DocuSign Envelope ID: CC68791D-457F-4EF3-A2AB-243DFA32603D

Parent Accts
for 9202431

AGS Airports Limited
Annual report and financial statements for the year ended 31 December 2020

COMPANIES HOUSE
30 SEP 2021
EDINBURGH MAILBOX

Company registration number 09201991

THURSDAY
AAE4C3UP
A18 30/09/2021 #169
COMPANIES HOUSE

AGS Airports Limited

Contents

AGS Airports Limited

Officers and professional advisors

Directors
Juan Carlos Bullion Aleman
Ignacio Aitor Garcia Bilbao (resigned 26 March 2020)
Martyn Booth
Maria Cristina Casero Borges
John Bruen
Simon Geere
Ignacio Castejon Hernandez (appointed 26 March 2020)
Sir Peter Mason (resigned 1 May 2021)
Lena Wilson (appointed 1 May 2021)
Gonzalo Velasco Zabalza

Registered office
1 Park Row
Leeds
LS1 5AB

Independent auditor
Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow
G1 3BX

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

Barclays Bank plc
1 Churchill Place
London
E14 5HP

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 accounting standards in conformity with the requirements of the Companies Act 2006. The accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Management review

Passenger traffic trends
Passenger traffic for the year ended 31 December 2020 across the Group's airports is analysed below:

	Year ended 31 December 2020	Year ended 31 December 2019	Change
Passengers by airport (millions)			
Aberdeen	1.0	3.0	(65.3)%
Glasgow	1.9	8.9	(78.0)%
Southampton	0.3	1.8	(83.2)%
Total passengers[1]	3.3	13.6	(75.9)%

	Year ended 31 December 2020	Year ended 31 December 2019	Change
Passengers by destination (millions)			
United Kingdom	2.1	7.1	(70.8)%
International	1.2	6.6	(81.5)%
Total passengers[1]	3.3	13.6	(75.9)%

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

In the twelve months to December 2020, the number of passengers at the regional airports reduced by 75.9% to 3.3million, due to reduced traffic across the three airports, as a result of Flybe's administration in early March 2020 and travel restrictions imposed by the COVID-19 pandemic.

In March 2020 passenger numbers declined significantly as a result of COVID-19 becoming a global pandemic, with travel restrictions, countries closing borders and the UK's first lockdown, in addition to the impact on the Group of Flybe's administration at the start of the same month.

The Group's three airports have continued to operate throughout 2020, but at significantly reduced levels. In March 2020 there were mainly repatriation flights and essential lifeline services to the Highlands and Islands and Channel Islands and at Aberdeen helicopters for the oil and gas industry. During the summer of 2020 travel restrictions were eased with travel corridors being introduced and a variety of quarantine rules, which resulted in a slight increase in passengers. Then in the autumn and winter of 2020 with the spread of COVID-19 variants further restrictions were imposed, followed by a further full lockdown in January 2021, which has again significantly impacted passenger numbers at the Group's three airports.

Paramount in these unprecedented times, is our duty of care to the Group's staff, business partners and airport passengers. Health measures to provide a safe environment at the Group's three airports have included specific COVID-19 risk assessment, mandating passenger face coverings, personal protective equipment for staff, installation of protective screens in key areas including at check-in desks and security halls, social distancing requirements, provision of hand sanitisers units and enhanced cleaning regimes especially for hard surfaces. Additionally, carparks at the Group's three airports are being used for COVID-19 testing.

AGS Airports Limited

Strategic report (continued)

The directors have worked to conserve cash and secure additional finance, but there remains uncertainty over the Group's future trading results and cashflows. Measures have included organisational restructures at the Group's three airports, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts for senior management and bonus pay-out cessation, 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 to the minimum required or committed. The Group secured further funding of £10million and £28million under its working capital and capital expenditure facilities respectively during 2020 and £50million from its shareholders during 2021. Additionally, on 18 June 2021 the Group successfully completed amending and extending its debt facility, including waivers of certain existing covenant tests. The Group received equity injections totalling £35million and loans of £35million from its shareholders, and repaid its £50million shareholders' subordinated debt.

Looking forward, the outlook is more positive with travel restrictions expected to ease in light of international vaccination programs currently underway and improved testing regimes. The Group will work with Government agencies to ensure that the Group can continue to provide a safe environment for passengers to travel. It is anticipated that this will involve additional requirements around passenger testing for COVID-19, quarantine arrangements, continued social distancing, and stringent cleanliness requirements at the Group's airports.

Passenger numbers for the five months to 31 May 2021 are down by 77.1% at 0.5million compared to 2.2million for 2020, due to Flybe's administration in early March 2020 and travel restrictions imposed by the COVID-19 pandemic. At Southampton, which was the Group's airport most significantly impacted by Flybe's administration, a proportion of the main Flybe routes have at least been partly backfilled with flights due to commence in the summer months of 2021. Additionally, at Southampton work continues on the runway extension that will enhance the passenger flight offerings from Southampton Airport, which received planning permission on 10 April 2021.

Passenger numbers for the five months to 31 May 2021 are down by 77.1% at 0.5million compared to 2.2million for 2020, due to Flybe's administration in early March 2020 and travel restrictions imposed by the COVID-19 pandemic. The Group anticipates that passenger numbers for the full year will to be higher than last year, due to the successful international roll out of vaccines and the relaxation of travel restrictions expected towards the second half of the year.

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 2020 £m	Year ended 31 December 2019 £m
Revenue	72	217
Non-recurring	-	(5)
Adjusted revenue[1]	72	212
Adjusted operating costs[2]	(89)	(120)
Adjusted EBITDA[3]	(17)	92
Non-recurring costs	(8)	(3)
Depreciation and amortisation	(31)	(32)
Total operating costs	(128)	(155)
Fair value loss on investment properties	(39)	(14)
Operating (loss)/profit	(95)	48
Finance costs (net)	(42)	(44)
(Loss)/profit before tax	(137)	4
Taxation	(1)	(4)
(Loss)/result for the year	(138)	-

1 Adjusted revenue for 2019 is stated before non-recurring items of £5million (total revenue was £217million for 2019).
2 Adjusted operating costs are stated before depreciation, amortisation and non-recurring items (page 26).
3 Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, certain re-measurements (page 26) and non-recurring items (page 26).

Adjusted revenue for the year ended 31 December 2020 decreased by 66.0% to £72million due to the impact of lower passenger numbers, as a result of Flybe's administration in early March 2020 and travel restrictions imposed by the COVID-19 pandemic.

Adjusted operating costs decreased by 25.8% due to cost reduction initiatives across the Group as a result of COVID-19. These included organisational restructures at the Group's airports, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts for senior management and bonus pay-out cessation, options for unpaid leave and reduced hours, and negotiated cost reductions with suppliers, local councils and tax authorities. Operating costs include certain non-recurring costs which are not considered material or requiring separate presentation.

AGS Airports Limited

Strategic report (continued)

The total tax charge recognised for the year ended 31 December 2020 was £1million (2019: £4million).

Non-recurring items
Non-recurring costs recognised in the statement of comprehensive income relate to £8million of organisational restructure costs, including £2million of outsourced costs, associated with the COVID-19 pandemic.

Further details are provided in note 3 of the financial statements.

During 2019 non-recurring items related to revenue of £5million from a local windfarm development in relation to construction of radar to provide an air traffic control mitigation solution; £3million of costs and £3million of a past service credit associated with the closure of AGS Airports Limited's defined benefit pension scheme; and industrial action and advisor cost 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. The investment property valuation as at 31 December 2020 of £346million (2019: £383million) resulted in a loss of £39million (2019: £14million).

Dividend
During the year the Company no paid dividends to AGS Airports Investments Limited (2019: £14million).

Investment in modern airport facilities
The Group has reprioritised its investment in the airports' infrastructure projects to preserve cash, due to the impact of the COVID-19 pandemic, to investments required for safety and compliance or those already committed. For Southampton, the project to extend the runway, which received planning approval on 10 April 2021, remains a key strategic priority and therefore this project has continued this year. Additionally specific investment included completing the hold baggage screening ("HBS") standard 3 equipment and a taxiway rehabilitation at Aberdeen; at Glasgow further works to the pick up/drop off area, the completion of the relocation of toilets in the departure lounge area, the purchase of screening equipment for security processing, a car parking equipment refresh and a new meet and greet facility in car park 1; and at Southampton, in addition to the runway extension project, HBS standard 3 equipment to replace the current infrastructure with the latest technology.

Pension scheme
At 31 December 2020, AGS Airports Limited's defined benefit pension scheme had a surplus of £0.3million (2019: £4million) as measured under International Accounting Standard ("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 COVID-19 pandemic and the administration of Flybe.

The directors have worked to conserve cash and secure additional finance, but there remains uncertainty over the Group's future trading results and cashflows. Measures have included organisational restructures at the Group's three airports, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts for senior management and bonus pay-out cessation, 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 to the minimum required or committed.

The Group finances its activities through funds generated from operations and has access to external debt and shareholders' subordinated debt facilities. The external debt facilities include covenants, a breach of which would result in the amounts drawn becoming payable on demand. The Group 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 £10million and £28million under its working capital and capital expenditure facilities respectively.

AGS Airports Limited

Strategic report (continued)

On 30 November 2020 the Group obtained a £50million subordinated debt facility from its two shareholders and on 27 January 2021, 26 February 2021 and 22/25 March 2021 the Group utilised £3million, £4million and £43million of this facility, totalling £50million, for working capital requirements over the next twelve months. On 18 June 2021 the Group completed negotiations with lenders regarding amending and extending its external debt facility and the waiving of certain existing covenant tests at 30 June 2021, 31 December 2021 and 30 June 2022. Under the amended and extended debt facility agreement the Group's debt will now mature in June 2024, interest rates have been revised to Sterling overnight index rate (SONIA) plus a margin, the Group will maintain a debt service reserve of approximately £20million to cover the future 12 month debt service requirements and revised covenant tests have been established, including a minimum liquidity test which has been put in place and has not been waived. The Group's shareholders also provided a further £35million of equity, £35million of loans and a commitment to provide an additional £30million of equity callable to meet cashflow requirements. Additionally, on 18 June 2021 the Group repaid in full the shareholders' subordinated debt of £50million.

The directors have prepared base cashflow forecasts for the remainder of 2021 and through to June 2022, which assumes a phased passenger recovery when the travel restrictions are eased, anticipated towards the beginning of the second half of 2021. 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 two significant uncertainties.

These are:

1. Forecast uncertainty around timing of travel restrictions and lockdown ending, vaccine rollout, testing requirements, pace of recovery, and ultimately uncertainty regarding passenger number recovery and how comparable this will be to historic levels, and
2. Under certain scenarios of COVID-19 travel restrictions continuing longer than expected, the Group could have a requirement for additional funding, for which there are sources and options available to the directors, to meet the minimum liquidity test and operational needs.

The outlook for 2022 continues to be uncertain and highly dependent on the scale and pace of the recovery of trading in 2021.

The directors have considered 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 this impact should it arise. These include further cost saving initiatives, securing additional finance and seeking further support from government schemes, if available. The possible downside is not currently considered likely, however, it is difficult to predict the overall outcome and impact of COVID-19 at this stage.

The directors believe that the Group should be able 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. Accordingly, the directors 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 2020, the Group had intercompany borrowings of £289million (2019: £289million), external debt of £757million (2019: £719million) and £18million (2019: £24million) of cash at bank. The undrawn headroom under bank credit facilities was £36million (2019: £74million) and £50million (2019: £nil) under shareholders' subordinated debt facilities at 31 December 2020.

Details regarding the Group's amendments and extension to the Group's debt facility, which occurred after the 31 December 2020, are included in the going concern section above and within Events after reporting date section of the directors' report on page 13.

Accounting and reporting policies and procedures
The consolidated results in the financial statements for the year ended 31 December 2020 are presented in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. The Group's accounting policies and areas of significant accounting judgements and estimates are detailed within the Group financial statements. The Company financial statements are prepared in accordance with Financial Reporting Standard ("FRS") 101 "Reduced Disclosure Framework" ("FRS 101").

AGS Airports Limited

Strategic report (continued)

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 2020 principal decisions included the Group's response to the COVID-19 pandemic, including organisational restructures, reprioritisation of the Group's investment program, other cash preservation and financing decisions. Further details regarding these decisions are included in the Business and Financial review sections 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.

Communication with employees has been vital during the COVID-19 pandemic, with the Group Chief Executive Officer chairing live broadcasts with employees regularly throughout the pandemic and senior management engaging regularly with employee representative bodies and unions. COVID-19 has had a significant and unprecedented impact on Group's operations, which has led to the organisational restructures to reduce staff numbers during 2020.

Business relationships
Airline and passenger service, safety and security 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 star 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.

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

The airports are subject to regulations from the Civil Aviation Authority ("CAA"), Department for Transport ("DfT") and until 31 December 2020, the European Aviation Safety Agency ("EASA") and have staff dedicated to ensuring full compliance with regulatory requirements, to establish a sound relationship with the regulator and to advise the Executive Committee, the Health, Safety, Security and Environment ("HSSE") Committee and Board on regulatory matters. EASA Regulations continue to be implemented through the European Union (Withdrawal) Act 2018 (as amended). New UK regulations will be introduced in 2021.

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 three 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, it was considered best practice that all airports within the Group are aligned and are aware of their emissions.

AGS Airports Limited

Strategic report (continued)

In April 2018 it was made a pre-requisite under the Group's procurement policy that 100% of electricity purchased would be from renewable sources under a "Green Energy" contract. As a result, 100% of Group's Scope 2 emissions in both 2020 and 2019 could be reported as 0 under the Market Based approach.

Improvements have been made in the purchasing of vehicles with Glasgow Airport purchasing 6 plug-in hybrids in November 2018 and 3 electric busses for use between the terminal and the long stay car park.

The Group's LED lighting programme is continuing to be rolled out with the majority now complete.

The Group has a utilities consultant to look at innovative ways to reduce our consumption and subsequent carbon emissions. Carbon management plans have been developed for each group airport and working collaboratively with the utilities consultant, a number of short, medium and long term opportunities have been identified and will be rolled out over the next few years.

Together with over 200 airports across Europe, the Group is a signatory to ACI Europe's NetZero 2050 pledge. This is a commitment to achieve net zero for the carbon under our control by 2050 and Aberdeen and Glasgow Airports will align with the Scottish Government's 2045 target. As a result of this all airports have achieved Airport Carbon Accreditation Level 2 in 2020, with Southampton Airport being the first of the three airports achieving this in 2019. Additionally, all three airports are now certified as Net Carbon Zero, attaining this in 2020.

The Group is also a signatory to Sustainable Aviation's decarbonisation roadmap which sets out how the UK aviation industry can accommodate a 70% growth in passengers by 2050 whilst reducing net carbon emissions levels from just over 30million tonnes of CO2 per year down to zero through smarter flight operations, new aircraft and engine technology, modernising our airspace, the use of sustainable aviation fuels and significant investment in carbon reductions through smart market-based policy measures.

All three airports took part in the Global Real Estate Sustainability Benchmark ("GRESB") in 2019 and 2020. The scores in the 2020 benchmark showed that the 3 AGS Airports came out as the top three in the airports' category for both the UK and Europe with Glasgow coming out top for all airports across the world and achieving the full 5 star status. Both Aberdeen and Glasgow are certificated to the International standard ISO 14001 (Environmental Management Systems).

The following table reports the Group's consumption and emissions for the year end 31 December 2020.

Criteria	Units	31 December 2020			31 December 2019		
		ABZ	GLA	SOU	ABZ	GLA	SOU
Electricity Consumption							
Electricity (Total)	kWh	11,841,655	20,682,742	2,773,789	14,914,321	29,323,939	4,167,084
Electricity (Tenant)	kWh	6,844,104	7,381,384	495,924	8,572,883	12,488,925	1,506,747
Electricity (Net)	kWh	4,997,551	13,301,358	2,277,865	6,341,448	16,835,014	2,660,337
Gas Consumption							
Gas (Heating) (Total)	kWh	5,674,633	14,247,477	1,366,985	8,442,898	13,957,010	1,801,325
Gas (Other – LPG)	kWh	139,954	44,433	23,490	172,459	95,708	40,470
Gas (Tenant)	kWh	311,759	783,388	5,185	659,502	1,038,231	20,760
Gas – (Net)	kWh	5,362,874	13,464,091	1,361,820	6,955,953	13,624,622	1,821,035
Transport Consumption							
Gas Oil	kWh	125,100	544,851	199,377	322,469	742,919	489,270
Diesel	kWh	160,495	340,507	54,921	210,887	359,841	46,246
Petrol	kWh	50,043	239,877	-	41,489	288,011	380
Kerosene (Fire Fighting Training)	kWh	124,351	13,338	44,118	246,240	71,769	142,922
Business Mileage	kWh	5,418	6,133	5,578	35,912	26,501	33,752
Emissions							
Combustion of Gas	Tonnes CO_2e	988	2,476	250	1,100	2396	338
Combustion of Fuel	Tonnes CO_2e	87	277	65	144	346	136
Business Travel	Tonnes CO_2e	1.34	1.62	1.38	9	6.70	8
Kerosene (Fire Fighting Training)	Tonnes CO_2e	31	3.31	10.94	61	17.79	35
"Location Based" Electricity	Tonnes CO_2e	1,165	3,101	531	1,621	4,303	680
Total Gross CO_2e	Tonnes CO_2e	2,270	2,758	858	2,935	7,069.49	1,198
Intensity Ratio							
Carbon Emissions per Passenger	Tonnes CO_2e/Pax	0.00220	0.00142	0.00290	0.000989	0.000799	0.000667
Carbon Emissions per Air Traffic Movement	Tonnes CO_2e/ATM	0.0376	0.0797	0.0785	0.03200	0.07687	0.03294
Refrigerant Gas	Tonnes CO2e	3.73	85.8	328	194	45	92
Wood/Cardboard Used in Fire Training	Tonnes CO2e	15	-	6.33	79	-	6
"Market-Based" Electricity	Tonnes CO2e	-	-	-	-	-	-

The adopted methodology was to use the Greenhouse Gas ("GHG") Protocol Corporate Accounting and Reporting Standard developed by World Business Council for Sustainable Development and the World Resources Institute; this sets out a corporate accounting and reporting methodology for GHGs. This is elaborated in our Carbon Footprint documents for each airport available on the three airports' websites, carried out on an annual basis by Ricardo Energy and Environment.

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, to as low as reasonably practicable, rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatements or loss.

The key features of the 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 respective airport's Operations Director and consists of heads of departments and Group Head of Assurance. 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.

AGS Airports Limited

Strategic report (continued)

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

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

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

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

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

Governance, led by the airports' 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 DfT, 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
CAA and the DfT regulations
From 1 January 2021, following the Brexit transition period, the Group's operations are no longer subject to regulation by the EASA. The EASA regulations will be adopted by the UK which will be 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 the CAA sets the common standards for UK 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 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 regulators and advise the Executive Committee, HSSE 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 licences/certification 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 (or in Southampton's case will be by the end of 2020) 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.

AGS Airports Limited

Strategic report (continued)

Slavery and human trafficking risks
The Group is committed to ensuring that there is no modem-day slavery or human trafficking in its supply chains or in any part of its business. AGS Airports Group's Sustainable and Ethical Procurement Policy has been updated to include anti-slavery legislation. 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 Modem 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 business continuity and/or contingency plans to minimise disruption wherever possible.

COVID-19
The outbreak and continued spread of COVID-19 is continuing to have 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 COVID-19, causing airlines to cancel flights and take measures to avoid financial failure.

The directors have worked to preserve cash and secure additional finance, however, there remains uncertainty over the Group's future trading results and cashflows. The measures taken have included organisational restructures at the Group's three airports, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts for senior management and bonus pay-out cessation, options for unpaid leave and reduced hours. Additionally, the Group continues to negotiate 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 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 pages 23 to 24.

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

Industrial relations
The risk of industrial action by key staff that affects critical services, curtails operations and has an adverse financial and reputational impact on the 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 has robust and well tested contingency plans in place should there be a need to implement them in the event of industrial action. 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.

UK withdrawal from the EU
The Brexit transition period ended on 31 December 2020 with the UK and EU agreeing a Comprehensive Trade Agreement, which included an aviation chapter. This has allowed Group's airports to operate without disruption in 2021.

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

AGS Airports Limited

Strategic report (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 (2019: £793million), shareholder loans totalling £196million (2019: £183million) and shareholders' subordinated debt facilities £50million (2019: £nil). For 2020 the Group has a negative cashflow after capital expenditure and interest on external debt, as a result of the impact of the COVID-19 pandemic. As at 31 December 2020, cash and cash equivalents were £18million (2019: £24million). The undrawn headroom under bank credit facilities was £36million (2019: £74million) and £50million (2019: £nil) under shareholders' subordinated debt facilities at 31 December 2020.

Covenants are standardised wherever possible and are monitored on an ongoing 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
46C21A5096124 6A...

John Bruen
Director
25 June 2021

Ignacio Castejon Hernandez
Director
25 June 2021

AGS Airports Limited

Directors' report

The Directors present their Annual report and the audited consolidated and parent company financial statements for AGS Airports Limited and all of its subsidiary undertakings for the year ended 31 December 2020.

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 loss after taxation for the financial year for the Group amounted to £138million (2019: £nil). During the year the Company paid no dividends to AGS Airports Investments Limited (2019: £14million). 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:

Ignacio Aitor Garcia Bilbao (resigned 26 March 2020)
Martyn Booth
Maria Cristina Casero Borges
John Bruen
Simon Geere
Ignacio Castejon Hernandez (appointed 26 March 2020)
Sir Peter Mason (resigned 1 May 2021)
Lena Wilson (appointed 1 May 2021)
Gonzalo Velasco Zabalza

Alternative director
Juan Carlos Bullion Aleman

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 Group'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 Group's business relationship management and maintenance can be found on page 6 in the section 172(1) disclosures within the Strategic report.

Energy and carbon reporting
Details of the Group's energy consumption and carbon emissions can be found on page 8 in the section 172(1) disclosures within the Strategic report in Community and environmental impact.

Political donations
No political donations have been made in the year (2019: £nil).

DocuSign Envelope ID: CC68791D-457F-4EF3-A2AB-243DFA32603D

Internal controls and risk management

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

Financial risk management objectives and policies

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

Directors' indemnity

The Group and the Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, but without prejudice to any protection from liability which might otherwise apply, every director of the Group or the Company shall be indemnified out of the assets of the Group or the Company against any loss or liability incurred by him/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 the following non-adjusting post balance sheet events, which have impacted the Group:-

- on 10 April 2021 the Eastleigh Borough Council voted to grant planning permission to extend the runway at Southampton Airport, with the Section 106 agreement signed on 3 June 2021.
- during 2021 the Group drew down £50million of subordinated debt provided by AGS Airports Holdings Limited's shareholders (note 24), for working capital requirements over the next twelve months. The subordinated debt was repaid in full on 18 June 2021.
- on 18 June 2021 the Group negotiated amendments and an extension of its current £793million borrowings facility, including reducing the available facility by £36million from £793million to £757million. The maturity of the Group's borrowings has therefore been extended to June 2024 with a commitment to maintain, until maturity of the new facility, a debt service reserve of approximately £20million. Certain existing covenants on the borrowings at 30 June 2021, 31 December 2021 and 30 June 2022 were also agreed to be waived, and a new minimum liquidity requirement agreed.
- the Group's shareholders have committed to inject £100million into the Group, consisting of £35million of equity issued on 18 June 2021, £35million of additional loans received on 18 June 2021 and £30million of a deferred equity commitment, callable to meet cashflow requirements.

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.

Approved by the Board and signed on its behalf

DocuSigned by: John Bruen F07BA25B3B9E449...	DocuSigned by: Ignacio Castejon Hernandez 4EC21A5083124BA...
John Bruen	Ignacio Castejon Hernandez
Director	Director
25 June 2021	25 June 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006 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. 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, 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 International Financial Reporting Standards ("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.

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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- accounting policies; and
- the related notes to the consolidated financial statements 1 to 25 and to the parent company financial statements 1 to 13.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International accounting standards in conformity with the requirement of the Companies Act 2006. 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 forecast uncertainty around timing of travel restrictions and lockdown ending, vaccine rollout, testing requirements, pace of recovery, and ultimately uncertainty regarding passenger number recovery and how comparable this will be to historic levels and uncertainty in relation to the ability of the group to secure additional funding and meet the group's minimum liquidity requirement in certain scenarios. 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 group's and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

AGS Airports Limited

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

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.

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 this regard.

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.

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, and Tax Law; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included The Airports Act, Health and Safety Legislation and The Bribery Act.

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

AGS Airports Limited

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

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address them are described below:

- Valuation of goodwill, intangibles and tangible assets: we have compared the projected passenger numbers to historic and current performance, and evaluated revenue growth rates and expenditure within the cash flows projections with reference to market predictions and historical data;
- Valuation of investment properties: we have engaged our own valuation specialists to assess and challenge the yield assumption underpinning the calculation for valuation of the investment properties; and
- Accuracy and completeness of aeronautical rebate accruals: we have reviewed the aeronautical contracts and recalculated the recorded rebate and accrual based on the corresponding departing tonnage and passenger key performance indicators

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

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

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

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
25 June 2021

Consolidated income statement for the year ended 31 December 2020

	Note	Year ended 31 December 2020 Before certain re-measurements £m	Certain re-measurements[1] £m	Total £m	Year ended 31 December 2019 Before certain re-measurements £m	Certain re-measurements[1] £m	Total £m
Revenue	1						
Recurring		72	-	72	212	-	212
Non-recurring		-	-	-	5	-	5
Total revenue		72	-	72	217	-	217
Operating costs	2/3						
Recurring		(120)	-	(120)	(152)	-	(152)
Non-recurring		(8)	-	(8)	(3)	-	(3)
Total operating costs		(128)	-	(128)	(155)	-	(155)
Fair value loss on investment properties	8	-	(39)	(39)	-	(14)	(14)
Operating (loss)/profit		(56)	(39)	(95)	62	(14)	48
Analysed as							
Operating (loss)/profit before non-recurring items		(48)	(39)	(87)	60	(14)	46
Non-recurring items	1/3	(8)	-	(8)	2	-	2
Finance costs (net)	4	(42)	-	(42)	(44)	-	(44)
(Loss)/profit before tax		(98)	(39)	(137)	18	(14)	4
Taxation	5	(3)	2	(1)	(6)	2	(4)
Profit/(loss) for the year		(101)	(37)	(138)	12	(12)	-

The notes on pages 23 to 52 form an integral part of these financial statements.

1 Certain re-measurements defined on page 26

AGS Airports Limited

Consolidated statement of comprehensive income for the year ended 31 December 2020

	Note	Year ended 31-Dec-20 £m	Year ended 31-Dec-19 £m
(Loss)/profit for the year	*20*	(138)	-
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of defined benefit pension asset	*17*	(4)	(1)
Tax relating to items that will not be reclassified subsequently to profit or loss		1	-
	20	(3)	(1)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Losses arising during the year		(4)	(6)
Income tax relating to items that may be reclassified subsequently to profit or loss		1	1
	19	(3)	(5)
Other comprehensive loss for the year net of tax		(6)	(6)
Total comprehensive loss for the year		(144)	(6)

The notes on pages 23 to 52 form an integral part of these financial statements.

DocuSign Envelope ID: CC68781D-457F-4EF3-A2A8-243DFA32603D

AGS Airports Limited

Consolidated statement of financial position as at 31 December 2020

	Note	31-Dec-20 £m	31-Dec-19 £m
ASSETS			
Non-current assets			
Property, plant and equipment	6	398	425
Intangible assets	7	556	557
Investment properties	8	346	383
Pension asset	17	-	4
		1,300	1,369
Current assets			
Inventories	9	1	1
Trade and other receivables	10	11	23
Cash and cash equivalents	11	18	24
		30	48
Total assets		1,330	1,417
LIABILITIES			
Non-current liabilities			
Borrowings	12	1,035	1,005
Derivative financial instruments	13	8	4
Deferred tax liabilities	15	167	161
		1,210	1,170
Current liabilities			
Borrowings	12	35	6
Trade and other payables	16	37	49
		72	55
Total liabilities		1,282	1,225
Net assets		48	192
EQUITY			
Capital and reserves			
Share capital	18	-	-
Hedging reserve	19	(6)	(3)
Retained earnings	20	54	195
Equity attributable to the owners of the parent Company		48	192

The notes on pages 23 to 52 form an integral part of these financial statements.

The statutory financial statements of AGS Airports Limited (Company registration number: 09201891) were approved by the Board of Directors and authorised for issue on 25 June 2021. They were signed on its behalf by:

DocuSigned by:
John Bruen
F873A35D385449...
John Bruen
Director
25 June 2021

DocuSigned by:
Ignacio Castejon Hernandez
Ignacio Castejon Hernandez
Director
25 June 2021

AGS Airports Limited

Consolidated statement of changes in equity for the year ended 31 December 2020

		Equity attributable to the owners of the parent Company			
		Share capital	Hedging reserve	Retained earnings	Total
	Note	£m	£m	£m	£m
Balance at 1 January 2019		-	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
Comprehensive loss:					
Loss for the year	20	-	-	(138)	(138)
Other comprehensive loss		-	(3)	(3)	(6)
Total comprehensive loss		-	(3)	(141)	(144)
Balance at 31 December 2020		-	(6)	54	48

The notes on pages 23 to 52 form an integral part of these financial statements.

AGS Airports Limited

Consolidated statement of cash flows for the year ended 31 December 2020

	Note	Year ended 31-Dec-20 £m	Year ended 31-Dec-19 £m
Net cash (used in)/generated from operating activities	22	(13)	84
Investing activities			
Purchase of property, plant and equipment		(10)	(41)
Proceeds from the sale of investment properties		-	1
Net cash used in investing activities		(10)	(40)
Financing activities			
Interest paid		(21)	(36)
New borrowings		38	12
Dividends paid		-	(14)
Net cash from/(used in) financing activities		17	(38)
Opening cash and cash equivalents		24	18
Movements in the year		(6)	6
Closing cash and cash equivalents as at 31 December	11	18	24

The notes on pages 23 to 52 form an integral part of these financial statements.

AGS Airports Limited

Accounting policies for the year ended 31 December 2020

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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 2020 with comparatives against 31 December 2019.

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 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 COVID-19 pandemic and the administration of Flybe.

The directors have worked to conserve cash and secure additional finance, but there remains uncertainty over the Group's future trading results and cashflows. Measures have included organisational restructures at the Group's three airports, employee furloughs under the Government's Coronavirus Job Retention Scheme, temporary pay cuts for senior management and bonus pay-out cessation, 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 to the minimum required or committed.

The Group finances its activities through funds generated from operations and has access to external debt and shareholders' subordinated debt facilities. The external debt facilities include covenants, a breach of which would result in the amounts drawn becoming payable on demand. The Group 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 £10million and £28million under its working capital and capital expenditure facilities respectively.

On 30 November 2020 the Group obtained a £50million subordinated debt facility from its two shareholders and on 27 January 2021, 26 February 2021 and 22/25 March 2021 the Group utilised £3million, £4million and £43million of this facility, totalling £50million, for working capital requirements over the next twelve months. On 18 June 2021 the Group completed negotiations with lenders regarding amending and extending its external debt facility and the waiving of certain existing covenant tests at 30 June 2021, 31 December 2021 and 30 June 2022. Under the amended and extended debt facility agreement the Group's debt will now mature in June 2024, interest rates have been revised to Sterling overnight index rate (SONIA) plus a margin, the Group will maintain a debt service reserve of approximately £20million to cover the future 12 month debt service requirements and revised covenant tests have been established, including a minimum liquidity test which has been put in place and has not been waived. The Group's shareholders also provided a further £35million of equity, £35million of loans and a commitment to provide an additional £30million of equity callable to meet cashflow requirements. Additionally, on 18 June 2021 the Group repaid in fully the shareholders' subordinated debt of £50million.

AGS Airports Limited

Accounting policies for the year ended 31 December 2020 (continued)

The directors have prepared base cashflow forecasts for the remainder of 2021 and through to June 2022, which assumes a phased passenger recovery when the travel restrictions are eased, anticipated towards the beginning of the second half of 2021. 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 two significant uncertainties.

These are:

1 Forecast uncertainty around timing of travel restrictions and lockdown ending, vaccine rollout, testing requirements, pace of recovery, and ultimately uncertainty regarding passenger number recovery and how comparable this will be to historic levels, and

2 Under certain scenarios of COVID-19 travel restrictions continuing longer than expected, the Group could have a requirement for additional funding, for which there are sources and options available to the directors, to meet the minimum liquidity test and operational needs.

The outlook for 2022 continues to be uncertain and highly dependent on the scale and pace of the recovery of trading in 2021.

The directors have considered 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 this impact should it arise. These include further cost saving initiatives, securing additional finance and seeking further support from government schemes, if available. The possible downside is not currently considered likely, however, it is difficult to predict the overall outcome and impact of COVID-19 at this stage.

The directors believe that the Group should be able 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. Accordingly, the directors 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) New standards, interpretations and amendments to standards adopted by the Group

During the year, the Group adopted the following amendments to IFRSs issued by the IASB that are mandatorily effective for accounting periods beginning on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

- Interest Rate Benchmark Reform amendments to IFRS 9 Financial Instruments ("IFRS 9"), IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") and IFRS 7 Interest Rate Benchmark Reform. The amendments provide exemptions from certain hedge accounting qualification requirements in IFRS 9 response to market-wide benchmark interest rate reform. The amendments permit an entity to assume no impact to existing hedge accounting relationships subject to the reform, thereby allowing a continuation of hedge accounting. The new disclosure requirements required by the amendments are presented in note 14.
- Amendments to IAS 1 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material.
- Amendments to References to the Conceptual Framework in IFRS Standards - The amendments include consequential amendments to affected standards so that they refer to the new Framework.

The following amendments are not applicable to the Group:

- IFRS 3 Business Combinations
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions
- Annual Improvements to IFRSs 2018-2020 Cycle

AGS Airports Limited

Accounting policies for the year ended 31 December 2020 (continued)

(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 17 Insurance Contracts
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds Before Intended Use
- Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract

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.

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.

AGS Airports Limited

Accounting policies for the year ended 31 December 2020 (continued)

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.

Grants that compensate the Group for expenses incurred are recognised in the income statement in the relevant financial statement line on a systematic basis in the periods in which the expenses are recognised to present the net expense to the Group.

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.

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.

AGS Airports Limited

Accounting policies for the year ended 31 December 2020 (continued)

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

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.

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.

AGS Airports Limited

Accounting policies for the year ended 31 December 2020 (continued)

Intangible assets and goodwill

Goodwill

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

Leases

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.

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

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.

AGS Airports Limited

Accounting policies for the year ended 31 December 2020 (continued)

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.

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 and the SOCI. 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 effects 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 plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The 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. 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.

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.

Accounting policies for the year ended 31 December 2020 (continued)

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 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.

Critical accounting judgements and key sources of estimation uncertainty for the year ended 31 December 2020
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 23 to 24, indicates that due to the unprecedented nature of the current situation regarding the future impact on the Group from 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. 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.

AGS Airports Limited

Accounting policies for the year ended 31 December 2020 (continued)

Other sources of estimation uncertainty

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 Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. 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 an overall reduction in the annual growth rate of 10%. The directors believe that these reasonably possible changes in the key assumptions at 31 December 2020 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, based on 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 (2019: £77million). The carrying amount of other intangible assets at the balance sheet date was £477million (2019: £477million). Further details are available in note 7.

Critical judgements in applying the Group's accounting policies

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

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-20 £m	Year ended 31-Dec-19 £m
Revenue		
Recurring	72	212
Non-recurring	-	5
	72	217

In 2019 non-recurring revenue of £5million arose from a local windfarm development in relation to construction of 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-20 £m	Year ended 31-Dec-19 £m
Employment costs		
Wages and salaries		
Recurring	14	32
Non-recurring (note 3)	6	-
Social security	2	3
Pensions	2	5
Other staff costs	1	2
Employment costs	25	42
Depreciation and amortisation		
Recurring		
Depreciation of property, plant and equipment	30	31
Amortisation of intangible assets	1	1
Other operating costs		
Recurring	70	78
Non-recurring (note 3)	2	3
Total operating costs	128	155
Analysed as:		
Operating costs - recurring	89	121
Depreciation and amortisation - recurring	31	31
Non-recurring items (note 3)	8	3
Total operating costs	128	155

During the year to 31 December 2020, the Group utilised the Coronavirus Job Retention Scheme implemented by the United Kingdom government, *where employees designated as being "furloughed workers" were eligible to have 80% of* their wage costs paid up to a maximum of £2,500 per month. The total amount of such relief received by the Group amounted to £2million (2019: £nil) and is offset within employment costs in the income statement. There are no unfulfilled conditions or contingencies relating to this scheme.

Auditor remuneration

	Year ended 31-Dec-20 £000	Year ended 31-Dec-19 £000
Fees payable to the Company's auditor for the audit of the AGS Airports Limited annual financial statements	17	12
Audit of the Company's subsidiaries pursuant to legislation	162	106
Total audit fees	179	118

AGS Airports Limited

Notes to the consolidated financial statements for the year ended 31 December 2020 (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-20 Number	Year ended 31-Dec-19 Number
Aberdeen	85	226
Glasgow	181	458
Southampton	76	103
AGS Airports Limited	56	48
Total	**398**	**835**

Directors' and key management personnel remuneration	Year ended 31-Dec-20 £000	Year ended 31-Dec-19 £000
Directors' and key management's remuneration		
Aggregate emoluments	575	715
Amounts receivable under long-term incentive plans	-	37
Payment for loss of office	128	-
Value of pension contributions to a defined benefit scheme	-	14
Value of pension contributions to a defined contribution scheme	33	32
	736	798

	Number	Number
Number of directors and key management who:		
were members of a defined benefit pension scheme	-	1
are members of a defined contribution pension scheme	4	2

	Year ended 31-Dec-20 £000	Year ended 31-Dec-19 £000
Highest paid director's remuneration		
Aggregate emoluments	285	316
Amounts receivable under long-term incentive plans	-	22
	285	338

3 Non-recurring items

	Year ended 31-Dec-20 £m	Year ended 31-Dec-19 £m
Organisation restructuring costs	8	-
Pensions		
Closure costs	-	3
Past service credit	-	(3)
Other	-	3
	8	3

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

3 Non-recurring items (continued)

The Group incurred direct employment costs of £6million for severance (2019: £nil) and other costs of £2million (2019: £nil) for severance costs borne by outsource providers, in relation to the Group's organisation restructure, as a result of the COVID-19 pandemic.

During 2019 the AGS Airports Limited's defined benefit Scheme closed to future accrual with associated costs of £3million, including related taxation, and a past service credit of £3million relating to members becoming deferred members and therefore their accrued benefits no longer being linked to future salary changes. Additionally, for the year ended 31 December 2019 other non-recurring costs related to industrial action and advisor costs.

4 Finance costs

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

5 Taxation

	Year ended 31-Dec-20 £m	Year ended 31-Dec-19 £m
UK Corporation tax		
Current tax at 19.00% (2019: 19.00%)	7	(7)
Total current tax credit/(charge)	**7**	**(7)**
Deferred tax		
Current year	11	3
Change in UK corporate tax rate	(19)	-
Total deferred tax (charge)/credit	**(8)**	**3**
Taxation charge for the year	**(1)**	**(4)**

The tax charge on the Group's (loss)/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-20 £m	Year ended 31-Dec-19 £m
(Loss)/profit before tax	**(137)**	**4**
Reconciliation of the tax charge		
Tax calculated at the UK statutory rate of 19.00% (2019: 19.00%)	26	(1)
Change in UK corporate tax rate	(19)	-
Deferred tax not recognised	(6)	(1)
Other permanent differences	(2)	(2)
Taxation charge[1]	**(1)**	**(4)**

1 Within the £1million charge, £2million credit (2019: £2million credit) relates to deferred tax on the fair value movement on investment properties.

The Group has an unrecognised deferred tax asset of £14million (2019: £6million) in relation to a carried forward interest disallowance under the Corporate Interest Restriction Legislation.

5 Taxation (continued)

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge. If the rate had been substantively enacted at the current balance sheet date, it is estimated the deferred tax liability recognised would have increased by £52.7million.

6 Property, plant and equipment

	Terminal complexes £m	Airfields £m	Plant and equipment £m	Plant and equipment – Right-of-use asset £m	Other land and buildings £m	Assets in the course of construction £m	Total £m
Cost							
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 1 January 2020	**245**	**198**	**35**	**1**	**16**	**20**	**515**
Additions	-	-	-	-	-	5	5
Transfer to completed assets	-	3	5	-	1	(9)	-
Transfer to investment properties (note 8)	-	-	-	-	-	(2)	(2)
Disposals	(2)	-	(4)	-	-	-	(6)
At 31 December 2020	**243**	**201**	**36**	**1**	**17**	**14**	**512**
Depreciation							
At 1 January 2019	36	18	7	-	11	-	72
Charge for the year	15	7	6	-	3	-	31
Disposals	(8)	-	(5)	-	-	-	(13)
At 1 January 2020	**43**	**25**	**8**	**-**	**14**	**-**	**90**
Charge for the year	14	8	5	-	3	-	30
Disposals	(2)	-	(4)	-	-	-	(6)
At 31 December 2020	**55**	**33**	**9**	**-**	**17**	**-**	**114**
Net book value							
At 31 December 2020	**188**	**168**	**27**	**1**	**-**	**14**	**398**
At 31 December 2019	202	173	27	1	2	20	425

The directors have reviewed the Group's property, plant and equipment for impairment at 31 December 2020 and concluded that no impairment is required.

Assets in the course of construction
Assets in the course of construction comprise capital expenditure on ongoing developments under the Group's capital investment programme. Projects in progress at 31 December 2020 included: at Aberdeen the airfield survey work, taxiway resurfacing and upgrades to customer self-service machines; at Glasgow Airport the airspace change programme, design works for the construction of a new aircraft stand, replacement of stands substructure and top surface, airfield survey work, departure gate improvements and enhanced terminal forecourt access; and at Southampton the project to extend the runway and replace the primary radar, and preliminary works to upgrade hold baggage screening equipment in line with legislative changes.

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 2020 (continued)

7 Intangible assets

	Right to operate £m	Goodwill £m	Software £m	Total £m
Cost				
At 1 January 2020 and 31 December 2020	477	77	7	561
Amortisation				
At 1 January 2019	-	-	3	3
Amortisation for the year	-	-	1	1
At 31 December 2019	-	-	4	4
Amortisation for the year	-	-	1	1
At 31 December 2020	-	-	5	5
Net book value				
As at 31 December 2020	477	77	2	556
As at 31 December 2019	477	77	3	557

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 2020, the Group assessed the recoverable amount of the right to operate and goodwill for CGUs and recognised no impairment. The right to operate and goodwill attached to each CGU at 31 December 2020 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

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 as management deem this to be the best methodology which would provide the highest valuation. 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 7.3% (2019: 7.0%) which reflects the current market assessment of the time value of money. A long term growth rate of 2.0% (2019: 2.2%) is applied, which is in line with the UK long term GDP forecasts. Management estimate the discount rates using post tax rates that reflect current market assessment of the time value of money and the risks specific to the CGUs.

Management has prepared cash flow forecasts for 25 years up to and including December 2045. These are based on the latest approved Group budget for the year ending 31 December 2021, 5 year Long Term Business Plan 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 7.8% discount rate;
- a 10% reduction in GDP growth – driver of long run 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 2020 the directors believe that 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 forecast cash flows, that no impairment is necessary.

Sensitivity testing was performed on the fair value less cost to sell to stress test the impairment. The results of the sensitivities concluded that an increase to the pre-tax discount rates of 0.7% in Aberdeen would eliminate the headroom in the fair value measurement relative to the recoverable amounts of the CGUs. Likewise, a reduction in GDP growth of 30% in Aberdeen would eliminate the available headroom. The directors believe that these changes in the key assumptions at 31 December 2020, are not reasonably possible and accordingly no impairment has been recognised. 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 2020	383
Loss on revaluation	(39)
Transfer from property, plant and equipment (note 6)	2
At 31 December 2020	**346**

Investment properties were valued at fair value at 31 December 2020 by CBRE Limited, Chartered Surveyors. Details of valuations performed are provided below:

	31-Dec-20 £m	31-Dec-19 £m
CBRE Limited	**346**	**383**

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.

AGS Airports Limited

Notes to the consolidated financial statements for the year ended 31 December 2020 (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 56% (2019: 60%) of the fair value of the investment property portfolio at 31 December 2020. The valuation of maintenance hangers is largely based on long term contractual terms. The following table summarises the impact on the valuation of car parks to changes in certain assumptions:

	Change in assumption	Increase/(decrease) in asset valuation 31 December 2020 £m	Increase/(decrease) in asset valuation 31 December 2019 £m
Car parks – Base revenue	*by +10% pa*	23	22
	by -10% pa	(23)	(22)
Car parks – Revenue growth	*by +1% pa*	26	3
	by -1% pa	(23)	(3)
Car parks – Operating costs growth	*by+1% pa*	(4.1)	(0.4)
	by -1% pa	3.9	0.4

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.

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. The property rental income earned by the Group from its investment property, amounted to £8.3million (2019: £7.9million).

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

9 Inventories

	31-Dec-20 £m	31-Dec-19 £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-20 £m	31-Dec-19 £m
Current		
Trade receivables	9	21
Less: provision for impairment	(2)	-
Trade receivables - net	7	21
Corporation tax	3	-
Prepayments	1	2
Trade and other receivables	11	23

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, the ageing analysis of trade receivables and additional disclosure on credit management are included note 14. Trade receivables are non-interest bearing and are generally on 14 day terms. No collateral is held as security. The Group is not exposed to significant foreign currency exchange.

AGS Airports Limited

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

11 Cash and cash equivalents

	31-Dec-20 £m	31-Dec-19 £m
Cash at bank	**18**	**24**

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-20 £m	31-Dec-19 £m
Current		
Interest payable on third party borrowings	1	1
Interest payable on loan payable to parent	24	5
Secured		
Revolving Facility	10	-
Total current	**35**	**6**
Non-current		
Secured		
Senior Loan Facility	638	638
Capex Facility	109	81
Unamortised arrangement fee	(1)	(3)
Unsecured		
Loan payable to parent	289	289
Total non-current	**1,035**	**1,005**
Total borrowings	**1,070**	**1,011**

	31-Dec-20 £m	31-Dec-19 £m
Total borrowings are repayable as follows:		
Amounts due for settlement within 12 months	35	6
Amounts due for settlement between one and five years	1,035	716
Amounts due for settlement after five years	-	289
	1,070	**1,011**

The Group has £638million (2019: £638million) of drawn bank facilities ("Senior Loan Facility") from a total facility of £638million (2019: £638million), £109million (2019: £81million) of a drawn capital expenditure facility ("Capex Facility") from a total facility of £145million (2019: £145million), £10million of a drawn Revolving Facility (2019: £10million undrawn) from a total facility of £10million (2019: £10million) and £50million (2019: £nil) of undrawn shareholders' subordinated debt facilities at 31 December 2020 from a total facility of £50million (2019: £nil).

Senior Loan Facility
The Senior Loan Facility matures in February 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 £2million (2019: £3million) was amortised in the year. The loan is carried at amortised cost using the effective interest rate method.

The unamortised arrangement fee as at 31 December 2020was £1million (2019: £3million) and is considered a non-cash item.

AGS Airports Limited

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

12 Borrowings (continued)

Capex Facility
The £109million (2019: £81million) Capex Facility relates to the drawn amount at December 2020 of the £145million (2019: £145million) facility that the Group has, to finance its capital expenditure requirements. The facility matures in February 2022 and bears a floating interest rate based on six months Libor plus a margin.

Revolving Facility
The £10million (2019: £nil) Revolving Facility relates to the drawn amount at December 2020 of the £10million (2019: £10million undrawn) facility that the Group has, to finance its working capital requirements. The facility matures in February 2022, is repayable at the end of each 6 months interest period and bears a floating interest rate based on six months Libor plus a margin.

On 18 June 2021 the Group negotiated amendments and extensions to its debt facility extending the maturity to June 2024 (note 25).

Loan payable to parent
At 31 December 2020, 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% (2019: 7%). During the year no loan repayments were made (2019: £nil). The loan is due for payment in 2025.

	31-Dec-20		31-Dec-19	
	Book value	Fair value[1]	Book value	Fair value[1]
	£m	£m	£m	£m
Non-current				
Long-term debt	747	742	719	719
Loans payable to parent	289	327	289	335
Unamortised arrangement fee	(1)	-	(3)	-
	1,035	1,069	1,005	1,054

[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	Assets	Liabilities	Total
	£m	£m	£m	£m
31 December 2020				
Non-current interest rate swaps	637	-	(8)	(8)
31 December 2019				
Non-current interest rate swaps	637	-	(4)	(4)

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 of the Group 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.

The Group is exposed to interest rate benchmarks within its hedge accounting relationships, which are subject to interest rate benchmark reform.

The Group is monitoring the market and assessing the impact of Libor reform, relating to the transition to the new benchmark interest rates, on the Group's hedging instruments. The Group aims to be in a position to transition to alternative benchmark rates by the end of 2021.

The Group has a cashflow hedging instrument to hedge interest rate risk six months Libor plus a margin, which is due to mature in February 2022, has a nominal value of £637million and is used to hedge the Group's £637million of borrowings under the Senior Loan Facility (note 12) in scope for the IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform amendments. The terms of the hedged items listed match those of the corresponding hedging instrument.

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 2020, the Group's fixed floating interest rate profile, after hedging, on gross third parties debt was 85.3% (2019: 88.73%).

As at 31 December 2020, 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 2020		31 December 2019	
	Income statement impact £m	Equity impact £m	Income statement impact £m	Equity impact £m
0.50% increase	1	3	-	4
0.50% decrease	(1)	(3)	-	(4)

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, 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 2020, 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 2020 was £29million (2019: £47million).

14 Financial instruments (continued)

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 2020 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.

On this basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows:

31 December 2020	Gross carrying amount trade receivables £m	Expected loss rate %	Loss allowance £m
1-30 days	6	6.8	-
31-60 days	1	1.0	-
61-90 days	-	-	-
91-120 days	2	79.0	2
	9		2

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		-

The Group has recognised a loss allowance for 31 December 2020 of £2million (2019: £130,000). 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-2020 £m	31-Dec-2019 £m
Expiring in less than one year	50	-
Expiring in over one and under two years	36	-
Expiring in two to five years	-	74
	86	74

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-2020	Less than one year £m	One to two years £m	Two to five years £m	Greater than five years £m
Borrowing principal payments	10	747	-	-
Borrowing and derivatives interest payments	1	-	-	-
Derivative financial instruments	-	8	-	-
Trade payables	27	-	-	-
Capital payables	4	-	-	-

AGS Airports Limited

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

14 Financial instruments (continued)

	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	-	-	-

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.

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-2020			
	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	7	-	-	7
Other receivables	4	-	-	4
Total financial assets	29	-	-	29

Liabilities	31-Dec-2020			
	Liabilities at fair value through income statement £m	Derivatives qualifying for hedge accounting £m	Other financial liabilities at amortised cost £m	Total £m
Borrowings	-	-	(1,045)	(1,045)
Derivative financial instruments	-	(8)	-	(8)
Trade payables	-	-	(27)	(27)
Capital payables	-	-	(4)	(4)
Total financial liabilities	-	(8)	(1,076)	(1,084)

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

AGS Airports Limited

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

14 Financial instruments (continued)

Liabilities	Liabilities at fair value through income statement £m	Derivatives qualifying for hedge accounting £m	Other financial liabilities at amortised cost £m	Total £m
	31-Dec-2019			
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)

At 31 December 2020, the Group had not designated any financial assets or financial liabilities at fair value through the income statement.

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 2020, all of the resulting fair value estimates of the Group financial instruments are included in Level 2 (2019: all included in Level 2).

15 Deferred tax

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

	£m
At 1 January 2020	(161)
Charge to income statement	(8)
Tax credit to SOCI	2
31 December 2020	(167)

Deferred tax is analysed as follows:

	31-Dec-20 £m	31-Dec-19 £m
Deferred tax liability	(172)	(161)
Deferred tax asset	5	-
	(167)	(161)

AGS Airports Limited

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

15 Deferred tax (continued)

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 2019	(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)
(Charge)/credit to income statement	-	(4)	2	-	(11)	(13)
Credit to SOCI	-	-	-	-	2	2
31 December 2020	(87)	(38)	(44)	(6)	3	(172)

Deferred tax assets

	Excess of depreciation over capital allowances	Interest rate swaps	Losses	Total
	£m	£m	£m	£m
31 December 2019	-	-	-	-
Credit to income statement	2	1	2	5
31 December 2020	2	1	2	5

Deferred tax includes the impact of the previously enacted UK tax rate reduction from 19% to 17% being cancelled.

16 Trade and other payables

	31-Dec-20	31-Dec-19
	£m	£m
Deferred income	4	6
Trade payables	11	6
Accruals	16	22
Capital payables	4	9
Other tax and social security	1	1
Other payables	1	4
Corporation tax	-	1
	37	49

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.

AGS Airports Limited

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

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 IAS 19 for the year ended 31 December 2020.

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 are nominated and elected by the employees who are members of the Scheme.

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

	31-Dec-20	31-Dec-19
	£m	£m
Defined benefit asset	160	147
Defined benefit liability	(160)	(143)
Net surplus for defined benefit obligations (see following table)	-	4

Movements in net defined benefit asset/(liability)	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset/(liability)	
	31-Dec-2020	31-Dec-2019	31-Dec-2020	31-Dec-2019	31-Dec-2020	31-Dec-2019
	£m	£m	£m	£m	£m	£m
Opening balance	(143)	(132)	147	134	4	2
Current service cost	-	(1)	-	-	-	(1)
Past service credit	-	3	-	-	-	3
Interest (cost)/income	(3)	(4)	3	4	-	-
Included in SOCI						
Re-measurement of defined benefit pension scheme	(22)	(13)	18	12	(4)	(1)
Other						
Employer contributions	-	-	-	1	-	1
Benefits paid out	8	4	(8)	(4)	-	-
Balance at 31 December	(160)	(143)	160	147	-	4

Fair value of plan assets

	31-Dec-20	31-Dec-19
	£m	£m
Property	9	9
Bonds	28	17
Cash	8	2
Liability driven investment	61	68
Diversified growth funds	31	29
Direct lending	23	22
Total assets	160	147

17 Employee benefits (continued)

All plan assets (excluding Direct Lending) have market quoted prices. The return on plan assets was 13.1% (2019: 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-20	31-Dec-19
	%	%
Discount rate at 31 December	1.35	2.05
RPI inflation	2.90	2.95
Pension increases in payment	2.85	2.90

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

Current pensioner aged 60: 26 years (male), 29 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/decreased as a result of a change in the respective assumptions:

Impact on overall liabilities	Change in assumption	31-Dec-20	31-Dec-19
		£m	£m
Discount rate	*by 1%*	39	34
Rate of inflation	*by 1%*	37	27
Life expectancy	*by 1 year*	6	5

The sensitivity analysis is based on a change in one assumption while holding all other assumptions constant, therefore interdependencies between assumptions are excluded. The analysis also makes no allowance for the impact of changes in gilt and corporate bond yields on asset values.

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 (2019: 24 years).

17 Employee benefits (continued)

Defined contribution plan

The Group operates a defined contribution pension plan for all employees. The total cost of defined contribution pension arrangements is fully expensed as employment costs. The total expense relating to the defined contribution plan in the current year was £2.4million (2019: £3.9million). 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 (2019: 2) ordinary shares of £1 each.

19 Hedging reserve

	Cash flow hedge reserve £m
1 January 2019	2
Fair value losses recorded in equity	(5)
31 December 2019	(3)
Fair value losses recorded in equity	(3)
31 December 2020	(6)

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-20 £m	31-Dec-19 £m
Opening balance	195	210
(Loss)/result for the year	(138)	-
Re-measurement of defined benefit pension scheme	(3)	(1)
Dividend paid	-	(14)
31 December	54	195

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-20 Land and buildings £m	31-Dec-19 Land and buildings £m
Within one year	9	8
Within two to five years	22	22
After five years	30	35
Total	61	65

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.

21 Commitments and contingent liabilities (continued)

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 2020 amount to £3.4million (2019: £4.2million).

22 Notes to the consolidated statement of cash flows

	Note	Year ended 31-Dec-20 £m	Year ended 31-Dec-19 £m
Operating activities			
(Loss)/profit before tax		(137)	4
Adjustments for:			
Finance costs	4	42	44
Depreciation, amortisation and impairment	2	31	31
Pension credit		-	(3)
Fair value loss on investment properties	8	39	14
Loss on disposal of investment properties		-	1
Movement in receivables		15	1
Movement in payables		(6)	(1)
Cash (used in)/generated from operations		**(16)**	**91**
Tax received/(paid)		3	(7)
Net cash (used in)/generated from operating activities		**(13)**	**84**

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 2020 £m	Cash flow £m	Transfers from non-current to current £m	Other non-cash changes[1] £m	31 December 2020 £m
Cash and cash equivalents	24	(6)	-	-	18
Debt owed to parent	(289)	-	-	-	(289)
External debt	(716)	(38)	-	(2)	(756)
Total liabilities from financing activities	(1,005)	(38)	-	(2)	(1,045)
Net debt	**(981)**	**(44)**	**-**	**(2)**	**(1,027)**

	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] Relates to amortisation of issue costs.

23 Related party transactions

There are no material balances outstanding with related parties at 31 December 2020, 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 the following non-adjusting post balance sheet events, which have impacted the Group:-

- on 10 April 2021 the Eastleigh Borough Council voted to grant planning permission to extend the runway at Southampton Airport, with the Section 106 agreement signed on 3 June 2021.
- during 2021 the Group drew down £50million of subordinated debt provided by AGS Airports Holdings Limited's shareholders (note 24), for working capital requirements over the next twelve months. The subordinated debt was repaid in full on 18 June 2021.
- on 18 June 2021 the Group negotiated amendments and an extension of its current £793million borrowings facility, including reducing the available facility by £36million from £793million to £757million. The maturity of the Group's borrowings has therefore been extended to June 2024 with a commitment to maintain, until maturity of the new facility, a debt service reserve of approximately £20million. Certain existing covenants on the borrowings at 30 June 2021, 31 December 2021 and 30 June 2022 were also agreed to be waived and a new minimum liquidity requirement agreed.
- the Group's shareholders have committed to inject £100million into the Group, consisting of £35million of equity issued on 18 June 2021, £35million of additional loans received on 18 June 2021 and £30million of a deferred equity commitment, callable to meet cashflow requirements.

AGS Airports Limited

Contents

Company financial statements

AGS Airports Limited

Company statement of financial position as at 31 December 2020

	Note	31-Dec-20 £m	31-Dec-19 £m
ASSETS			
Non-current assets			
Property, plant and equipment	2	6	5
Intangible assets	2	1	2
Investments in subsidiaries	3	1,238	1,238
Deferred tax asset	9	3	1
		1,248	1,246
Current assets			
Trade and other receivables	4	5	7
Current tax		29	31
Cash and cash equivalents	5	18	24
		52	62
Total assets		1,300	1,308
LIABILITIES			
Non-current liabilities			
Borrowings	6	1,035	1,005
Derivative financial instruments	7	8	4
		1,043	1,009
Current liabilities			
Borrowings	6	35	6
Trade and other payables	8	82	104
		117	110
Net current liabilities		(65)	(48)
Total assets less current liabilities		1,183	1,198
Total liabilities		1,160	1,119
Net assets		140	189
EQUITY			
Capital and reserves			
Share capital	10	-	-
Hedging reserve	11	(6)	(3)
Retained earnings	11	146	192
Equity attributable to the owner of the Company		140	189

The Company's loss for the financial year ended 31 December 2020 was £46million (2019: £40million).

The notes on pages 56 to 64 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 25 June 2021. They were signed on its behalf by:

DocuSigned by:
John Bruen
F673A25B2B8E440...

John Bruen
Director
25 June 2021

DocuSigned by:
Ignacio Castejon Hernandez
45C21A50981246A...

Ignacio Castejon Hernandez
Director
25 June 2021

Company statement of changes in equity for the year ended 31 December 2020

		Equity attributable to the owner of the Company			
		Share capital	Hedging reserve	Retained earnings	Total
	Note	£m	£m	£m	£m
1 January 2019		-	2	246	248
Comprehensive income:					
Loss for the year	11	-	-	(40)	(40)
Other comprehensive loss	11	-	(5)	-	(5)
Total comprehensive loss		-	(5)	(40)	(45)
Transactions with owner:					
Dividend paid	11	-	-	(14)	(14)
Balance at 31 December 2019		-	(3)	192	189
Comprehensive income:					
Loss for the year	11	-	-	(46)	(46)
Other comprehensive loss	11	-	(3)	-	(3)
Total comprehensive loss		-	(3)	(46)	(49)
Balance at 31 December 2020		-	(6)	146	140

The notes on pages 56 to 64 form an integral part of these financial statements.

AGS Airports Limited

Accounting policies for the year ended 31 December 2020

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.

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, standards not yet effective, the requirements of IFRS 7 Financial Instruments: Disclosures, the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement, related party transactions and the requirement* set out in IAS 1 paragraph 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 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 23 to 24.

Adoption of new and revised IFRSs
During the year, the Company adopted the following amendments to IFRSs issued by the IASB that are mandatorily effective for accounting periods beginning on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The following amendments, although relevant to the Company, have no impact on the Company's results:
- Amendments to IAS 1 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
- Interest Rate Benchmark Reform amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Interest Rate Benchmark Reform.
- Amendments to References to the Conceptual Framework in IFRS Standards.

The following amendments and standard are not applicable to the Company:
- IFRS 3 Business Combinations
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions
- Annual Improvements to IFRSs 2018-2020 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 and the SOCI. 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 2020 (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.

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.

Cash and cash equivalents
Cash and cash equivalents 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 Company's financial statements. Deferred income taxation is not provided on the initial recognition of an asset or liability in a transaction, other than a business combination, if at the time of the transaction there is no effect on either accounting or taxable profit or loss.

Deferred income 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 Company 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.

Accounting policies for the year ended 31 December 2020 (continued)

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

Critical accounting judgements and key sources of estimation uncertainty for the year ended 31 December 2020
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 23 to 24, indicates that due to the unprecedented nature of the current situation regarding the future impact on the Company from 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.

Refer to note 25 on page 62 for further details on Events after the reporting date.

AGS Airports Limited

Notes to the Company financial statements for the year ended 31 December 2020

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 statement of financial position.

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 2020	6	8	14
Additions	-	2	2
At 31 December 2020	6	10	16
Depreciation			
At 1 January 2020	4	3	7
Charge for the year	1	1	2
At 31 December 2020	5	4	9
Net book value			
At 31 December 2020	1	6	7
At 31 December 2019	2	5	7

3 Investments in subsidiaries

	£m
Cost at 1 January 2020 and 31 December 2020	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, SO18 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%

The directors have reviewed the Company's investments for impairment at 31 December 2020 and concluded that no impairment is required.

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 Airport Holdings NDH1 Limited, Southampton International Airport Limited, BAA Lynton Limited and AGS Airports Pension Trustees Limited, which are registered in England and Wales.

AGS Airports Limited

Notes to the Company financial statements for the year ended 31 December 2020

4 Trade and other receivables

	31-Dec-20 £m	31-Dec-19 £m
Current		
Inter-group receivables	3	6
Other receivables	2	1
Total	5	7

5 Cash and cash equivalents

	31-Dec-20 £m	31-Dec-19 £m
Cash at bank and in hand	18	24

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-20 £m	31-Dec-19 £m
Current		
Interest payable on third party borrowings	1	1
Interest payable on loan payable to parent	24	5
Secured		-
Revolving Facility	10	-
Total current	35	6
Non-current		
Secured		
Senior Loan Facility	638	638
Capex Facility	109	81
Unamortised arrangement fee	(1)	(3)
Unsecured		
Loans payable to parent	289	289
Total non-current	1,035	1,005
Total borrowings	1,070	1,011

The Company has £638million (2019: £638million) of drawn bank facilities ("Senior Loan Facility") from a total facility of £638million (2019: £638million), £109million (2019: £81million) of a drawn capital expenditure facility ("Capex facility") from a total facility of £145million (2019: £145million), £10million of a drawn Revolving Facility (2019: £10million undrawn) from a total facility of £10million (2019: £10million) and £50million (2019: £nil) of undrawn shareholders' subordinate debt facilities at 30 December 2020 from a total facility of £50million (2019: £nil).

Senior loan facility
The Senior Loan Facility matures in February 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 £2million (2019: £3million) was amortised in the year. The loan is carried at amortised cost using effective interest rate method.

The unamortised arrangement fee for the year as at 31 December 2020 was £1million (2019: £3million) and is considered a non-cash item.

AGS Airports Limited

Notes to the Company financial statements for the year ended 31 December 2020

6 Borrowings (continued)

Capex Facility
The £109million (2019: £81million) Capex Facility relates to the drawn amount at December 2020 of the £145million (2019: £145million) facility that the Company has to finance the Group's capital expenditure requirements. The facility matures in February 2022 and bears a floating interest rate based on six months Libor plus a margin.

Revolving Facility
The £10million (2019: £nil) Revolving Facility relates to the drawn amount at December 2020 of the £10million (2019: £10million undrawn) facility that the Company has, to finance its working capital requirements. The facility matures in February 2022, is repayable at the end of each 6 months interest period and bears a floating interest rate based on six months Libor plus a margin.

On 18 June 2021 the Group negotiated amendments and extensions to its debt facility extending the maturity to June 2024

Loans payable to parent
At 31 December 2020, loans payable to parent relate to amounts due to the Company's parent, AGS Airports Investments Limited, which bear an interest rate of 7% (2019: 7%). During the year no loan repayments were made (2019: £nil). The loan is due for payment in 2025.

7 Derivative financial instruments

	Notional £m	Assets £m	Liabilities £m	Total £m
31 December 2020				
Non-current interest rate swaps	637	-	(8)	(8)
31 December 2019				
Non-current interest rate swaps	637	-	(4)	(4)

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 profit and loss over the period of the hedged risk.

8 Trade and other payables

	31-Dec-20 £m	31-Dec-19 £m
Current		
Accruals	4	5
Deferred income	-	1
Trade payables	2	2
Capital payables	1	1
Corporation tax payable	-	1
Intra-group payables	75	94
	82	104

Amounts owed to Group undertakings mainly relate to cash sweeps between the Company and its subsidiaries. As at 31 December 2020, the balance accrued interest at a rate of 7% per annum (2019: 7%).

AGS Airports Limited

Notes to the Company financial statements for the year ended 31 December 2020

9 Taxation

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

	£m
At 1 January 2020	1
Credit to income statement	1
Tax credited to equity	1
Deferred tax at 31 December 2020	3

The Company has an unrecognised deferred tax asset of £7million (2019: £nil) in relation to a carried forward interest disallowance under the Corporate Interest Restriction Legislation.

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Company's future tax charge. If the rate had been substantively enacted at the current balance sheet date, it is estimated the deferred tax asset recognised would have increased by £0.9million.

9 Share capital

	31-Dec-20	31-Dec-19
	£	£
Allocated, called up and fully paid	2	2

2 (2019: 2) ordinary shares of £1.00 each.

10 Reserves

	Hedging reserve	Retained earnings
	£m	£m
1 January 2019	2	246
Fair value losses recorded in equity	(5)	-
Loss for the year	-	(40)
Dividend paid	-	(14)
31 December 2019	(3)	192
Fair value losses recorded in equity	(3)	-
Loss for the year	-	(46)
31 December 2020	(6)	146

11 Auditor remuneration

For the year ended 31 December 2020, the Company's audit fee was £17,000 (2019: £12,000).

12 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.

13 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%).