The maximum exposure to credit risk, excluding amounts owed by group undertakings, as at 31 December 2016 was £31m.

#### Liquidity risk

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

	31 December 2016 £m	31 December 2015 £m
<b>Floating rate facilities</b>		
Expiring in two to five years	80	116

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.

	31 December 2016			
	Less than one year £m	One to two years £m	Two to five years £m	Greater than five years £m
Borrowing principal payments	30	-	536	-
Borrowing & derivatives interest payments	18	15	15	-
Derivative financial instruments	-	-	8	-
Trade payables	31	-	-	-
Capital payables	12	-	-	-

	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	17	14	28	-
Derivative financial instruments	-	-	1	-
Trade payables	24	-	-	-
Capital payables	7	-	-	-

#### 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.

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 13 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	31 December 2016			Total £m
	Loans and receivables £m	Assets at fair value through income statement £m	Derivatives qualifying for hedge accounting £m	
Cash and cash equivalents	31	-	-	31
Trade receivables	26	-	-	26
<b>Total financial assets</b>	<b>57</b>	<b>-</b>	<b>-</b>	<b>57</b>

Liabilities	31 December 2016			Total £m
	Liabilities at fair value through income statement £m	Derivatives qualifying for hedge accounting £m	Other financial liabilities at amortised cost £m	
Borrowings	-	-	(994)	(994)
Derivative financial instruments	-	(8)	-	(8)
Trade payables	-	-	(31)	(31)
Capital payables	-	-	(12)	(12)
<b>Total financial liabilities</b>	<b>-</b>	<b>(8)</b>	<b>(1,037)</b>	<b>(1,045)</b>

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

Liabilities	31 December 2015			Total £m
	Liabilities at fair value through income statement £m	Derivatives qualifying for hedge accounting £m	Other financial liabilities at amortised cost £m	
Borrowings	-	-	(958)	(958)
Derivative financial instruments	-	(1)	-	(1)
Trade payables	-	-	(24)	(24)
Capital payables	-	-	(7)	(7)
<b>Total financial liabilities</b>	<b>-</b>	<b>(1)</b>	<b>(989)</b>	<b>990</b>

At 31 December 2016, the Group had not designated any financial assets or financial liabilities at fair value through the income statement.

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 13 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 2016, all of the resulting fair value estimates in the Group are included in Level 2 (2015: all included in Level 2).

### 14 Deferred tax

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

	Group £m
At 1 January 2016	162
Credited to income statement	(5)
Tax credited to equity	(8)
<b>31 December 2016</b>	<b>149</b>

The amounts of deferred tax provided are detailed below:

#### Deferred tax liabilities

	Revaluation of right to operate	IBAs	Revaluation of investment property to fair value	Operational land	Other	Total
	£m	£m	£m	£m	£m	£m
On acquisition of subsidiary	98	37	36	6	7	184
Charged to income statement	(11)	(3)	-	-	(8)	(22)
<b>31 December 2015</b>	<b>87</b>	<b>34</b>	<b>36</b>	<b>6</b>	<b>(1)</b>	<b>162</b>
Charged to income statement	-	-	-	-	(5)	(5)
Charged to equity	-	-	-	-	(8)	(8)
<b>31 December 2016</b>	<b>87</b>	<b>34</b>	<b>36</b>	<b>6</b>	<b>(14)</b>	<b>149</b>

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 15 Trade and other payables

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	£m	£m
<b>Current</b>		
Deferred income	5	3
Trade payables	14	11
Accruals	17	13
Capital payables	12	7
Other tax and social security	1	1
Other payables	2	2
<b>Trade and other payables</b>	<b>51</b>	<b>37</b>

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

### 16 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)" ("IAS 19R") for the year ended 31 December 2016.

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.

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	£m	£m
Defined benefit asset	156	139
Defined benefit liability	(166)	(130)
<b>Net (deficit)/asset for defined benefit obligations (see following table)</b>	<b>(10)</b>	<b>9</b>

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 16 Employee benefits (continued)

<i>Movements in net defined benefit asset</i>	Defined benefit obligation		Fair value of plan assets		Net defined benefit (liability)/asset	
	31-Dec-2016	31-Dec-2015	31-Dec-2016	31-Dec-2015	31-Dec-2016	31-Dec-2015
Group	£m	£m	£m	£m	£m	£m
Opening balance	(130)	(123)	139	130	9	7
Current service cost	(5)	(7)	-	-	(5)	(7)
Past service cost	16	-	-	-	16	-
Interest cost / income	(5)	(5)	5	5	-	-
Included in SOCI						
Actuarial (gain)/loss	(45)	5	-	-	(45)	5
Return on plan assets excluding interest income	-	-	10	(2)	10	(2)
Other						
Employer contributions	-	-	5	6	5	6
Employee contributions	(1)	(1)	1	1	-	-
Benefits paid out	4	1	(4)	(1)	-	-
<b>Balance at 31 December</b>	<b>(166)</b>	<b>(130)</b>	<b>156</b>	<b>139</b>	<b>(10)</b>	<b>9</b>

### Fair value of plan assets

Group	31-Dec-16 £m	31-Dec-15 £m
Equity	4	37
Property	7	7
Bonds	30	69
Cash	-	1
Liability driven investment	49	-
DGF	58	25
Direct lending	8	-
<b>Cash</b>	<b>156</b>	<b>139</b>

### Actuarial assumptions

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

Group	31-Dec-16 %	31-Dec-15 %
Discount rate at 31 December	2.55%	3.85%
Future salary increases (before 1 Sept 16)	2.25%	3.35%
Future salary increases (after 1 Sept 16)	2.00%	n.a.
RPI inflation	3.25%	3.35%
Pension increases in payment	3.10%	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), 29 years (female).

Future retiree upon reaching 60: 29 years (male), 31 years (female).

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 16 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 year would have increased as a result of a change in the respective assumptions:

Impact on overall liabilities	Change in assumption	31-Dec-16 £m
Discount rate	Decrease by 0.1%	2.4
Rate of inflation	Increase by 0.1%	1.6
Life expectancy	Increase by 1 year	2.3

### 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 £1.8 million in contributions to its defined benefit plans in 2017. The weighted average duration of the defined benefit obligation at the end of the reporting period is 24 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 year was £1.6 million.

### 17 Share Capital

	31-Dec-16 £	31-Dec-15 £
<b>Allocated, called-up and fully-paid</b>	<b>1</b>	<b>1</b>

The initial share on incorporation was issued for a consideration of £100m, resulting in a share premium of £100m (Note 18).

### 18 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)
<b>31 December 2015</b>	<b>100</b>	<b>(1)</b>
Fair value losses recorded in equity	-	(6)
<b>31 December 2016</b>	<b>100</b>	<b>(7)</b>

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.

# AGS Airports Limited

## Notes to the Consolidated financial statements at 31 December 2016 (continued)

### 19 Retained earnings

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	£m	£m
Opening balance	37	-
Profit for the year/period	31	35
Re-measurement of defined benefit asset/(liability)	(29)	2
<b>31 December</b>	<b>39</b>	<b>37</b>

### 20 Commitments and contingent liabilities

#### *Non-cancellable operating lease commitments – Group as a lessee*

No material non-cancellable operating lease commitments during the year.

#### *Non-cancellable operating lease commitments – Group as a lessor*

Total future minimum rentals receivable as at the yearend are as follows:

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	Land and buildings £m	Land and buildings £m
Within one year	8	8
Within two to five years	20	22
After five years	41	36
<b>Total</b>	<b>69</b>	<b>66</b>

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 2016 amount to £14.5 million (2015: £1.7 million)

### 21 Notes to the consolidated statement of cash flows

		<u>Year ended</u> <u>31-Dec-16</u>	<u>Period ended</u> <u>31-Dec-15</u>
	Note	£m	£m
<b>Operating activities</b>			
Profit before tax		26	13
<i>Adjustments for:</i>			
Finance costs	3	50	53
Depreciation	2	27	26
Fair value gain on investment properties	7	(7)	(17)
Pension adjustments		(15)	-
Receivables		(3)	2
Payables		8	(13)
Taxation - group relief		-	(2)
<b>Cash generated from continuing operations</b>		<b>86</b>	<b>62</b>

## **AGS Airports Limited**

### **Notes to the Consolidated financial statements at 31 December 2016 (continued)**

#### **22 Related party transactions**

No balances outstanding with related parties at 31 December 2016.

#### **23 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.

#### **24 Subsequent Events**

In February 2017, the Group was re-financed increasing its bank debt facilities to £763 million plus £30 million to refinance the debenture loan that matures in July 2017.

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# AGS Airports Limited

Company balance sheet as at 31 December 2016

	Note	31-Dec-16 £m	31-Dec-15 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	4	11
Intangible assets	2	5	-
Investment in subsidiaries	3	1,045	1,045
Deferred tax	9	2	-
Current tax		-	2
		1,056	1,058
<b>Current assets</b>			
Trade and other receivables	4	108	75
Cash and cash equivalents	5	31	23
Current tax		2	-
		141	98
<b>Total assets</b>		<b>1,197</b>	<b>1,156</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	6	963	958
Derivative financial instruments	7	8	1
		971	959
<b>Current liabilities</b>			
Borrowings	6	4	1
Trade and other payables	8	129	99
		133	100
<b>Total assets</b>		<b>1,104</b>	<b>1,059</b>
<b>Net liabilities</b>		<b>93</b>	<b>97</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	10	-	-
Share Premium account	11	100	100
Hedging reserve	11	(7)	(1)
Retained earnings	11	-	(2)
<b>Equity attributable to the Owners of the Company</b>		<b>93</b>	<b>97</b>

The Company reported a profit for the financial year ended 31 December 2016 of £2m (2015: £2m loss).

The notes on pages 47 to 52 form an integral part of these financial statements.

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 2017. They were signed on its behalf by:



John Bruen  
Director



Ignacio Aitor Garcia Bilbao  
Director

# AGS Airports Limited

## Accounting policies for the year ended 31 December 2016

The principal accounting policies applied in the preparation of the financial statements of AGS Airports Limited (the 'Company') are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

### Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment in subsidiary in accordance with the Companies Act 2006 and applicable accounting standards. They have been prepared by the directors in accordance with FRS 101. Under FRS 101, the Company has chosen to apply the recognition and measurement provisions of International Accounting Standard ('IAS') 27 'Separate Financial Statements', as endorsed by the European Union ('EU').

The Company has taken advantage of certain disclosure exemptions in FRS 101 as its financial statements are included in the publicly available consolidated financial statements of AGS Airports Limited. These disclosure exemptions relate to the statement of cash flows, the requirements of IFRS 7 Financial Instruments: Disclosures, the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement, related party transactions and the requirement set out in IAS 1.38 to present comparative information in respect of property, plant and equipment and investment properties. In addition, the Company has also taken advantage of disclosure exemption of the income statement as allowed by the Companies Act.

### Going concern

The directors have prepared the financial statements on a going concern basis which requires the directors to have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

### Investment in subsidiaries

Investments in subsidiaries are stated at cost and reviewed for impairment if there are any indications that the carrying value may not be recoverable. Reversals are recognised where there is a favourable change in the economic assumptions in the period since the provision was made.

### Trade receivables

Trade receivables are recognised initially at cost less any provision for impairment.

### 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 profit and loss account over the period of the borrowings using the effective interest rate method. Borrowings being novated or cancelled and re-issued, with a substantial modification of the terms, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any resulting gain or loss recognised in the profit and loss account.

### 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 Company 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 Company 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 Company 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.

# **AGS Airports Limited**

**Accounting policies for the year ended 31 December 2016 *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 Company'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.

## **Cash**

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand when a right to offset exists.

## **Amounts owed to group undertakings**

Amounts owed to group undertakings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

## **Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is recognised in other comprehensive income.

Current tax liabilities are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are not discounted.

Deferred income taxation is determined using the tax rates and laws that have been enacted, or substantively enacted, during the year and are expected to apply in the periods in which the related deferred tax asset or liability is realised or settled.

## **Share capital**

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

Property, plant and equipment and intangible assets are recorded in accordance with the accounting policies set out on pages 19 to 21.

# AGS Airports Limited

## Notes to the Company financial statements for the year ended 31 December 2016

### 1 Company result for the year

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account or statement of other comprehensive income for the year. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in Note 12.

### 2 Intangible assets and property, plant and equipment

	Intangible assets	Plant and equipment	Assets in the course of construction	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 January 2016	-	-	11	11
Transfer to completed assets	-	5	(5)	-
Transfers to intangibles	6	-	(6)	-
<b>At 31 December 2016</b>	<b>6</b>	<b>5</b>	<b>-</b>	<b>11</b>
<b>Depreciation</b>				
At 1 January 2016	-	-	-	-
Charge for the year	(1)	(1)	-	(2)
<b>At 31 December 2016</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>	<b>(2)</b>
<b>Net book value</b>				
At 31 December 2016	5	4	-	9
At 31 December 2015	-	-	11	11

### 3 Investments in subsidiaries

	31-Dec-16	31-Dec-15
	£m	£m
On acquisition of subsidiary	282	282
Long term loan to subsidiary	763	763
<b>At 31 December</b>	<b>1,045</b>	<b>1,045</b>

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.

	Principal place of business/ Country of Incorporation	Registered number	Class of shares held	Ownership
<b>Company</b>				
Airport Holdings NDH1 Limited	1 Park Row, Leeds, LS1 5AB	6408392	Ordinary	100%
Glasgow Airport Limited	St Andrews Drive, Paisley, PA3 2SW	SC096624	Ordinary	100%
Aberdeen International Airport Limited	Dyce, Aberdeen, AB21 7DU	SC096622	Ordinary	100%
Southampton International Airport Limited	Wide Lane, Southampton, SO18 2NL	2431858	Ordinary	100%
BAA Lynton Limited	1 Park Row, Leeds, LS1 5AB	3330278	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.

# AGS Airports Limited

Notes to the Company financial statements for the year ended 31 December 2016

## 4 Trade and other receivables

	31-Dec-16 £m	31-Dec-15 £m
<b>Current</b>		
Inter-group interest receivable	108	55
Inter-group cash sweeps	-	16
Inter-group trading receivable	-	4
	<b>108</b>	<b>75</b>

## 5 Cash and cash equivalents

	31-Dec-16 £m	31-Dec-15 £m
Cash	22	14
Restricted cash	9	9
<b>Cash at bank and in hand</b>	<b>31</b>	<b>23</b>

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 includes £9m of current restricted cash (Debt Service Reserve Account).

## 6 Borrowings

	31-Dec-16 £m	31-Dec-15 £m
<b>Current</b>		
Interest payable on third party borrowings	1	1
Inter-group interest payable	3	-
<b>Total current</b>	<b>4</b>	<b>1</b>
<b>Non-current</b>		
<b>Secured</b>		
Senior loan facility	472	472
Capex facility	64	29
Unamortised arrangement fee	(5)	(7)
<b>Unsecured</b>		
Loans payable to parent	432	464
<b>Total non-current</b>	<b>963</b>	<b>958</b>
<b>Total borrowings</b>	<b>967</b>	<b>959</b>

At 31 December 2016, the senior bank loan facility has been initially drawn on 17 December 2015. The loans matures in 2019 and bears a floating interest rate based on six months Libor plus a margin.

The £64 million capex facility relates to the drawn amount at 31 December 2016 of the £145 million facility that the Group has to finance their capital expenditure activity. The facility matures in 2019 and bears a floating interest rate based on six months Libor plus a margin.

Loans payable to group undertakings included loans due to the Company's parent, AGS Airports Investments Limited amounting to £432 million which accrued interest at 7%. This amount is due for payment in 2025.

# AGS Airports Limited

Notes to the Company financial statements for the year ended 31 December 2016

## 7 Derivative Financial Instruments

Group	Notional £m	Assets £m	Liabilities £m	Total £m
<b>31-Dec-16</b>				
Non-current interest rate swaps	354	-	(8)	(8)
<b>31-Dec-15</b>				
Non-current interest rate swaps	354	-	(1)	(1)

### Interest rate swaps

Interest rate swaps are maintained by the Company 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.

## 8 Trade and other payables

	<b>31-Dec-16</b> £m	<b>31-Dec-15</b> £m
<b>Current</b>		
Deferred income	2	-
Trade payables and accruals	6	2
Capital payables	-	2
Intra-group payables	121	95
	<b>129</b>	<b>99</b>

Amounts owed to group undertakings mainly relate to cash sweeps between the Company and its subsidiaries. As at 31 December 2016, the balance accrued interest at a rate of 7% per annum (2015: 7%).

## 9 Taxation

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

	£m
At 1 January 2016	-
Tax charged to equity	2
<b>31 December 2016</b>	<b>2</b>

## 10 Share Capital

	<b>31-Dec-16</b> £	<b>31-Dec-15</b> £
<b>Allocated, called-up and fully-paid</b>	<b>1</b>	<b>1</b>

The initial share on incorporation was issued for a consideration of £100m, resulting in a share premium of £100m (Note 11).

## AGS Airports Limited

### Notes to the Company financial statements for the year ended 31 December 2016

#### 11 Share premium and reserves

	Share Premium £m	Cash flow hedge reserve £m	Profit and loss reserves £m
On incorporation	100	-	-
Fair value losses recorded in equity	-	(1)	-
Loss for the period	-	-	(2)
<b>31-Dec-15</b>	<b>100</b>	<b>(1)</b>	<b>(2)</b>
Fair value losses recorded in equity	-	(6)	-
Profit for the year	-	-	2
<b>31-Dec-16</b>	<b>100</b>	<b>(7)</b>	<b>-</b>

#### 12 Auditor remuneration

For the year ended 31 December 2016, the Company's audit fee was £18k (2015: £18k).

#### 13 Employee information and directors' remuneration

Details of the Company's employee numbers and Directors' remuneration for the year are provided in Note 2 of the AGS airports Limited group financial statements.

#### 14 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 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%).

#### 15 Subsequent Events

In February 2017, the Group was re-financed increasing its bank debt facilities to £763 million plus £30 million to refinance the debenture loan that matures in July 2017.