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AGS Airports Limited
Annual report and financial statements for the year ended 31 December 2019

Company registration number 09201991

AGS Airports Limited

Contents

AGS Airports Limited

Officers and professional advisors

Directors
Juan Carlos Bullon Aleman (resigned 4 December 2019)
Ignacio Aitor Garcia Bilbao (resigned 26 March 2020)
Martyn Booth
Maria Cristina Casero Borges (appointed 2 August 2019)
John Bruen
Simon Geere
Sir Peter Mason
Gonzalo Velasco Zabalza
Ignacio Castejon Hernandez (appointed 26 March 2020)

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AGS Airports Limited

Strategic report

AGS Airports Limited (the "Company") owns and operates three airports in the UK located in Glasgow, Aberdeen and Southampton (together the "Group").

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

Management review

COVID-19 and Flybe Administration
Since the year end two significant events have impacted the current year operations of the Group. Firstly, on 5 March 2020 Flybe entered administration, and secondly there has been the impact of the ongoing spread of the Coronavirus (COVID-19) pandemic.

The strict travel restrictions put in place by governments in response to the Coronavirus (COVID-19) pandemic have resulted in a widespread grounding of flights. During March 2020 airlines completed their repatriation flights and currently there are only a limited number of services from the Group's airports. At Aberdeen and Glasgow airports essential services have included lifeline services to the Highlands and Islands, NHS and air ambulance services, and helicopters for the oil and gas industry, and at Southampton Airport lifeline services are being provided to the Channel Islands.

Paramount in these unprecedented times, is our duty of care to the Group's staff, business partners and airport passengers. Measures have included introducing temporary operating restrictions to reduce the number of people travelling to work and social distancing by keeping staffing in the Group's airports to a minimum. Additionally, carparks at Glasgow and Aberdeen airports are being used for Coronavirus (COVID-19) testing of NHS employees and at Southampton Airport a temporary morgue has been established.

The directors have instituted measures to preserve cash and secure additional finance, but there remains uncertainty over the Group's future trading results and cashflows. Measures have included employee redundancies at Southampton, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts and bonus pay-out cessation for all staff, options for unpaid leave and reduced hours. Additionally, the Group is negotiating with suppliers, local councils and tax authorities to reduce or defer costs and the Group has reprioritised its capital investment program.

Going forward when the travel restrictions are lifted, the Group will work with Government agencies to ensure that the Group can provide a safe environment to travel; this could involve additional requirements around passenger testing for Coronavirus (COVID-19), social distancing and stringent cleanliness requirements at the Group's airports.

Prior to administration, Flybe constituted 18% of the Group's airline traffic. The Group had initial success backfilling Flybe's routes following Flybe's administration announcement; this included Loganair and Eastern Airways taking over 8 and 3 routes respectively. The Group continues to work with other airlines to establish further backfill arrangements, however, progress had been disrupted by the Coronavirus (COVID-19) restrictions. Additionally, at Southampton work continues on the proposed runway extension that will enhance the passenger flight offerings from Southampton Airport.

Passenger numbers in January and February 2020 were in line with expectation however following the Flybe Bankruptcy in March and the impact of COVID-19, passenger numbers fell 96% and 97% against last year, during April and May 2020 respectively. Passenger numbers for the five months to May 2020 are therefore down by 57% on last year at 2.2m versus 5.1m. Passenger numbers for the full year are expected to be down on last year.

AGS Airports Limited

Strategic report (continued)

Review for the year ended 31 December 2019

Passenger traffic trends
Passenger traffic for the year ended 31 December 2019 across the Group's airports is analysed below:

	Year ended 31 December 2019	Year ended 31 December 2018	Change
Passengers by airport (millions)			
Aberdeen	**3.0**	3.1	(4.0)%
Glasgow	**8.9**	9.7	(8.3)%
Southampton	**1.8**	2.0	(9.8)%
Total passengers[1]	**13.6**	14.8	(7.6)%

	Year ended 31 December 2019	Year ended 31 December 2018	Change
Passengers by destination (millions)			
United Kingdom	**7.1**	7.6	(6.8)%
International	**6.6**	7.2	(8.5)%
Total passengers[1]	**13.6**	14.8	(7.6)%

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

In the twelve months to 31 December 2019, the number of passengers at the regional airports reduced by 7.6% to 13.6million, due to reduced traffic across the three airports, as a result of route cancellations and reduced rotations.

AGS Airports Limited

Strategic report (continued)

Financial review
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 2019 £m	Year ended 31 December 2018 £m
Revenue	**217**	213
Non-recurring	**(5)**	-
Adjusted revenue[1]	**212**	213
Adjusted operating costs[2]	**(120)**	(116)
Adjusted EBITDA[3]	**92**	97
Non-recurring costs	**(3)**	-
Depreciation and amortisation	**(32)**	(31)
Total operating costs	**(155)**	(147)
Fair value (loss)/gain on investment properties	**(14)**	16
Operating profit	**48**	82
Finance costs (net)	**(44)**	(42)
Profit before tax	**4**	40
Taxation	**(4)**	(10)
Profit for the year	**-**	30

1 Adjusted revenue is stated before non-recurring items of £5million (total revenue was £217m).
2 Adjusted operating costs are stated before depreciation, amortisation and non-recurring items.
3 Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, certain re-measurements (see page 16) and non-recurring items.

Adjusted revenue for the year ended 31 December 2019 decreased by 0.5% to £212million due to the impact of lower passenger numbers, partially offset by higher car park yield at Glasgow and Aberdeen, and increases in the traffic servicing the oil and gas sector at Aberdeen.

Adjusted operating costs increased by 3.4% driven by higher retail expenditure. Operating profit includes certain non-recurring costs which are not considered material or requiring separate presentation.

The total tax charge recognised for the year ended 31 December 2019 was £4million (2018: £10million).

Non-recurring items
Non-recurring items recognised in the statement of comprehensive income relate to:

- revenue of £5million from a local windfarm development in relation to construction of a radar to provide an air traffic control mitigation solution;
- costs associated with the closure of AGS Airports Limited's defined benefit pension scheme to future accrual £3million;
- past service credit associated with the closure of the defined benefit pension scheme of £3million; and
- industrial action and advisor costs of £3million.

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 vulnerable to market volatility. The investment property valuation as at 31 December 2019 of £383million (2018: £399million) resulted in a loss of £14million (2018: £16million gain).

Dividend
During the year the Company paid dividends of £14million to AGS Airports Investments Limited (2018: £27million).

Investment in modern airport facilities
The Group has continued to invest in the airports infrastructure. Specific projects include investment in hold baggage screening ("HBS") standard 3 equipment, taxiway rehabilitation works, and the completion of phase 3 of the terminal transformation project at Aberdeen; at Glasgow completion of a triple airbridge and associated terminal expansion works, construction of a new executive passenger lounge, terminal remodel works, continuation of the replacement of substructure at stands, runway link rehabilitation works and the purchase of new electric buses and airside coaches; and at Southampton purchase of a primary radar and resurfacing works, hold baggage screening x-rays, and provision of fixed electrical ground power system.

Strategic report (continued)

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

All three airports achieved high levels of departure punctuality, measured by the proportion of aircraft departing within 15 minutes of schedule. 89.6% was achieved by Aberdeen Airport (2018: 87.2%), 78.2% by Glasgow Airport (2018: 76.8%) and 80.3% by Southampton Airport (2018: 79.9%).

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 2019 was 3.98 for Aberdeen (2018: 3.86), 4.08 for Glasgow (2018: 4.04) and 4.16 for Southampton (2018: 4.17).

Pension scheme
At 31 December 2019, AGS Airports Limited's defined benefit pension scheme had a surplus of £2million (2018: surplus of £2million) as measured under IAS 19 Employee Benefits ("IAS 19"). The scheme was closed to future accrual with effect from 30 June 2019. The members of the scheme were thereafter entitled to participate in the Group's defined contribution pension plan.

Going concern
The financial statements are prepared on a going concern basis notwithstanding that the directors consider that the current economic outlook presents significant challenges in terms of the recovery of passenger numbers and thus revenue as a result of the Coronavirus (COVID-19) pandemic and the administration of Flybe.

The directors have instituted different measures to preserve cash and secure additional finance. Measures have included an organisational restructure at Southampton Airport, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts and bonus pay-out cessation for all staff, options for unpaid leave and reduced hours. Additionally, the Group has negotiated with suppliers, local councils and tax authorities to reduce or defer costs and the Group has reprioritised its capital investment program.

The Group finances its activities through funds generated from operations and has access to inter group funding (within the AGS Airports Holdings Group) and external debt facilities. The facilities are due for renewal in 2022 and include covenants, a breach of which would result in the amounts drawn becoming payable on demand. The Group has successfully negotiated with its lenders to waive these covenants, due to the current situation, at both 30 June 2020 and 31 December 2020. Additionally, on 16 March and 18 March 2020 the Group secured further funding of £10m and £28m under its working capital and capital expenditure facilities respectively. This therefore leaves the Group with an unused capital expenditure facility of £36m.

The directors have prepared base cashflow forecasts for the remainder of 2020 and through to June 2021, which assumes a phased passenger recovery when the travel restrictions are eased, anticipated towards the beginning of the second half of 2020. Those forecasts indicate that the Group can continue to operate for at least the next 12 months from the date of approval of these financial statements, however management highlight three material uncertainties.

These are:
1. Forecast uncertainty around timing of lockdown ending, pace of recovery, and ultimately uncertainty to what passenger numbers will return to compared to historic levels
2. Under a reasonable downside scenario the Group will require additional funding from the options available to management of which an example is the support schemes put in place by the government as a response to the pandemic
3. Ability to either comply with or obtain a waiver in respect to the June 2021 lending covenants currently in place. The waiver secured for December 2020 has conditions attached to it and management are reasonably confident that these will be satisfied.

The outlook for 2021 continues to be uncertain and highly dependent on the scale and pace of the recovery in trading in 2020. The group has a further covenant test at June 2021 and has several options around addressing covenant compliance under a scenario where trading continues to be impacted by the effects of COVID-19 on the aviation sector. These include further operating cost initiatives and, if required, negotiating a further waiver for this period from the Group's lenders, on a similar basis to those secured for 2020.

The directors have also prepared a downside scenario forecast, which considers the impact of a possible downside relating to the timing and volume of passenger demand, and how this would impact on the Group's revenue and costs going forward. The directors have considered several options which are available to them to mitigate the impact of the downside scenario should it arise. These include securing finance under the available Bank of England Coronavirus Schemes, if available. Although possible, the downside scenario is not currently considered likely, however, it is difficult to predict the overall outcome and impact of the Coronavirus at this stage.

The directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading

Going concern (continued)
performance, show that the Group should be able to operate within the level of its available liquidity and other options available to it in respect of additional funding such as the support schemes which the government has made available to companies in light of the Covid-19 pandemic. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements, however, the matters described above result in the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Net debt and liquidity
The Group is funded by inter group funding (within the AGS Airports Holdings Group), its shareholders and external debt. At 31 December 2019, the Group had intercompany borrowings of £289million (2018: £289million), external debt of £719million (2018: £707million), £24million (2018: £18million) of cash at bank and £74million (2018: £86million) undrawn committed borrowing facilities.

Accounting and reporting policies and procedures
The consolidated results in the financial statements for the year ended 31 December 2019 are presented in accordance with IFRS as adopted by the EU. The Group's accounting policies and areas of significant accounting judgements and estimates are detailed within the Group financial statements. The Company accounts are prepared in accordance with FRS 101.

Statement under section 172(1) of the Companies Act 2006 – Duty to promote the success of the Company
Each of the persons who is a director at the date of approval of this Annual report confirms that they have complied with the requirements of section 172(1), to act in a way he/she considers, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole. The directors have considered the following factors:-

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

During 2019 principal decisions included; investment in airport facilities, closure of the defined benefit pension scheme to future accrual, the outsourcing of certain roles at Glasgow and Aberdeen airports and the Company's dividend payments. Further details, as applicable, regarding these decisions are included in Financial review section of this report.

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

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

Business relationships
Airline and passenger service and safety are of critical importance to the Group, with passengers central to the Group's activities. Health, Safety and Wellbeing is at the heart of everything we do. Following successfully gaining top rating in the 5 start audits in 2018, both Aberdeen and Glasgow were awarded the "Sword of Honour" from the British Safety Council in 2019. Glasgow also received an International Safety Award with Distinction in the 2020 awards, gaining top marks in the assessment. Further details regarding service standards and investment in airport facilities are included in the Financial review section of this report.

The Group aims to manage its business relationships as effectively and efficiently as possible. For supplier contracts this is underpinned by robust and responsible procurement practices which consider the resilience and sustainability of suppliers before contracts are commenced with them, as well as frequently monitoring of their operational performance once they commence business with the airports.

The airports are subject to regulations from the Civil Aviation Authority ("CAA") and the European Aviation Safety Agency ("EASA") and have staff dedicated to ensure full compliance with regulatory requirements, to establish a sound relationship with the regulator and to advise the Executive Committee and Board on regulatory matters.

Strategic report (continued)

Community and environmental impact
Achieving the Group's vision relies heavily on the Group's airports being managed in a socially responsible manner. This means enhancing the Group's 3 Airport's social and economic benefits whilst reducing environmental impacts.

The Group has been tracking its carbon emissions since its formation in 2014, with Aberdeen and Glasgow reporting back as far as 2008 under the previous BAA Group. This information is updated annually with a Carbon Footprint report issued publicly on an annual basis.

As a committed organisation, there are number of initiatives and policies in place to ensure the Group's impact on climate change is kept to a minimum. Over the years we have reported under many government legislated initiatives such as the Energy Saving and Opportunities Scheme (ESOS) and Carbon Reduction Commitment (CRC) and although only Glasgow Airport Limited is required, by law, to report under Streamlined Energy and Carbon Reporting (SECR), it was considered best practice that all airports within the Group are aligned and are aware of their emissions.

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

Group's member activity
The Group's parent and ultimate parent relationships are disclosed in note 24.

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 ("ARC") 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; and
    - significant areas of judgement;
- independent review of controls by the Internal Audit function; and
- a confidential whistleblowing process.

In addition, the ARC:

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

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

Risk forms part of the Group's Managing Responsibly System ("MRS") which is locally governed by each airport's Managing Responsibly Governance Group ("MRGG"). The MRGG meets on a monthly basis, and is chaired by the

Principal risks and uncertainties and risk management (continued)

respective airport's Managing Director and consists of heads of departments. The MRS is linked with the key strategic intent to run our airports responsibly by being "Safe, Secure and Sustainable".

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

The operation of the risk management process and the individual risk registers are subject to periodic review by the ARC, whose primary responsibility is to provide independent assurance to the Board that the controls put in place by management to mitigate risks are working effectively. Assurance is provided through the management reporting processes and reports to the ARC. The principal corporate and reputational risks as identified by the Executive Committee are:

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

The Group's Safety Management System includes risk assessment processes for all activities entailing significant risk and proportionate control measures employed to safeguard everyone impacted by the Group's business. The Group also operates robust asset management processes to ensure property and equipment remains safe. Each of the Group's airports is certificated to the asset management standard, ISO 55001. Governance, led by the airports' 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 through a statutory framework to establish joint accountabilities for airport security and shared ownership of risk, thus ensuring security measures remain both flexible and proportionate to the prevailing threat environment.

Regulatory environment, legal and other reputational risks
Civil Aviation Authority ("CAA"), Department for Transport ("DfT") and European Aviation Safety Agency ("EASA") regulations
The Group's operations are currently subject to regulation by the EASA. The EASA regulations are overseen in the UK by the CAA. The CAA is concerned with air safety, airspace regulation, consumer protection and environmental research and consultancy. The CAA also advises the government on aviation issues and ensures that consumer interests are represented. The DfT oversees aviation security policy; whilst EASA sets the common standards for European airports in the field of aviation and airport safety. Consequently the Group is exposed to the risk of changes in day to day operations resulting from regulatory guidelines issued by the various regulators 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. Each of the Group's airports is certificated to ISO 14001, environmental management standard. 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. All of the Group's airports have been assessed against the GRESB standard which is part of their external corporate social responsibility verification process.

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.

AGS Airports Limited

Strategic report (continued)

Principal risks and uncertainties and risk management (continued)

The Group's supplier base has been reviewed to identify slavery and human trafficking risks and processes have been established to mitigate those risks. The Group's supplier base is mainly UK companies and branches. The Group expects these entities to comply with the Modern Slavery Act 2015 and have suitable anti-slavery and human trafficking policies and processes in place 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.

Coronavirus (COVID-19)

The outbreak and continued spread of the Coronavirus (COVID-19) is having a direct impact on the operations of the Group and the aviation industry. Demand for airline travel has reduced significantly as many countries have enforced travel restrictions as part of lockdown measures to control the spread of the Coronavirus (COVID-19), causing airlines to cancel flights and take measures to avoid financial failure.

The directors have instituted measures to preserve cash and secure additional finance, but there remains uncertainty over the Group's future trading results and cashflows. Measures have included an organisational restructure at Southampton, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts and bonus pay-out cessation for all staff, options for unpaid leave and reduced hours. Additionally, the Group is negotiating with suppliers, local councils and tax authorities to reduce or defer costs and the Group has reprioritised its capital investment program.

The uncertainty and future impact of the Coronavirus (COVID-19) has been considered as part of the Group's adoption of the going concern basis. For further details on going concern refer to the Group's Accounting Policies Going Concern section on page 21 to 22.

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.

Airline consolidation

Higher oil prices and lower fares have resulted in EU airline failures and other airlines to seek buyers or refinancing. Other airlines have also cut or closed bases in response to overcapacity in the European market. Similar to demand changes, it is not possible to identify the timing or period of such an effect and so the Group reviews this risk as part of its scenario planning exercises.

Industrial relations

The risk of industrial action by key staff that affects critical services, curtails operations and has an adverse financial and reputational impact on the 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 Group 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. Notwithstanding, Aberdeen and Glasgow airports suffered a series of strikes in 2019. These were mitigated through robust contingency planning to ensure continuing operations throughout the periods of strike.

UK withdrawal from the EU

While the delays in reaching an exit agreement had the effect of increasing uncertainty for UK businesses, the aviation industry is well positioned as a result of the aviation agreements reached thus far. These agreements ensure that in a no deal scenario, airlines will be able to continue to fly between the EU and the UK. The Group therefore anticipates that there will be minimal impact on flights if the UK departs the EU without a deal on 31 December 2020.

AGS Airports Limited

Strategic report (continued)

Principal risks and uncertainties and risk management (continued)

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

The policy is not to permit speculation in financial instruments. Its purpose is to identify, mitigate and hedge treasury-related financial risks inherent in the 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 Group has floating rate debt and manages the risk through use of interest rate hedging instruments.

(b) Funding and liquidity
The AGS Airport Holdings Group is financed through bank facilities totalling £793million (2018: £793million) and shareholder loans totalling £183million (£180million). The Group is cash flow positive after capital expenditure and interest on external debt. As at 31 December 2019, cash and cash equivalents were £24million (2018: £18million) and undrawn headroom under bank credit facilities was £74million (2018: £86million).

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 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 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.

On behalf of the Board

DocuSigned by: John Bruen F873A25B2B9E449...	DocuSigned by: Ignacio Castejon Hernandez 45C21A50961246A...
John Bruen	**Ignacio Castejon Hernandez**
Director	Director
23 June 2020	23 June 2020

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 2019.

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 Group generated a £nil result after taxation for the financial year (2018: £30million profit). During the year the Company paid the following dividends to AGS Airports Investments Limited

- an interim dividend of £3,259,565.13 per ordinary share, amounting in total to £6.5million on 28 March 2019;
- an interim dividend of £1,481,789.38 per ordinary share, amounting in total to £3million on 28 June 2019; and
- an interim dividend of £2,454,111.73 per ordinary share, amounting in total to £5million on 30 September 2019.

In the prior year the Company paid a dividend of £27million. The statutory results are set out on page 16.

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

Juan Carlos Bullon Aleman (resigned 4 December 2019) [(1)]
Ignacio Aitor Garcia Bilbao (resigned 26 March 2020)
Martyn Booth
Maria Cristina Casero Borges (appointed 2 August 2019)
John Bruen
Simon Geere
Sir Peter Mason
Gonzalo Velasco Zabalza
Ignacio Castejon Hernandez (appointed 26 March 2020)

[(1)] – on 4 December 2019 Juan Carlos Bullion Aleman was appointed as an alternative director of the Company

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 engagement
Details of the Company's employee engagement policies and practices can be found on page 6 in the Section 172(1) disclosures within the Strategic report.

Business relationships
Details of the Company's business relationship management and maintenance can be found on page 6 in the Section 172(1) disclosures within the Strategic report.

Political donations
No political donations have been made in the year (2018: £nil).

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.

AGS Airports Limited

Directors' report (continued)
Internal controls and risk management

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/her in defending any proceedings in which judgement is given in his/her favour, or in which he/she is acquitted or in connection with any application in which relief is granted to him/her by the court for any negligence, default, breach of duty or breach of trust by him/her in relation to the Group or the Company or otherwise in connection with his/her duties or powers or office.

Events after the reporting date
Since the year end there have been two significant non-adjusting post balance sheet events, which have impacted the Group. Firstly, on 5 March 2020 Flybe entered administration, and secondly there has been the impact of the ongoing spread of the Coronavirus (COVID-19) pandemic. Whilst it is not possible to assess all possible future implications for the Group as a result of these events, the directors have made assessments based on a number of likely scenarios, and anticipate that the impact of Flybe's administration and COVID-19 will have a significant adverse EBITDA impact in 2020 but the Group will have sufficient liquidity during the year.

The directors have instituted different measures to preserve cash and secure additional finance. Measures have included an organisational restructure at Southampton Airport, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts and bonus pay-out cessation for all staff, options for unpaid leave and reduced hours. Additionally, the Group has successfully negotiated with suppliers, local councils and tax authorities to reduce or defer costs and the Group has reprioritised its capital investment program.

The Group expects to breach its borrowing covenants at both 30 June 2020 and 31 December 2020 and has therefore successfully negotiated a waiver from its lenders. This along with other matters are explained further in the Going Concern section of the Group's Accounting policies on page 21 to 22, and indicates the existence of a material uncertainty. Additionally the directors anticipate, based on Flybe's administration and an estimated scenario that the virus subsides towards the beginning of the second half of 2020, that the Group's right to operate assets, goodwill and property, plant and equipment could potentially be impaired in 2020, primarily at Southampton and Aberdeen airports and there could be a revaluation loss recognised against investment properties.

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/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the 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

DocuSigned by:
John Bruen
F873A25B2B9E449...

John Bruen
Director
23 June 2020

DocuSigned by:
Ignacio Castejon Hernandez
45C21A50961246A...

Ignacio Castejon Hernandez
Director
23 June 2020

AGS Airports Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and 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 Group financial statements in accordance with IFRSs as adopted by the EU and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework" ("FRS 101"). 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 the parent Company 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 applicable UK Accounting Standards, including FRS 101, have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard ("IAS") 1 Presentation of Financial Statements ("IAS 1") requires that the directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

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

Report on the audit of the financial statements

Opinion
In our opinion:

- the financial statements of AGS Airports Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of AGS Airports Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statements of accounting policies; and
- the related notes to the consolidated financial statements 1 to 25 and to the parent company financial statements 1 to 14.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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

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

Material uncertainty related to going concern
We draw attention to the accounting policy note in the financial statements, which indicates that as a result of COVID-19 there is forecasting uncertainty in relation to the nature and extent of travel restrictions for both the airports and the source markets the group flies to, the length of lock down, the passenger number recovery rate and the level to which they will rise, uncertainty in relation to the ability of AGS to secure additional funding in its downside scenario forecast and uncertainty over the ability of AGS to obtain a waiver for any potential breach of the June 2021 bank covenants. As stated in the accounting policy note, these events or conditions, along with the other matters as set forth in the accounting policy note in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

We have nothing to report in respect of these matters.

AGS Airports Limited

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

Report on the audit of the financial statements (continued)

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

- adequate accounting records have not been kept 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.

We have nothing to report in respect of these matters.

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

Alistair Pritchard FCA

Alistair Pritchard FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
24 June 2020

AGS Airports Limited

Consolidated income statement for the year ended 31 December 2019

		Year ended 31 December 2019			Year ended 31 December 2018		
		Before certain re-measurements	Certain re-measurements[1]	Total	Before certain re-measurements	Certain re-measurements	Total
	Note	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	*1*						
Recurring		212	-	212	213	-	213
Non-recurring		5	-	5	-	-	-
Total Revenue		**217**	**-**	**217**	**213**	**-**	**213**
Operating costs	*2/3*						
Recurring		(152)	-	(152)	(147)	-	(147)
Non-recurring		(3)	-	(3)	-	-	-
Total operating costs		(155)	-	(155)	(147)	-	(147)
Fair value (loss)/gain on investment properties	*8*	-	(14)	(14)	-	16	16
Operating profit		**62**	**(14)**	**48**	**66**	**16**	**82**
Analysed as							
Operating profit before non-recurring items		60	(14)	46	66	16	82
Non-recurring items	*1/3*	2	-	2	-	-	-
Finance costs (net)	*4*	(44)	-	(44)	(42)	-	(42)
Profit before tax		**18**	**(14)**	**4**	**24**	**16**	**40**
Taxation	*5*	(6)	2	(4)	(8)	(2)	(10)
Profit/(loss) for the year		**12**	**(12)**	**-**	**16**	**14**	**30**

The notes on pages 32 to 50 form an integral part of these financial statements.

1 Certain re-measurements defined on page 28

AGS Airports Limited

Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	Year ended 31-Dec-19 £m	Year ended 31-Dec-18 £m
Result/profit for the year	*20*	**-**	**30**
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of defined benefit pension asset	*17*	(1)	6
Tax relating to items that will not be reclassified subsequently to profit or loss		-	(1)
	20	(1)	5
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
(Losses)/gains arising during the year		(6)	6
Income tax relating to items that may be reclassified subsequently to profit or loss		1	(1)
	19	(5)	5
Other comprehensive (loss)/income for the year net of tax		**(6)**	**10**
Total comprehensive (loss)/income for the year		**(6)**	**40**

The notes on pages 32 to 50 form an integral part of these financial statements.

AGS Airports Limited

Consolidated statement of financial position as at 31 December 2019

	Note	31-Dec-19 £m	31-Dec-19 £m
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	425	422
Intangible assets	*7*	557	558
Investment properties	*8*	383	399
Derivative financial instruments	*13*	-	2
Pension asset	*17*	4	2
		1,369	**1,383**
Current assets			
Inventories	*9*	1	1
Trade and other receivables	*10*	23	24
Derivative financial instruments	*13*	-	1
Cash and cash equivalents	*11*	24	18
		48	**44**
Total assets		**1,417**	**1,427**
LIABILITIES			
Non-current liabilities			
Borrowings	*12*	1,005	990
Derivative financial instruments	*13*	4	-
Deferred tax liabilities	*15*	161	165
		1,170	**1,155**
Current liabilities			
Borrowings	*12*	6	1
Derivative financial instruments	*13*	-	1
Trade and other payables	*16*	49	58
		55	**60**
Total liabilities		**1,225**	**1,215**
Net assets		**192**	**212**
EQUITY			
Capital and reserves			
Share capital	*18*	-	-
Hedging reserve	*19*	(3)	2
Retained earnings	*20*	195	210
Equity attributable to the owners of the parent Company		**192**	**212**

The notes on pages 32 to 50 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 23 June 2020. They were signed on its behalf by:

DocuSigned by:
John Bruen
F873A25B2B9E449...
John Bruen
Director
23 June 2020

DocuSigned by:
Ignacio Castejon Hernandez
45C21A50961246A...
Ignacio Castejon Hernandez
Director
23 June 2020

AGS Airports Limited

Consolidated statement of changes in equity for the year ended 31 December 2019

		Equity attributable to the owners of the parent Company				
		Share capital	**Share premium account**	**Hedging reserve**	**Retained earnings**	**Total**
	Note	**£m**	**£m**	**£m**	**£m**	**£m**
1 January 2018	*18/20*	-	**100**	**(3)**	**102**	**199**
Comprehensive income:						
Profit for the year	*20*	-	-	-	30	30
Other comprehensive profit		-	-	5	5	10
Total comprehensive income		-	-	**5**	**35**	**40**
Transactions with owner:						
Reduction of share premium account	*19*	-	(100)	-	100	-
Share issuance		176	-	-	(176)	-
Reduction of capital		(176)	-	-	176	-
Dividend paid	*20*	-	-	-	(27)	(27)
Balance at 31 December 2018		-	-	**2**	**210**	**212**
Comprehensive income:						
Result for the year	*20*	-	-	-	-	-
Other comprehensive loss		-	-	(5)	(1)	(6)
Total comprehensive loss		-	-	**(5)**	**(1)**	**(6)**
Transactions with owner:						
Dividend paid	*20*	-	-	-	(14)	(14)
Balance at 31 December 2019		-	-	**(3)**	**195**	**192**

The notes on pages 32 to 50 form an integral part of these financial statements.

AGS Airports Limited

Consolidated statement of cash flows for the year ended 31 December 2019

	Note	Year ended 31-Dec-19 £m	Year ended 31-Dec-18 £m
Operating activities			
Cash generated from continuing operations	*22*	84	95
Net cash from operating activities		**84**	**95**
Investing activities			
Purchase of property, plant and equipment		(41)	(32)
Proceeds from the sale of investment properties		1	-
Net cash used in investing activities		**(40)**	**(32)**
Financing activities			
Interest paid		(36)	(37)
New borrowings		12	30
Repayment of borrowings		-	(22)
Fees paid		-	(1)
Dividends paid		(14)	(27)
Net cash used in financing activities		**(38)**	**(57)**
Opening cash and cash equivalents		**18**	**12**
Movements in the year		**6**	**6**
Closing cash and cash equivalents as at 31 December	*11*	**24**	**18**

The notes on pages 32 to 50 form an integral part of these financial statements.

Accounting policies for the year ended 31 December 2019

The principal accounting policies applied in the preparation of the financial statements of AGS Airports Limited and its subsidiaries together the Group 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. AGS Airports Limited is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The Company is a private company limited by shares and is registered in England and Wales

Basis of preparation

The Group financial statements are prepared in accordance with IFRSs as issued by the International Accounting Standards Board ("IASB") and as adopted by the EU and are prepared under the historical cost convention, except for investment properties, financial assets, derivative financial instruments and financial liabilities that qualify as hedged items under fair value hedge accounting. These exceptions to the historic cost convention have been measured at fair value in accordance with IFRSs.

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 2019 with comparatives against 31 December 2018.

Primary financial statements format

The Group financial statements are presented in accordance with IFRS and IAS 1.

A columnar approach has been adopted in the income statement and the impact of the following items is shown in a separate column ("certain re-measurements"). This allows the presentation of the performance of the business before specific fair value gains and losses. These items are:

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

Going concern

The financial statements are prepared on a going concern basis notwithstanding that the directors consider that the current economic outlook presents significant challenges in terms of the recovery of passenger numbers and thus revenue as a result of the Coronavirus (COVID-19) pandemic and the administration of Flybe.

The directors have instituted different measures to preserve cash and secure additional finance. Measures have included an organisational restructure at Southampton Airport, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts and bonus pay-out cessation for all staff, options for unpaid leave and reduced hours. Additionally, the Group has negotiated with suppliers, local councils and tax authorities to reduce or defer costs and the Group has reprioritised its capital investment program.

The Group finances its activities through funds generated from operations and has access to inter group funding (within the AGS Airports Holdings Group) and external debt facilities. The facilities are due for renewal in 2022 and include covenants, a breach of which would result in the amounts drawn becoming payable on demand. The Group has successfully negotiated with its lenders to waive these covenants, due to the current situation, at both 30 June 2020 and 31 December 2020. Additionally, on 16 March and 18 March 2020 the Group secured further funding of £10m and £28m under its working capital and capital expenditure facilities respectively. This therefore leaves the Group with an unused capital expenditure facility of £36m.

The directors have prepared base cashflow forecasts for the remainder of 2020 and through to June 2021, which assumes a phased passenger recovery when the travel restrictions are eased, anticipated towards the beginning of the second half of 2020. Those forecasts indicate that the Group can continue to operate for at least the next 12 months from the date of approval of these financial statements, however management highlight three material uncertainties.

These are:

1. Forecast uncertainty around timing of lockdown ending, pace of recovery, and ultimately uncertainty to what passenger numbers will return to compared to historic levels
2. Under a reasonable downside scenario the Group will require additional funding from the options available to management of which an example is the support schemes put in place by the government as a response to the pandemic
3. Ability to either comply with or obtain a waiver in respect to the June 2021 lending covenants currently in place. The waiver secured for December 2020 has conditions attached to it and management are reasonably confident that these will be satisfied.

AGS Airports Limited

Accounting policies for the year ended 31 December 2019 (continued)

The outlook for 2021 continues to be uncertain and highly dependent on the scale and pace of the recovery in trading in 2020. The group has a further covenant test at June 2021 and has several options around addressing covenant compliance under a scenario where trading continues to be impacted by the effects of COVID-19 on the aviation sector. These include further operating cost initiatives and, if required, negotiating a further waiver for this period from the Group's lenders, on a similar basis to those secured for 2020.

The directors have also prepared a downside scenario forecast, which considers the impact of a possible downside relating to the timing and volume of passenger demand, and how this would impact on the Group's revenue and costs going forward. The directors have considered several options which are available to them to mitigate the impact of the downside scenario should it arise. These include securing finance under the available Bank of England Coronavirus Schemes, if available. Although possible, the downside scenario is not currently considered likely, however, it is difficult to predict the overall outcome and impact of the Coronavirus at this stage.

The directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its available liquidity and other options available to it in respect of additional funding such as the support schemes which the government has made available to companies in light of the Covid-19 pandemic. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements, however, the matters described above result in the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Adoption of new and revised IFRSs
(a) Amended standards, interpretations and amendments to standards adopted by the Group
During the year, the Group adopted a standard, an interpretation and an amendment to a standard to the IFRSs issued by the IASB that are mandatorily effective for accounting periods beginning on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Adoption of IFRS 16 Leases ("IFRS 16")
IFRS 16 replaces the existing standard, IAS 17 Leases ("IAS 17"), and related interpretations on accounting for leases, effective from 1 January 2019. The Group adopted this standard using the modified retrospective transition approach, and adoption has resulted in changes in accounting policies, but had no material impact on the amounts recognised in the financial statements.

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

- Plan Amendments, Curtailments or Settlement – Amendments to IAS 19. The amendment clarified that after a plan event, a company should use updated assumptions to measure current service costs and net interest for the remainder of the reporting year after the plan event. Following the closure of the defined benefit scheme the Group has amended its assumptions to reflect the closure; and
- IFRIC 23 Uncertainty Over Income Tax Treatments.

The following amendments are not applicable to the Group:

- Prepayment Features with Negative Compensation- Amendments to IFRS 9;
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28; and
- Annual Improvements to IFRSs – 2015-2017 Cycle.

(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 (and are not expected to have any impact) in these financial statements, were in issue but not yet effective:

- IFRS 3 Definition of a Business;
- IAS 1 and IAS 8 Definition of Material;
- Conceptual Framework for Financial Reporting; and
- IFRS 17 Insurance Contracts

Basis of consolidation
The Group financial statements consolidate the financial statements of AGS Airports Limited 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.

AGS Airports Limited

Accounting policies for the year ended 31 December 2019 (continued)

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.

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

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

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

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

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

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

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

Re-measurements may include fair value gains and losses on investment property revaluations and the associated tax impacts and non-recurring items may include gains or losses on the disposal of businesses or assets that do not qualify as discontinued operations, major reorganisation of businesses, closure or mothballing of terminals and costs incurred in bringing new airport terminal complexes and airfields to operational readiness that are not able to be capitalised as part of the project. Details of non-recurring items and certain re-measurements are provided in notes 1,3 and 8.

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.

AGS Airports Limited

Accounting policies for the year ended 31 December 2019 (continued)

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 the income statement as a depreciation expense over the life of the relevant asset.

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

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

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

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

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

AGS Airports Limited

Accounting policies for the year ended 31 December 2019 (continued)

Property, plant and equipment (continued)
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 property, plant and equipment 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 income statement as a depreciation expense over the life of the relevant asset.

Intangible assets and goodwill
Goodwill
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. 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.

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.

AGS Airports Limited

Accounting policies for the year ended 31 December 2019 (continued)

Leases
Policy applicable from 1 January 2019
Group as a lessee
The Group recognises a right-of-use asset, with the exception of short term (12 months or less) and low value leases, and a lease liability at the lease commencement date on the balance sheet.

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

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

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

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

Policy applicable before 1 January 2019
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 of the risk 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
Raw materials and consumables consist of engineering spares and other consumable stores and are valued at the lower of cost and net realisable value and include all costs to bring inventories to their present location and condition.

Cash and cash equivalents
For the purposes of the Statement of cash flows, cash and cash equivalents comprise cash at bank, cash in hand 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 received in advance is treated as deferred income and released to the income statement as earned.

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

Financial instruments
Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with FRS 15 Revenue from Contracts with Customers, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designed and effective hedging instruments, are classified into the following categories:
- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:
- the Group's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets
Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financing assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit of loss (FVTPL)
Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at fair value through profit and loss. Further, irrespective of the business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Financial assets at fair value through other comprehensive income (FVOCI)
The Group accounts for financial assets at FVOCI if the assets meet the following conditions:
- they are held under a business model whose objective is to "hold to collect" the associated cash flows and sell and,
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

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

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

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.

Classification and measurement of financial liabilities
The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains and losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest related charges and, if applicable, changes in an instrument's fair value that are reporting in the profit or loss are included within finance costs.

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

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment.

To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument; and
- the effect of credit risk does not dominate the value changes that result from that economic relationship.

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 for the year ended 31 December 2019 (continued)

Derivative financial instruments and hedging activities (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.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments and 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 financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Pension costs
Defined benefit plan
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 in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.
Following consultation with its members and trustees, the defined benefit pension scheme was closed to future accrual with effect from 30 June 2019. This has resulted in a past service credit in the income statement of £2.63m. The members of the scheme were thereafter entitled to participate in the company's defined contribution scheme, details of which are noted below. The value of a net defined benefit pension asset is restricted to the sum of any amount the Group expects to recover by way of refunds from the plan or reductions in future contributions. The Group are able to recognise any potential surplus in respect of the pension scheme as the pension scheme Trust Deeds and Rules state that the Group have right to the assets once its obligations have been met.

Accounting policies for the year ended 31 December 2019 (continued)

Defined contribution plan
Contributions due in relation to defined contribution plans are recognised in operating costs in the income statement when payable.

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

Deferred income taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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, 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 and the statement of other comprehensive income is recognised in equity and other comprehensive income 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 and subsidiary 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

Accounting policies for the year ended 31 December 2019 (continued)

Critical accounting judgements and key sources of estimation uncertainty for the year ended 31 December 2019
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.

Key sources of estimation uncertainty

Going concern
The Going Concern section of the Group's Accounting policies on pages 21 to 22, indicates that due to the unprecedented nature of the current situation regarding the future impact on the Group from the Coronavirus (COVID-19), the directors have highlighted a material uncertainty which may cast significant doubt regarding the Group's ability to continue as a going concern.

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 60% of the investment properties comprise airport car parks and airside assets that are considered less vulnerable than the other investment properties to market volatility. Further details are available in note 8.

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. Further details are available in note 17.

Impairment of goodwill and other intangible assets
Determining whether goodwill and other intangible assets are impaired requires an estimation of the fair value less costs to sell of the cash-generating units to which goodwill and intangible assets have been allocated. The fair value less costs to sell calculation requires the Group 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. Sensitivity testing was performed on the fair value less costs to sell to stress test the impairment. This included adjustments to both the discount factor by 0.5% and various passenger number adjustments including, inter alia, an overall reduction in the annual growth rate of 15%. The directors believe that these reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. The Group concluded, on the basis of this testing and their view of the forecast cash flows, that no impairment is necessary. The carrying amount of goodwill at the balance sheet date was £77million (2018: £77million). The carrying amount of other intangible assets at the balance sheet date was £477million (2018: £477million). Further details are available in note 7. The directors anticipate that the Group's right to operate assets, goodwill and property plant and equipment could potentially be impaired in 2020, primarily at Southampton and Aberdeen airports, due to the impact of Flybe's administration and the ongoing COVID-19 pandemic.

Critical judgements in applying the Company's accounting policies

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

AGS Airports Limited

Notes to the Consolidated financial statements for the year ended 31 December 2019

1 Segment information

The Directors consider the business has only one segment. All of the Group's revenue arises in the United Kingdom and relates to continuing operations.

	Year ended 31-Dec-19 £m	Year ended 31-Dec-18 £m
Revenue		
Recurring	**212**	213
Non-recurring	**5**	-
	217	**213**

Non-recurring revenue of £5million arises from a local windfarm development in relation to construction of a radar to provide an air traffic control mitigation solution.

2 Operating costs

Operating costs (including non-recurring items) include the following:	Year ended 31-Dec-19 £m	Year ended 31-Dec-18 £m
Employment costs		
Wages and salaries	32	34
Social security	3	4
Pensions	5	4
Other staff costs	2	1
Employment costs	42	43
Depreciation and amortisation		
Depreciation of property, plant and equipment	30	30
Amortisation of intangible assets	1	1
Other operating costs		
Recurring	79	73
Non-recurring (note 3)	3	-
Total operating costs	**155**	**147**
Analysed as:		
Operating costs - recurring	121	116
Depreciation and amortisation - recurring	31	31
Non-recurring items (note 3)	3	-
Total operating costs	**155**	**147**

Auditor remuneration

	Year ended 31-Dec-19 £000	Year ended 31-Dec-18 £000
Fees payable to the Company's auditor for the audit of the AGS Airports Limited annual financial statements	12	23
Audit of the Company's subsidiaries pursuant to legislation	106	106
Total audit fees	**118**	**129**

Notes to the Consolidated financial statements for the year ended 31 December 2019 (continued)

2 Operating costs (continued)

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

	Year ended 31-Dec-19 Number	Year ended 31-Dec-18 Number
Aberdeen	226	254
Glasgow	458	505
Southampton	103	126
AGS Airports Ltd	48	36
Total	**835**	**921**

Directors' and key management personnel remuneration	Year ended 31-Dec-19 £000	Year ended 31-Dec-18 £000
Directors' and key management's remuneration		
Aggregate emoluments	715	716
Amounts receivable under long-term incentive plans	47	99
Payment for loss of office	-	174
Value of pension contributions to a defined benefit scheme	14	16
Value of pension contributions to a defined contribution scheme	32	12
	808	**1,017**

	Number	Number
Number of directors and key management who:		
were members of a defined benefit pension scheme	1	2
are members of a defined contribution pension scheme	2	2

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Highest paid director's remuneration		
Aggregate emoluments	**316**	164
Amounts receivable under long-term incentive plans	**22**	-
Value of company pension contributions to a defined benefit scheme	-	-
Value of company pension contributions to a defined contribution pension scheme	-	-
	338	164

3 Non-recurring items

	Year ended 31-Dec-19 £m	Year ended 31-Dec-18 £m
Pensions		
Closure costs	3	-
Past service credit	(3)	-
Other	3	-
	3	**-**

The AGS Airports Limited's defined benefit Scheme closed to future accrual from 30 June 2019. The costs associated with the closure, including related taxation, were £3million. Additionally, on closure a past service credit of £3million was recognised relating to members becoming deferred members and therefore their accrued benefits no longer being linked to future salary changes. Other non-recurring costs related to industrial action and advisor costs of £3million.

AGS Airports Limited

Notes to the Consolidated financial statements for the year ended 31 December 2019 (continued)

4 Finance costs

	Year ended 31-Dec-19 £m	Year ended 31-Dec-18 £m
Finance costs		
Interest on borrowings:		
Bank loans and related hedging instruments	(19)	(17)
Interest payable to parent	(22)	(20)
Facility fees and other charges	(3)	(4)
Net pension finance costs	-	(1)
Net finance costs	**(44)**	**(42)**

5 Taxation

	Year ended 31-Dec-19 £m	Year ended 31-Dec-18 £m
UK Corporation tax		
Current tax at 19.00% (2018: 19.00%)	(7)	(8)
Total current tax charge	**(7)**	**(8)**
Deferred tax		
Adjustments in respect of prior years	-	1
Current year	3	(3)
Total deferred tax credit/(charge)	**3**	**(2)**
Taxation charge for the year	**(4)**	**(10)**

The tax charge 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 following:

	Year ended 31-Dec-19 £m	Year ended 31-Dec-18 £m
Profit before tax	**4**	**40**
Reconciliation of the tax charge		
Tax calculated at the UK statutory rate of 19.00% (2018: 19.00%)	(1)	(8)
Adjustments in respect of prior years	-	1
Deferred tax not recognised	(1)	(3)
Other permanent differences	(2)	-
Taxation charge[1]	**(4)**	**(10)**

1 Within the £4million charge, £2million credit (2018: £2million charge) relates to deferred tax on the fair value movement on investment properties.

The Group has an unrecognised deferred tax asset of £6million (2018: £5million) in relation to a carried forward interest disallowance under the Corporate Interest Restriction Legislation.

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax liability would have been £19m higher.

AGS Airports Limited

Notes to the Consolidated financial statements for the year ended 31 December 2019 (continued)

6 Property, plant and equipment

	Terminal complexes	Airfields	Plant and equipment	Plant and equipment – Right-of-use asset	Other land and buildings	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 January 2018	226	178	26	-	14	19	463
Additions	-	-	-	-	-	35	35
Transfers to completed assets	13	4	11	-	2	(30)	-
Disposals	(2)	-	(2)	-	-	-	(4)
At 1 January 2019	237	182	35	-	16	24	494
Additions	1	-	-	1	-	32	34
Transfer to completed assets	15	16	5	-	-	(36)	-
Disposals	(8)	-	(5)	-	-	-	(13)
At 31 December 2019	**245**	**198**	**35**	**1**	**16**	**20**	**515**
Depreciation							
At 1 January 2018	24	11	3	-	8	-	46
Charge for the year	14	7	6	-	3	-	30
Disposals	(2)	-	(2)	-	-	-	(4)
At 1 January 2019	36	18	7	-	11	-	72
Charge for the year	15	7	6	-	3	-	31
Disposals	(8)	-	(5)	-	-	-	(13)
At 31 December 2019	**43**	**25**	**8**	-	**14**	**-**	**90**
Net book value							
At 31 December 2019	**202**	**173**	**27**	**1**	**2**	**20**	**425**
At 31 December 2018	201	164	28	-	5	24	422

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 2019 included: at Aberdeen the terminal transformation project and hold baggage screening standard 3 equipment; at Glasgow Airport ongoing terminal remodel works, the construction of additional car park exit lanes, design works for the construction of a new aircraft stand, replacement of substructure at stands, airspace change programme and departure gate improvements; and at Southampton a project to extend the runway and replace the primary radar.

Security granted by the Group over its assets, including property, plant and equipment, is disclosed in note 12.

AGS Airports Limited

Notes to the Consolidated financial statements for the year ended 31 December 2019 (continued)

7 Intangible assets

	Right to operate £m	Goodwill £m	Software £m	Total £m
Cost				
At 1 January 2019 and 31 December 2019	**477**	**77**	**7**	**561**
Amortisation and impairment				
At 1 January 2018	-	-	2	2
Amortisation for the year	-	-	1	1
At 31 December 2018	-	-	3	3
Amortisation for the year	-	-	1	1
At 31 December 2019	**-**	-	**4**	**4**
Net book value				
As at 31 December 2019	**477**	**77**	**3**	**557**
As at 31 December 2018	477	77	4	558

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 2019, the Group assessed the recoverable amount of the right to operate and goodwill for CGUs and noted no impairment. The goodwill attached to each CGU at 31 December 2019 is as follows:

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

AGS Airports Limited

Notes to the Consolidated financial statements for the year ended 31 December 2019 (continued)

7 Intangible assets (continued)

In considering the goodwill and right to operate for impairment the recoverable amounts of the CGUs 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 8.5% 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 (using information based at 31 December 2019 and before considering the impact of the subsequent events identified) for 24 years up to and including December 2043. These are based on the latest approved Group budget for the year ending 31 December 2020 and high level assumptions for subsequent years.

The group has also performed several sensitivity analyses of the impairment test result in relation to the key assumptions to which the fair value less cost to sell calculation is most sensitive, these tests included:

- a 7.5% discount rate;
- a 1.8% passenger growth.

After applying each sensitivity, there was sufficient headroom between the fair value less costs to sell calculations and the underlying book value of the assets.

As at 31 December 2019 the directors believe that these reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. The Group concluded, on the basis of this testing and their view of the forecast cash flows, that no impairment is necessary.

The directors have also considered post year-end events that could potentially result in impairment during 2020. Sensitivity testing was performed on the fair value less cost to sell stress test the impairment. This included adjustments to both the discount factor and various passenger number adjustments including, inter alia, an overall reduction in annual growth rate. The result of the sensitivities concluded that an increase to the pre-tax discount rates of 8% and 9.5% in Aberdeen and Glasgow respectively would eliminate the headroom in the fair value measurement relative to the recoverable amounts of the CGUs. Likewise, a reduction in passenger growth to 1.3% and 0.6% in Aberdeen and Glasgow respectively would eliminate the available headroom. The sensitivity analysis did not consider the impacts of commercial actions which may be available to management to mitigate some or all of the impacts of potential reductions in passenger growth or higher discount rate.

8 Investment properties

	£m
Valuation	
At 1 January 2019	399
Loss on revaluation	(14)
Disposals	(2)
At 31 December 2019	**383**

Investment properties were valued at fair value at 31 December 2019 by CBRE Limited, Chartered Surveyors. Details of valuations performed are provided below:

	31-Dec-19 £m	31-Dec-18 £m
CBRE Limited	**383**	**399**

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.

AGS Airports Limited

Notes to the Consolidated financial statements for the year ended 31 December 2019 (continued)

8 Investment properties (continued)

Investment Properties Sensitivity Analysis

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.

The Investment Property portfolio includes car parks (for passengers and employees) and airside assets, which together account for 60% (2018: 59%) of the fair value of the investment property portfolio at 31 December 2019. The valuation of Maintenance Hangers is largely based on long term contractual terms.

Increase/(decrease) in asset valuation	
Car parks – Base revenue	
+10% pa	£22m
-10% pa	£(22)m
Car parks – Revenue growth	
+1.0% pa	£3m
-1.0% pa	£(3)m
Car parks – Operating costs growth	
+1.0% pa	£(0.4)m
-1.0% pa	£0.4m

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

The Group has historically had a low level of void properties.

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.

Security granted by the Group over its assets, including investment properties, is disclosed in note 12.

9 Inventories

	31-Dec-19 £m	31-Dec-18 £m
Consumables	**1**	**1**

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

10 Trade and other receivables

	31-Dec-19 £m	31-Dec-18 £m
Current		
Trade receivables	21	22
Less: provision for impairment	-	-
Trade receivables - net	**21**	**22**
Prepayments	2	2
Trade and other receivables	**23**	**24**

The fair value of trade and other receivables is not materially different from the carrying value. Further details regarding the Group's expected credit losses are included in note 14.

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

AGS Airports Limited

Notes to the Consolidated financial statements for the year ended 31 December 2019 (continued)

10 Trade and other receivables (continued)

The ageing analysis of these trade receivables is as follows:

	31-Dec-19 £m	31-Dec-18 £m
1-30 days	19	21
31-60 days	1	1
61-90 days	-	-
91-120 days	1	-
Total	**21**	**22**

The Group is not exposed to significant foreign currency exchange. Additional disclosure on credit risk management is included in note 14.

11 Cash and cash equivalents

	31-Dec-19 £m	31-Dec-18 £m
Cash at bank	**24**	**18**

Cash at bank 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 its book value.

12 Borrowings

	31-Dec-19 £m	31-Dec-18 £m
Current		
Interest payable on third party borrowings	1	1
Interest payable on loan payable to parent	5	-
Total current	**6**	**1**
Non-current		
Secured		
Senior Loan Facility	638	638
Capex Facility	81	69
Unamortised arrangement fee	(3)	(6)
Unsecured		
Loan payable to parent	289	289
Total non-current	**1,005**	**990**
Total borrowings	**1,011**	**991**

	31-Dec-19 £m	31-Dec-18 £m
Total borrowings are repayable as follows:		
Amounts due for settlement within 12 months	6	1
Amounts due for settlement between one and five years	716	701
Amounts due for settlement after five years	289	289
	1,011	**991**

The Group has £638million of drawn bank facilities ("Senior Loan Facility"), £81million of a drawn capital expenditure facility and £10million of an undrawn working capital facility.

12 Borrowing (continued)

Senior Loan Facility
The Senior Loan Facility matures in 2022 and bears a floating interest rate based on six months Libor plus a margin.

As part of the Group refinancing during 2017, refinancing costs of £11million were incurred that have been included in the carrying value of the Senior Loan Facility, of which £3million (2018: £4million) was amortised in the year. The loan is carried at amortised cost using the effective interest rate method.

The unamortised arrangement fee for the year was £3million (2018: £6million) and is considered a non-cash item.

Capex Facility
The £81million (2018: £69million) Capex Facility relates to the drawn amount at December 2019 of the £145million (2018: £145million) facility that the Group has, to finance its capital expenditure requirements. The facility matures in 2022 and bears a floating interest rate based on six months Libor plus a margin.

Loan payable to parent
At 31 December 2019, the loan payable to parent relates to amounts due to the Group's parent, AGS Airports Investments Limited, which bears an interest rate of 7% (2018: 7%) as at 31 December 2019. During the year no loan repayments were made (2018: £22million repaid). The loan is due for payment in 2025.

	31-Dec-19		31-Dec-18	
	Book value £m	Fair value[1] £m	Book value £m	Fair value[1] £m
Non-current				
Long-term debt	719	719	707	707
Loans payable to parent	289	335	289	343
Unamortised arrangement fee	(3)	-	(6)	-
	1,005	**1,054**	**990**	**1,050**

[1] Fair value of borrowings is for disclosure purposes only.

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 estimated to equate to their current book value.

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.

Additional disclosures on risk management and the hedging of borrowings are included in notes 13 and 14.

13 Derivative financial instruments

	Notional £m	Assets £m	Liabilities £m	Total £m
31 December 2019				
Non-current interest rate swaps	**637**	**-**	**(4)**	**(4)**
31 December 2018				
Non-current interest rate swaps	**637**	**2**	**-**	**2**
Current interest rate swaps	**637**	**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.

14 Financial instruments

Financial risk management objectives and policies

The Group's principal financial instruments (other than derivatives) comprise bank loans, borrowings from its parent, 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 cash flow and 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 interest rate risk

The Group's interest rate risk arises primarily from its borrowings. Borrowings entered into with 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.

As at 31 December 2019, the Group's fixed floating interest rate profile, after hedging, on gross third parties debt was 88.73% (2018: 90.20%).

As at 31 December 2019, 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 2019		**31 December 2018**	
	Income statement impact £m	**Equity impact £m**	**Income statement impact £m**	**Equity impact £m**
0.50% increase	-	4	-	2
0.50% decrease	-	(4)	-	(2)

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 2019, 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 below.

The maximum exposure to credit risk as at 31 December 2019 was £47million (2018: £43million).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables.

Notes to the Consolidated financial statements for the year ended 31 December 2019 (continued)

14 Financial instruments (continued)

On this basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows:

31 December 2019	Gross carrying amount trade receivables £m	Expected loss rate %	Loss allowance £m
1-30 days	19	0.1	-
31-60 days	1	0.7	-
61-90 days	-	1.6	-
91-120 days	1	10.2	-
	21		**-**

31 December 2018	Gross carrying amount trade receivables £m	Expected loss rate %	Loss allowance £m
1-30 days	21	0.1	-
31-60 days	1	0.8	-
61-90 days	-	1.7	-
91-120 days	-	11.7	-
	22		**-**

The Group has recognised a closing loss allowance for 31 December 2019 of £130,000 (2018: £117,000). Trade receivables are written off where there is no reasonable expectation of recovery.

Liquidity risk

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

Floating rate facilities	31-Dec-2019 £m	31-Dec-2018 £m
Expiring in two to five years	74	86

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-Dec-2019			
	Less than one year £m	**One to two years £m**	**Two to five years £m**	**Greater than five years £m**
Borrowing principal payments	-	-	719	-
Borrowing and derivatives interest payments	1	-	-	-
Derivative financial instruments	-	-	4	-
Trade payables	28	-	-	-
Capital payables	9	-	-	-

	31-Dec-2018			
	Less than one year £m	**One to two years £m**	**Two to five years £m**	**Greater than five years £m**
Borrowing principal payments	-	-	707	-
Borrowing and derivatives interest payments	1	-	-	-
Derivative financial instruments	1	-	-	-
Trade payables	26	-	-	-
Capital payables	16	-	-	-

AGS Airports Limited

Notes to the Consolidated financial statements for the year ended 31 December 2019 (continued)

14 Financial instruments (continued)

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.

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-Dec-2019			
	Loans and receivables £m	Assets at fair value through income statement £m	Derivatives qualifying for hedge accounting £m	Total £m
Cash and cash equivalents	24	-	-	24
Trade receivables	21	-	-	21
Other receivables	2	-	-	2
Total financial assets	**47**	**-**	**-**	**47**

Liabilities	31-Dec-2019			
	Liabilities at fair value through income statement £m	Derivatives qualifying for hedge accounting £m	Other financial liabilities at amortised cost £m	Total £m
Borrowings	-	-	(1,005)	(1,005)
Derivative financial instruments	-	(4)	-	(4)
Trade payables	-	-	(28)	(28)
Capital payables	-	-	(9)	(9)
Total financial liabilities	**-**	**(4)**	**(1,042)**	**(1,046)**

Assets	31-Dec-2018			
	Loans and receivables £m	Assets at fair value through income statement £m	Derivatives qualifying for hedge accounting £m	Total £m
Cash and cash equivalents	18	-	-	18
Trade receivables	22	-	-	22
Other receivables	2	-	-	2
Derivative financial instruments	-	-	3	3
Total financial assets	**42**	**-**	**3**	**45**

Liabilities	31-Dec-2018			
	Liabilities at fair value through income statement £m	Derivatives qualifying for hedge accounting £m	Other financial liabilities at amortised cost £m	Total £m
Borrowings	-	-	(990)	(990)
Derivative financial instruments	-	(1)	-	(1)
Trade payables	-	-	(26)	(26)
Capital payables	-	-	(16)	(16)
Total financial liabilities	**-**	**(1)**	**(1,032)**	**(1,033)**

At 31 December 2019, the Group had not designated any financial assets or financial liabilities at fair value through the income statement.

14 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 the Group'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 2019, all of the resulting fair value estimates of the Group financial instruments are included in Level 2 (2018: all included in Level 2).

15 Deferred tax

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

	£m
At 1 January 2019	**165**
Credit to income statement	**(3)**
Tax credit to equity	**(1)**
31 December 2019	**161**

The amounts of deferred tax provided are detailed below:

Deferred tax liabilities

	Initial recognition of right to operate	IBAs	Revaluation of investment property to fair value	Operational land	Other	Total
	£m	£m	£m	£m	£m	£m
1 January 2018	87	34	46	6	(12)	161
Charged to income statement	-	-	2	-	-	2
Charged to SOCI	-	-	-	-	2	2
31 December 2018	**87**	**34**	**48**	**6**	**(10)**	**165**
Credit to income statement	-	-	(2)	-	(1)	(3)
Credit to SOCI	-	-	-	-	(1)	(1)
31 December 2019	**87**	**34**	**46**	**6**	**(12)**	**161**

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax liability as at 31 December has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £19million.

16 Trade and other payables

	31-Dec-19 £m	31-Dec-18 £m
Deferred income	6	10
Trade payables	6	6
Accruals	22	20
Capital payables	9	16
Other tax and social security	1	1
Other payables	4	3
Corporation tax	1	2
	49	**58**

Trade payables are non-interest bearing and are generally on 30-day terms. The fair value of trade and other payables is not materially different from the carrying value.

17 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 for the year ended 31 December 2019.

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

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

	31-Dec-19 £m	31-Dec-18 £m
Defined benefit asset	147	134
Defined benefit liability	(143)	(132)
Net surplus for defined benefit obligations (see following table)	**4**	**2**

17 Employee benefits (continued)

Movements in net defined benefit asset/(liability)	**Defined benefit obligation**		**Fair value of plan assets**		**Net defined benefit asset/(liability)**	
	31-Dec-2019	**31-Dec-2018**	**31-Dec-2019**	**31-Dec-2018**	**31-Dec-2019**	**31-Dec-2018**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Opening balance	**(132)**	(151)	**134**	147	**2**	(4)
Current service cost	**(1)**	(2)	**-**	-	**(1)**	(2)
Past service credit	**3**	1	**-**	-	**3**	1
Interest (cost)/income	**(4)**	(4)	**4**	3	**-**	(1)
Included in SOCI						
Re-measurement of defined benefit pension scheme	**(13)**	10	**12**	(4)	**(1)**	6
Other						
Employer contributions	**-**	-	**1**	2	**1**	2
Benefits paid out	**4**	14	**(4)**	(14)	**-**	-
Balance at 31 December	**(143)**	(132)	**147**	134	**4**	2

Fair value of plan assets

	31-Dec-19	**31-Dec-18**
	£m	**£m**
Property	9	8
Bonds	17	17
Cash	2	-
Liability driven investment	68	62
Diversified growth funds	29	28
Direct lending	22	19
Total assets	**147**	**134**

All plan assets (excluding Direct Lending) have market quoted prices. The return on plan assets was 11.5%

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

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

Actuarial assumptions

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

	31-Dec-19	**31-Dec-18**
	%	%
Discount rate at 31 December	2.05	2.85
Future salary increases (before 1 September 2016)	-	2.25
Future salary increases (after 1 September 2016)	-	2.00
RPI inflation	2.95	3.20
Pension increases in payment	2.90	3.05

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.

17 Employee benefits (continued)

The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 60: 26 years (male), 28 years (female)

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

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-19 £m	31-Dec-18 £m
Discount rate	*by 1%*	34	32
Rate of inflation	*by 1%*	27	22
Life expectancy	*by 1 year*	5.0	3.2

A full actuarial valuation of the Scheme is conducted at least every three years. The most recent full actuarial valuation was carried out at 30 June 2018.

The valuation results showed a funding level of 99% and not further funding was required.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 24 years (2018: 24 years).

Defined contribution plan

The Group operates a defined contribution pension plan for all employees. The total cost of defined contribution pension arrangements are fully expensed as employment costs. The total expense relating to the defined contribution plan in the current year was £3.9million (2018: £3.4million). In July 2017, the Group implemented Salary Sacrifice.

18 Share capital

	31-Dec-19 £	31-Dec-18 £
Allocated, called-up and fully-paid	**2**	**2**

2 (2018: 2) ordinary shares of £1 each.

19 Share premium and hedging reserve

	Share premium £m	Cash flow hedge reserve £m
1 January 2018	100	(3)
Fair value gains recorded in equity	-	5
Reduction of share premium account	**(100)**	-
31 December 2018	-	2
Fair value losses recorded in equity	-	**(5)**
31 December 2019	-	**(3)**

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

20 Retained earnings

	31-Dec-19	31-Dec-18
	£m	£m
Opening balance	210	102
Result/profit for the year	-	30
Actuarial gains and losses on defined benefit pension scheme	(1)	5
Reduction of share premium account	-	100
Share issuance	-	(176)
Reduction of capital	-	176
Dividend paid	(14)	(27)
31 December	**195**	**210**

During the year the Company paid the following dividends to AGS Airports Investments Limited
- an interim dividend of £3,259,565.13 per ordinary share, amounting in total to £6.5million on 28 March 2019;
- an interim dividend of £1,481,789.38 per ordinary share, amounting in total to £3million on 28 June 2019; and
- an interim dividend of £2,454,111.73 per ordinary share, amounting in total to £5million on 30 September 2019.

21 Commitments and contingent liabilities

Non-cancellable lease commitments – Group as a lessor
Total future minimum rentals receivable as at the year end are as follows:

	31-Dec-19	31-Dec-18
	Land and buildings	Land and buildings
	£m	£m
Within one year	8	8
Within two to five years	22	24
After five years	35	39
Total	**65**	**71**

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 2019 amount to £4.2million (2018: £10.6million).

AGS Airports Limited

Notes to the Consolidated financial statements for the year ended 31 December 2019 (continued)

22 Notes to the consolidated statement of cash flows

	Note	Year ended 31-Dec-19 £m	Year ended 31-Dec-18 £m
Operating activities			
Profit before tax		4	40
Adjustments for:			
Finance costs	*4*	44	42
Depreciation and amortisation	*2*	31	31
Pension credit		(3)	-
Fair value loss/(gain) on investment properties	*8*	14	(16)
Loss on disposal of investment properties		1	-
Movement in receivables		1	1
Movement in payables		(1)	4
Tax paid		(7)	(7)
Cash generated from continuing operations		**84**	**95**

Reconciliation in net debt

Net debt comprised the Group's external consolidated borrowings, excluding interest accruals and net of cash and cash equivalents.

	1 January 2019 £m	Cash flow £m	Transfers from non-current to current £m	Other non-cash changes[1] £m	31 December 2019 £m
Cash and cash equivalents	**18**	6	-	-	**24**
Debt owed to parent	**(289)**	-	-	-	**(289)**
External debt	**(701)**	(12)	-	(3)	**(716)**
Total liabilities from financing activities	(990)	(12)	-	(3)	(1,005)
Net debt	**(972)**	**(6)**	-	**(3)**	**(981)**

	1 January 2018 £m	Cash flow £m	Transfers from non-current to current £m	Other non-cash changes[1] £m	31 December 2018 £m
Cash and cash equivalents	12	6	-	-	**18**
Debt owed to parent	(311)	23	-	(1)	**(289)**
External debt	(667)	(31)		(3)	**(701)**
Total liabilities from financing activities	**(978)**	**(8)**	-	**(4)**	**(990)**
Net debt	**(966)**	**(2)**	-	**(4)**	**(972)**

[1] Relates to amortisation of issue costs, interest capitalised, debt settled by share issuances and premiums.

23 Related party transactions

No balances outstanding with related parties at 31 December 2019, except as disclosed in note 12.

24 Ultimate parent undertaking and controlling party

The parent undertaking of the largest and smallest group, which includes the Company and for which group financial statements 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 (an entity managed by Macquarie Infrastructure and Real Assets (Europe) Limited) (50%) and Faero UK Holding Limited (an indirect subsidiary of Ferrovial, S.A., Spain) (50%).

AGS Airports Pension Trustee Limited (09202431) is exempt from the requirements to prepare individual financial statements under section 394A of the Companies Act 2006.

25. Events after the reporting date

Since the year end there have been two significant non-adjusting post balance sheet events, which have impacted the Group. Firstly, on 5 March 2020 Flybe entered administration, and secondly there has been the impact of the ongoing spread of the Coronavirus (COVID-19) pandemic. Whilst it is not possible to assess all possible future implications for the Group as a result of these events, the directors have made assessments based on a number of likely scenarios, and anticipate that the impact of Flybe's administration and COVID-19 will have a significant adverse EBITDA impact in 2020 but the Group will have sufficient liquidity during the year.

The directors have instituted different measures to preserve cash and secure additional finance. Measures have included an organisational restructure at Southampton Airport, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts and bonus pay-out cessation for all staff, options for unpaid leave and reduced hours. Additionally, the Group has successfully negotiated with suppliers, local councils and tax authorities to reduce or defer costs and the Group has reprioritised its capital investment program.

The Group expects to breach its borrowing covenants at both 30 June 2020 and 31 December 2020, and has therefore negotiated a waiver from its lenders. This along with other matters are explained further in the Going Concern section of the Group's Accounting policies on page 21 to 22, and indicates the existence of a material uncertainty.

Additionally the directors anticipate, based on Flybe's administration and an estimated scenario that the virus subsides towards the beginning of the second half of 2020, that the Group's right to operate assets, goodwill and property, plant and equipment could potentially be impaired in 2020, primarily at Southampton and Aberdeen airports, there could be a revaluation loss recognised against investment properties.

AGS Airports Limited

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AGS Airports Limited

Company balance sheet as at 31 December 2019

	Note	31-Dec-19 £m	31-Dec-18 £m
ASSETS			
Non-current assets			
Property, plant and equipment	2	5	4
Intangible assets	2	2	3
Investments in subsidiaries	3	1,238	1,238
Deferred tax asset	9	1	-
Derivative financial instruments	7	-	2
		1,246	1,247
Current assets			
Trade and other receivables	4	7	15
Derivative financial instruments	7	-	1
Current tax		31	13
Cash and cash equivalents	5	24	18
		62	47
Total assets		1,308	1,294
LIABILITIES			
Non-current liabilities			
Borrowings	6	1,005	990
Derivative financial instruments	7	4	-
		1,009	990
Current liabilities			
Borrowings	6	6	1
Derivative financial instruments	7	-	1
Trade and other payables	8	104	54
		110	56
Net current assets		(48)	(9)
Total assets less current liabilities		1,198	1,238
Total liabilities		1,119	1,046
Net assets		189	248
EQUITY			
Capital and reserves			
Share capital	10	-	-
Hedging reserve	11	(3)	2
Retained earnings	11	192	246
Equity attributable to the owner of the Company		189	248

The Company's loss for the financial year ended 31 December 2019 was £40million (2018: £173million profit).

The notes on pages 54 to 61 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 23 June 2020. They were signed on its behalf by:

DocuSigned by:
John Bruen
F873A25B2B9E449...
John Bruen
Director
23 June 2020

DocuSigned by:
Ignacio Castejon Hernandez
45C21A50961246A...
Ignacio Castejon Hernandez
Director
23 June 2020

AGS Airports Limited

Company statement of changes in equity for the year ended 31 December 2019

		Equity attributable to the owner of the Company				
		Share capital	Share premium account	Hedging reserve	Retained earnings	Total
	Note	£m	£m	£m	£m	£m
1 January 2018		-	**100**	**(3)**	-	**97**
Comprehensive income:						
Profit for the year		-	-	-	173	173
Other comprehensive income		-	-	5	-	5
Total comprehensive income		-	-	**5**	**173**	**178**
Transactions with owner:						
Reduction of share premium account	*10/11*	-	(100)	-	100	-
Share issuance	*10*	176	-	-	(176)	-
Reduction of capital	*10*	(176)	-	-	176	-
Dividend paid		-	-	-	(27)	(27)
Balance at 31 December 2018		-	-	**2**	**246**	**248**
Comprehensive income:						
Profit for the year		-	-	-	(40)	(40)
Other comprehensive income		-	-	(5)	-	(5)
Total comprehensive income		-	-	**(5)**	**(40)**	**(45)**
Transactions with owner:						
Dividend paid	*10*	-	-	-	(14)	(14)
Balance at 31 December 2019		-	-	**(3)**	**192**	**189**

The notes on pages 54 to 61 form an integral part of these financial statements.

AGS Airports Limited

Accounting policies for the year ended 31 December 2019

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

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

Basis of preparation
AGS Airports Limited is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page [1]. The Company is a private company, limited by shares, and is registered in England and Wales.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment in a 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 IAS 27 Separate Financial Statements, as adopted by the 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 certain assets. In addition, the Company has also taken advantage of disclosure exemption of the income statement as allowed by the Companies Act 2006.

Going concern
The financial statements are prepared on a going concern basis notwithstanding that the directors consider that the current economic outlook presents significant challenges as a result of the Coronavirus (COVID-19) pandemic and the administration of Flybe. The financial risks for the Company are managed at a Group level.

For further details of the Group's going concern assessment, refer to the Group's Going Concern section of the Group's Accounting Policies on pages 21 to 22.

Adoption of new and revised IFRSs
There were no new and revised IFRSs relevant to the Company's operations required to be adopted during the year.

The following new and revised standards, interpretation and amendments are not applicable to the Company:
- IFRS 16;
- Plan Amendments, Curtailments or Settlement – Amendments to IAS 19;
- IFRIC 23 Uncertainty Over Income Tax Treatments;
- Prepayment Features with Negative Compensation- Amendments to IFRS 9;
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28; and
- Annual Improvements to IFRSs – 2015-2017 Cycle.

Investments 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. Dividends, impairment losses and reversals of impairment losses are recognised in the income statement.

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

Impairment of non-financial assets (continued)
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.

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

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

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

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.

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

Accounting policies for the year ended 31 December 2019 (continued)

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

Deferred income taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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, 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 and other comprehensive income is recognised in equity and other comprehensive income 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 Company intends to settle its current tax assets and liabilities on a net basis.

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

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

Accounting policies for the year ended 31 December 2019 (continued)

Critical accounting judgements and key sources of estimation uncertainty for the year ended 31 December 2019
In the application of the Company's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Going concern
The Going Concern section of the Group's Accounting Policies on pages 21 to 22, indicates that due to the unprecedented nature of the current situation regarding the future impact on the Company from the Coronavirus (COVID-19), the directors have highlighted a material uncertainty which may cast significant doubt regarding the Company's ability to continue as a going concern.

In the view of the directors, there are no other key sources of estimation uncertainty which affect the Company's financial statements.

AGS Airports Limited

Notes to the Company financial statements for the year ended 31 December 2019

1 Company loss 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 loss 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	Total
	£m	£m	£m
Cost			
At 1 January 2019	**6**	**6**	**12**
Additions	-	2	2
At 31 December 2019	**6**	**8**	**14**
Depreciation			
At 1 January 2019	**3**	**2**	**5**
Charge for the year	1	1	2
At 31 December 2019	**4**	**3**	**7**
Net book value			
At 31 December 2019	**2**	**5**	**7**
At 31 December 2018	3	4	7

3 Investments in subsidiaries

	£m
At 1 January 2019 and 31 December 2019	**1,238**

Company	Registered Office	Registered number	Class of shares held	Ownership
Airport Holdings NDH1 Limited	1 Park Row, Leeds, LS1 5AB	06408392	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, S018 2NL	02431858	Ordinary	100%
BAA Lynton Limited	1 Park Row, Leeds, LS1 5AB	03330278	Ordinary	100%
AGS Airports Pension Trustees Limited	1 Park Row, Leeds, LS1 5AB	09202431	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, except AGS Airports Pension Trustees Limited which is directly held by the Company. All of the subsidiaries are incorporated in Great Britain and registered in Scotland, with the exception of Southampton International Airport Limited, BAA Lynton Limited and AGS Airports Pension Trustees Limited, which are registered in England and Wales.

Notes to the Company financial statements for the year ended 31 December 2019

4 Trade and other receivables

	31-Dec-19	31-Dec-18
	£m	£m
Current		
Inter-group receivables	6	14
Other receivables	1	1
Total	**7**	**15**

5 Cash and cash equivalents

	31-Dec-19	31-Dec-18
	£m	£m
Cash at bank and in hand	**24**	**18**

Cash at bank 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 its book value.

6 Borrowings

	31-Dec-19	31-Dec-18
	£m	£m
Current		
Interest payable on third party borrowings	1	1
Interest payable on loan payable to parent	5	-
Total current	**6**	**1**
Non-current		
Secured		
Senior Loan Facility	638	638
Capex Facility	81	69
Unamortised arrangement fee	(3)	(6)
Unsecured		
Loans payable to parent	289	289
Total non-current	**1,005**	**990**
Total borrowings	**1,011**	**991**

The Company has £638million of drawn bank facilities ("Senior Loan Facility"), £81million of a drawn capital expenditure facility and £10million of an undrawn working capital facility.

Senior loan facility
The Senior Loan Facility matures in 2022 and bears a floating interest rate based on six months Libor plus a margin.

As part of the Company refinancing during 2017, refinancing costs of £11million were incurred that have been included in the carrying value of the Senior Loan Facility, of which £3million (2018: £4million) was amortised in the year. The loan is carried at amortised cost using effective interest rate method.

The unamortised arrangement fee for the year was £3million (2018: £6million) and is considered a non-cash item.

Capex Facility
The £81million (2018: £69million) Capex Facility relates to the drawn amount at December 2019 of the £145million (2018: £145million) facility that the Company has to finance the Group's capital expenditure requirements. The facility matures in 2022 and bears a floating interest rate based on six months Libor plus a margin.

Loans payable to parent
At 31 December 2019, loans payable to parent relate to amounts due to the Company's parent, AGS Airports Investments Limited, which bear an interest rate of 7% (2018: 7%) as at 31 December 2019. During the year no loan repayments were made (2018: £22million repaid). The loan is due for payment in 2025.

7 Derivative financial instruments

	Notional £m	Assets £m	Liabilities £m	Total £m
31 December 2019				
Non-current interest rate swaps	**637**	**-**	**(4)**	**-**
31 December 2018				
Non-current interest rate swaps	**637**	**2**	**-**	**2**
Current interest rate swaps	**637**	**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

	31-Dec-19 £m	31-Dec-18 £m
Current		
Accruals	5	4
Deferred income	1	1
Trade payables	2	-
Capital payables	1	-
Corporation tax payable	1	-
Intra-group payables	94	49
	104	**54**

Amounts owed to Group undertakings mainly relate to cash sweeps between the Company and its subsidiaries. As at 31 December 2019, the balance accrued interest at a rate of 7% per annum (2018: 7%).

9 Taxation

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

	£m
At 1 January 2019	-
Tax credited to equity	1
Deferred tax at 31 December 2019	**1**

10 Share capital

	31-Dec-19 £	31-Dec-18 £
Allocated, called-up and fully-paid	**2**	**2**

2 (2018: 2) ordinary shares of £1.00 each.

AGS Airports Limited

Notes to the Company financial statements for the year ended 31 December 2019

11 Share premium and reserves

	Share premium account	Hedging reserve	Retained earnings
	£m	£m	£m
1 January 2018	100	(3)	-
Fair value gains recorded in equity	-	5	-
Profit for the year	-	-	173
Reduction of share premium account	(100)	-	100
Share issuance	-	-	(176)
Reduction of capital	-	-	176
Dividend paid	-	-	(27)
31 December 2018	-	2	246
Fair value losses recorded in equity	-	(5)	-
Loss for the year	-	-	(40)
Dividend paid	-	-	(14)
31 December 2019	-	**(3)**	**192**

During the year the Company paid the following dividends to AGS Airports Investments Limited
- an interim dividend of £3,259,565.13 per ordinary share, amounting in total to £6million on 28 March 2019;
- an interim dividend of £1,481,789.38 per ordinary share, amounting in total to £3million on 28 June 2019; and
- an interim dividend of £2,454,111.73 per ordinary share, amounting in total to £5million on 30 September 2019.

12 Auditor remuneration

For the year ended 31 December 2019, the Company's audit fee was £12,000 (2018: £23,000).

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 consolidated financial statements.

14 Ultimate parent undertaking and controlling party

The parent undertaking of the largest and smallest group, which includes the Company and for which group financial statements are prepared, is AGS Airports Holdings Limited, a Company incorporated in England and Wales and has its registered office at 1 Park Row, Leeds, LS1 5AB.

The immediate parent undertaking of the Company is AGS Airports Investments Limited, a company registered in England and Wales and has its registered office at 1 Park Row, Leeds, LS1 5AB.

Copies of their financial statements can be obtained from the Registrar of Companies for England and Wales, Companies House, Crown Way, Cardiff, CF14 3UZ.

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