Edinburgh Airport Limited
Annual report and financial statements for the year ended 31 December 2021

Company registration number: SC096623

Edinburgh Airport Limited

Contents

Edinburgh Airport Limited

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Edinburgh Airport Limited

Strategic report

The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006. The group has complied with the guidelines for disclosure and transparency in private equity revised July 2014 (commonly referred to as 'The Walker Guidelines').

Edinburgh Airport started life as the Royal Naval Air Service Aerodrome "Turnhouse" in March 1916. It was a key military base during World War I. After its use during World Wars I and II, it launched its first commercial services in 1947. Responsibility for Edinburgh Airport transferred from the Ministry of Defence to the Ministry of Aviation in 1960. In 1966, Edinburgh Airport was transferred to the British Airports Authority (BAA) who operated the Airport until it was privatised in July 1987, becoming BAA Edinburgh. BAA continued to operate the Airport until May 2012, after which it was sold to Global Infrastructure Partners.

1. General strategy

Edinburgh Airport was Scotland's busiest airport in 2019 with 14.7 million passengers passing through its terminal. The Airport makes a significant contribution to the economic, cultural and social wellbeing of the city of Edinburgh and Scotland. Pre-pandemic, Edinburgh Airport's management team successfully delivered growth in passenger numbers and route connectivity over a number of years. Edinburgh Airport's goal is to provide a world class operation by delivering sustainable growth through choice, whilst balancing the needs of its stakeholders and managing risks responsibly.

The COVID-19 global pandemic caused disruption on an unprecedented scale for Edinburgh Airport and the wider aviation industry. The recovery from the pandemic is the Airport's core short to medium term objective. The scale of the pandemic has demanded that priorities are refocused in the short-term to ensure there is an effective response to the immediate challenges faced. The goal is to manage costs and capital expenditure tightly, preserve cash, ensure liquidity and drive the Airport back to previous levels of traffic and financial performance as quickly as possible.

The directors are confident that Edinburgh Airport is well-placed to recover quickly when conditions allow. The directors' expectation is passenger demand will be stimulated by the reopening of major international markets over the first half of 2022. It is expected growth will be strongest during the early stages of recovery in short-haul, outbound leisure travel, due to high levels of pent-up demand for this type of travel.

The recovery from the COVID-19 pandemic is an opportunity for businesses to reframe their approach. Edinburgh Airport has taken this opportunity and launched its "Greater Good" strategy during 2021, the Airport's approach to a sustainable future for the benefit of its neighbours, Scotland, and the wider environment. This policy aims to achieve sustainability by linking environmental, societal and economic issues and solutions.

The Airport is committed to reducing its emissions footprint, improving operational resilience and adapting to the predicted effects of a changing climate now and into the future. To support the Airport's push towards a sustainable future, a significant addition to the 2021 group financial statements is the inclusion of reporting against the Task Force on Climate-related Financial Disclosures ('TCFD') framework. These disclosures represent a voluntary, early adoption of this reporting framework and the disclosures will be expanded and enhanced in the coming years to meet the future full mandatory requirements.

2. Review of 2021 and outlook

A second UK lockdown in the first half of 2021 placed restrictions on national and regional non-essential travel, combined with quarantine requirements, suppressing demand for air travel. Aviation is amongst the industries hardest hit by the COVID-19 pandemic, being one of the first to feel its effects.

Passenger numbers for the year ended 31 December 2021 remained significantly lower than pre-pandemic at 3.0 million (2020 – 3.5 million), 20% of 2019 volumes. In the same period revenue was £63.9 million (2020 - £68.1 million), 29% of 2019. A lockdown for the majority of the first half of 2021 saw passenger numbers down 95% on the same period in 2019.

The relaxation of travel restrictions led to a notable increase in passenger volumes in the second half of 2021. This provides optimism for the recovery when conditions allow. However, the emergence of the Omicron variant in November 2021 and the reintroduction of short notice travel restrictions by the UK and Scottish Governments negatively impacted passenger traffic in the final weeks of 2021 and introduced further uncertainty over the timing of recovery in 2022.

The COVID-19 pandemic has therefore continued to have a material impact on the financial performance of the Airport in 2021. The group has continued to take decisive steps to preserve cash, reduce costs and secure additional liquidity.

Cost management
Given the impact of the COVID-19 pandemic on the aviation sector, costs have remained under tight control during 2021. Support has continued to be provided from the Scottish Government in the form of relief from business rates and the Airport has utilised the UK Government's Coronavirus Job Retention Scheme during 2021. There has been a significant reduction in capital expenditure on infrastructure designed to support growth, with expenditure focused on maintenance of the current

2. Review of 2021 and outlook (continued)

asset base. Costs have been reduced in line with passenger numbers where possible and discretionary spend has been curtailed.

Liquidity
The Airport refinanced £175m of maturing bank debt facilities in May 2021, ensuring there are no debt facilities maturing until at least March 2024. The pricing on £100m of the refinanced bank debt facilities is linked to performance across a basket of Sustainability KPIs, including reduction in carbon emissions and renewable energy generation. The Airport has also agreed with its lenders to waive financial covenants at both the June 2021 and December 2021 assessment points with relaxed financial covenants agreed for both the June 2022 and December 2022 assessment points. Further detail on the group's future liquidity requirements is given in the *Developments since beginning of 2022 and future outlook* section.

COP26
The COP26 Climate Summit was hosted in Scotland during November 2021 with Edinburgh Airport a key entry point for governmental and non-governmental conference attendees. More than 30 Heads of State used Edinburgh Airport, including the President of the United States of America, Joe Biden, who arrived on Air Force One. There was no disruption to scheduled or cargo traffic.

Flysafe campaign
The Airport has continued to operate and invested in measures to ensure its terminal and campus are safe for passengers, business partners and staff alike. Passenger confidence in aviation in a COVID-19 environment is crucial to recovery. Introduced in 2020 in response to the pandemic, "Flysafe" is the brand given to the Airport's initiative which combines operational changes, such as new walking routes, hand sanitising stations, availability of face coverings & PPE, and social distancing where required, all supported by extensive passenger communications. The campaign has been deemed effective and met with the approval of Government, stakeholders, staff and passengers alike. In January 2021, Edinburgh Airport became the first UK airport to achieve a 4-star Skytrax COVID-19 safety rating. It is anticipated "Flysafe" will remain in place whilst the wider pandemic restrictions continue.

Community commitment
The Airport continues its commitment to play its part in its community by:
- Hosting an NHS Testing Station in its long stay car park to help front line medical teams' response to the pandemic;
- Remaining open during the pandemic to support essential services including cargo, mail, medical and repatriation flights;
- Opening the first public COVID-19 screening centre at an airport in Scotland in November 2020. The centre allows the public to receive fast and accurate PCR swab tests; and
- Donating face coverings to local community and charity groups to allow these groups to continue to provide their vital support and services safely during the pandemic.

In addition, many furloughed staff volunteered and fundraised in their local communities across Central Scotland during the pandemic.

2. Review of 2021 and outlook (continued)

Commercial developments
The Airport has built on its position as a capital city airport in an attractive geographic location to enhance its route network and provide even more choice to passengers. A number of new airlines have been welcomed to the Airport – including Virgin Atlantic, Air Baltic, WestJet and SunExpress – and the long-haul route network now includes direct services to Barbados and Orlando. Other airlines, such as Air Canada, have chosen to consolidate their activity in Scotland into Edinburgh and existing carriers have announced more than 30 new routes. These new routes include:

Airline	Routes
Ryanair	Bari, Paris, Madrid, Naples, Knock, Cork, Poitiers, Marrakesh, Santiago, Shannon, Turin and Zadar
easyJet	Canary Islands, Bournemouth, Malaga, Rhodes and Gibraltar
Jet2	Greek Islands, Reus, Verona and Izmir
Virgin Atlantic	Barbados and Orlando
Loganair	Cardiff, Newquay and Derry
Aer Lingus	Belfast
AirBaltic	Riga
BA Cityflyer	Guernsey and Southampton
Sun Express	Antalya
Turkish Airlines	Antalya
Flyr	Oslo
Vueling	Paris
West Jet	Toronto

Key financial metrics
These are provided in Section 5 of the Strategic report.

Review of the year
Turnover for the year ended 31 December 2021 was £63.9 million (2020: £68.1 million). The loss for the financial year was £45.0 million (2020: £96.5 million loss). Shareholders' funds at the year-end totalled £21.8 million (2020: £44.5 million) of which a deficit of £46.5 million (2020: £1.7 million surplus) related to the profit and loss account. See Statement of changes in equity on pages 34 and 35.

The Airport refinanced £175m of maturing bank debt facilities in May 2021, ensuring there are no debt facilities maturing until at least March 2024. The group has overall third-party funding of £1,113.3 million (2020 - £1,113.3 million). The funding consists of a combination of bank debt and longer term institutional loans. This funding includes a £50.0 million capital expenditure facility and a £10.0 million revolving credit facility. In response to the impact of the COVID-19 pandemic, the capital expenditure and revolving credit facilities were substantially drawn down during 2020. At 31 December 2021, £50.0 million (2020: £50.0 million) was drawn down on the capital expenditure facility and £8.0 million (2020: £8.0 million) was drawn on the revolving credit facility.

The group has positive cash flows with net cash flows from operating activities of £20.2 million (2020: £10.9 million). As at 31 December 2021, the group's cash and cash equivalents totalled £50.2 million (2020: £80.9 million) and available headroom under undrawn committed bank facilities was £2.0 million (2020: £2.0 million). Although there can be no certainty that financing markets will remain open at all times, debt maturities are spread over a range of dates, thereby ensuring the group is not exposed to excessive refinancing risk in any one year.

Brexit
The UK completed its exit from the European Union at the end of the transition period on 31 December 2020. A trade agreement was agreed between the UK and the EU on 24 December 2020. The new arrangements have had minimal effect on the Airport's operations. The directors continue to carefully monitor associated risks and seek to ensure the Airport is well positioned to take opportunities Brexit may present.

Developments since beginning of 2022 and future outlook
The COVID-19 pandemic continues to impact the aviation industry in 2022.

The emergence of the Omicron variant in November 2021 resulted in the reintroduction of travel restrictions and changes to testing protocols and brought further uncertainty regarding to the timing and pace of recovery.

A successful UK booster vaccination campaign and growing evidence that Omicron is less virulent than previous variants resulted in many of the travel restrictions and testing protocols being relaxed in early 2022. From 18 March 2022, the final remaining COVID-19 travel restrictions in the UK were lifted which provides optimism for a strong recovery in passenger air travel. Airlines advise Summer 2022 demand is strong.

Strategic report (continued)

2. Review of 2021 and outlook (continued)

Developments since beginning of 2022 and future outlook (continued)
Projecting passenger numbers and revenue in 2022 remains deeply uncertain as the timing and pace of recovery remains difficult to predict. The Airport's commercial strategy is premised on using temporary price discounts linked to traffic volume to incentivise airlines to recover.

The cash preservation and cost control measures implemented in 2020 will remain in place as deemed necessary. 2022 will continue to see a significantly reduced level of annual investment by the Airport and the focus for investment will continue to be on critical asset replacement spend, meeting health & safety and regulatory compliance requirements and concluding projects already in flight.

As at 28 February 2022 the group had £53.9 million of cash in the bank and £2.0 million of unutilised committed facilities.

Further details regarding the adoption of the going concern basis can be found in the Directors' report.

Exceptional items

Exceptional items recognised in the Statement of comprehensive income relate to:
- de-recognition of assets under the course of construction;
- flood prevention project costs;
- refinancing costs; and
- consultation costs in relation to potential changes to flight paths above Edinburgh.

3. S.172 Statement

During the year, in performing their duties the directors have had regard to:

(a) The likely consequences of any decision in the long term

The group has a 2040 Masterplan in place, which sets out a long-term, strategic view of the future of Edinburgh Airport. In addition, the group maintains a rolling 5-year plan, ensuring the directors are always planning in the longer term. The 5-year plan was not updated during 2021 due to the impact of the COVID-19 pandemic on the business, however the 5-year plan will be updated in 2022. Long-term capital projects are planned and viewed collectively at least annually by directors. This approach encourages longer-term operational decision making to support the capital plans.

(b) The interests of the group's employees

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings, Union meetings, weekly team briefing documents, regular letters to employee home addresses and the group e-magazine. The COVID-19 pandemic has brought increased uncertainty for employees and the directors are acutely aware of the need to keep employees informed during this time. The directors have introduced regular virtual 'town-halls' to keep employees up to date at a time when some are not physically working on site.

As a result of the COVID-19 pandemic the annual employee engagement survey was not completed in 2021. Instead a survey was carried out focused on wellbeing, Covid Safety and support. Action points were identified from this review and policies were introduced or changed directly as a result. It is expected normal staff surveys will be undertaken again as the recovery from COVID commences.

The group has appropriate policies for the management and fair treatment of employees in line with Advisory, Conciliation and Arbitration Service ('ACAS') guidelines and has collective bargaining agreements in place with Trade Unions.

The group places a strong emphasis on employee wellbeing and has policies and practices in place to ensure this, including extensive Occupational Health support, free physiotherapy, mental health support and podiatry, generous pension contributions, financial education and benefits for ill health and death in service. Edinburgh Airport has achieved Disability Confident Leader status and works in partnership with the Department for Work and Pensions to support employment on campus for the long term unemployed and supporting young people through Kickstart placements.

Edinburgh Airport is also a Real Living Wage employer and encourages campus partners to commit to this standard.

(c) The need to foster the group's business relationships with suppliers, customers and others

Customers
The group ensures business relationships are constantly developed with customers through setting up and maintaining several, active communications channels. These include:

- Station Managers operating for airlines on site who deal with everyday operations issues and queries;
- The Commercial team maintain regular, ongoing communication with airlines;
- Members of the Executive and Leadership team who are allocated as Account Managers for airline customers;
- Retail team meets quarterly with concessionaire customers to jointly review performance and planning, as well as maintaining ongoing, regular communications.

The group is also constantly engaged with customers striving to improve performance to the mutual benefit of airlines, retailers, passengers and Edinburgh Airport.

Suppliers
The directors ensure the group treats suppliers consistently by operating a standard on-boarding process with all suppliers to agree terms of business, including standard payment terms. This policy helps to ensure that all dealings with suppliers are consistent and fair.

The group offers an exemption from these standard terms to suppliers which qualify as micro businesses under the Companies Act 2006. This exemption means that these micro suppliers are paid in shorter payment terms to assist with cash flow.

3. S.172 Statement (continued)

(c) The need to foster the group's business relationships with suppliers, customers and others (continued)

Others

As noted below regarding the need for a reputation for high standards of business conduct, the group engages with a wide range of stakeholders on a daily basis. To ensure the successful running of the airport business, the directors are fully aware of the need to foster all of the varied relationships within the Airport, be that with passengers, government agencies or non-governmental organisations. These relationships are fostered with open, transparent communication channels as the group continues to work with its many stakeholders to improve the performance of the Airport for the benefit of all stakeholders.

The directors have engaged with the Airport's business partners to align support requirements during the COVID-19 pandemic and will continue to do so during the period of recovery.

(d) The impact of the group's operations on the community and the environment

The group understands the impact it has on its local communities and works to reduce and mitigate the impact of its operations. The group is committed to being a good neighbour to the communities around the Airport and regularly works with local organisations and charities to help support community projects and fundraising.

The group's activities in respect of managing and improving its impact on the community and environment are detailed in the "Sustainability strategy" section on page 18.

(e) The desirability of the group maintaining a reputation for high standards of business conduct

The group engages with a wide range of stakeholders on a daily basis. Edinburgh Airport is a major infrastructure asset in Scotland and the wider UK and, as such, the directors have a full awareness of the importance of the business reputation of the Airport. The group engages proactively, transparently and on an ongoing basis with government, regulators and non-governmental organisations, working collaboratively on wider issues such as information sharing, environmental protection, water quality, social and economic development. Additionally, it is important to the directors that Edinburgh Airport works proactively with media outlets to ensure that the media and public perception of Edinburgh Airport's practices is as close to reality as possible. This includes issuing responses to media requests and issuing proactive media releases.

(f) The need to act fairly between members of the group

The group's board is structured to ensure that all members of the group have fair representation on the board. The group's immediate parent member, Green Bidco Limited has two common directors on the Edinburgh Airport Limited board. All ultimate parent members also have representative directors on the Edinburgh Airport Limited board. All board members are invited to all board meetings and provided with regular updates regarding the group.

Edinburgh Airport Limited

Strategic report (continued)

4. Key performance indicators (KPIs)

The group measures a number of KPIs to ensure the group achieves sustainable growth over the long term and provide great service to passengers.

Metric	Definition	2021	2020	Movement (% or percentage points, 'pp')
Turnover	Total revenue of the Airport	**£63.9m**	£68.1m	Down 6.2%
IPP	Income per passenger	**£21.10**	£19.58	Up 7.8%
Operating loss[1]	Per Statement of comprehensive income	**£13.0m**	£20.0m	Down 35.0%
Operating cost per passenger[2]	Unit cost of operating the Airport	**£15.06**	£15.97	Down 5.7%
Capital investment	Investment in assets to improve efficiency and support growth	**£9.7m**	£25.6m	Down 62.1%
Cash flow	Net cash flows generated from our operating activities[3]	**£20.2m**	£10.9m	Up 78.0%
Passengers	Total number of passengers using the Airport	**3.03m**	3.48m	Down 12.9%
Destinations	Number of destinations flown from Edinburgh Airport	**119**	164	Down 27.4%
Punctuality	On time departure (OTP) [4]	**87.2%**	88.0%	Down 0.8pp
Security performance	% of passengers waiting < 10 minutes [5]	**96.9%**	97.6%	Down 0.7pp
Passengers with reduced mobility (PRM)	Notified arrival passengers - waiting < 5 minutes	**87%**	80%	Up 7.0pp
	Notified departing passengers - waiting < 10 minutes [6]	**99.8%**	100%	Down 0.2pp
Customer satisfaction	Average Happy/Sad Passenger Survey Scores[7]	**83.9%**	88.1%	Down 4.2%
Health and safety	Number of RIDDOR's [8]	**2**	0	N/A
Complaints	Number of complaints per 10,000 passengers [9]	**1.57**	2.58	Down 39.1%

[1] Operating loss is stated after operating costs and depreciation but before interest and any gains or losses on investment property.
[2] Operating cost per passenger is calculated before exceptional costs, depreciation and amortisation.
[3] Net cash flows generated from operating activities is before capital expenditure, financing activities and interest.
[4] OTP is within 15 minutes of scheduled push back time.
[5] Security performance tracked from January to December. Percentage of passengers queuing at security for less than 10 minutes pre-screening.
[6] The European Civil Aviation Conference (ECAC) has outlined standards for waiting times for passengers with reduced mobility (PRM) at airports within Europe. Where notification has been provided in advance of travel, the standard is that 80% of passengers receive assistance within 10 mins in respect of departures and 5 minutes for those arriving on inbound flights.
[7] Customer satisfaction at EAL measured as the proportion of passengers who select "happy" or "neutral" on the campus happy/sad surveys in response to the question "how was your experience so far at the airport today?". This survey is presented to passengers on an iPad post-security, and on the EAL Wi-Fi landing page.
[8] The Reporting of Injuries, Disease and Dangerous Occurrence Regulations (RIDDOR) stipulate certain serious workplace accidents, occupational diseases and specified dangerous occurrences must be reported to the Health & Safety Executive.
[9] Data provided reflects the volume of formal passenger complaints raised through the Edinburgh Airport website by passengers themselves. Every form submitted by individual passengers is recorded as a complaint for KPI purposes.

5. Principal risks and uncertainties

Risk management
Risk management is fully embedded in the group's operations, across all levels, and is supported by an Enterprise Risk Management (ERM) Framework which aims to ensure risks are identified, quantified, mitigated and escalated consistently across the business.

Risk identification
The group operates both a strategic and bottom-up approach in identifying its risks. Operational risk registers are maintained by all Airport departments, both operational and support. A quarterly session is held with senior management as part of the Airport's "Managing Responsibly Group" to review operational risks including consideration of whether any should be escalated to the corporate register.

The Executive Committee holds bi-annual risk workshops to identify new and emerging risks and consider the profiling and control mechanisms within the corporate risk register. As a result of the pandemic only one Executive Committee workshop took place in 2021, this workshop focussed on reviewing how existing business risks were affected by the COVID-19 pandemic and identifying the new business risks which arose as a result of the COVID-19 pandemic and ensuring the controls to mitigate these risks were operating effectively.

Risk profiling and mitigation
A formal classification and scoring methodology is in place to ensure a common risk language. All risks are assessed based on impact and likelihood on both an inherent and residual level, using a consistent scoring tool which clearly defines each level of likelihood and impact in the context of Edinburgh Airport operations.

Risk mitigation is a critical area of focus within the ERM and depending on the nature of the risk, Edinburgh Airport typically adopts a combination of the following mitigation techniques:

1) *Prevention* – where risks are preventable focus is placed on deployment of controls designed to prevent the risk from crystallising. Such control measures include implementation of formal protocols, checks and balances, training, secondary review measures and ongoing monitoring arrangements.
2) *Response* – where risks are dictated largely by external factors out with the control of Edinburgh Airport, focus is placed on the response in place should the risk be realised. This includes preparation and testing of contingency plans, multi-agency response planning and financial hedging.
3) *Insurance* – insurance is used in conjunction with the above measures as a financial protection for significant or catastrophic risks. Edinburgh Airport has a comprehensive programme of insurance in place which has been mapped against its risk profile. Insurance cover includes, property damage, business interruption, war and terrorism, cyber security, construction programme and aviation liability.

Risk governance
Oversight of the ERM framework has been delegated to the Audit and Risk sub-committee of the Board, which provides regular updates to the Board on its activities and matters emerging. The Audit and Risk Committee receive formal bi-annual updates on both corporate and operational risks and its quarterly agenda is focussed on key areas of risk for the business and how management is responding to these. In 2021 the frequency of updates has been reduced as a result of the pandemic.

At both a corporate and operational level there is clear accountability for ownership of risks and mitigating actions.

Edinburgh Airport Limited

Strategic report (continued)

Management has assessed the principal risks and uncertainties as follows:

Risk description	Assessment and mitigation
COVID-19 pandemic The aviation industry is currently experiencing an unprecedented reduction in passengers as a result of the global restrictions in place to reduce the spread of the COVID-19 virus. There is uncertainty over the time period for which these restrictions will remain in place and the severity of the impact the pandemic will have. The wider macro-economic impact of the pandemic may also lead to a reduction in passengers for the Airport. These factors will adversely impact the profitability and cash generation of Edinburgh Airport.	The impacts of the COVID-19 pandemic continue to have an impact on the operations of Edinburgh Airport and the wider aviation industry. The short to medium term impact of the COVID-19 pandemic remains difficult to assess. The COVID-19 pandemic presents the Airport with short-term risks, including uncertainty over the timing and pace of recovery in passenger demand and ensuring operating costs are aligned with passenger demand. These risks are being addressed to ensure the potential impacts are understood and mitigated where possible. The lifting of travel restrictions in the UK in 2021 led to a notable increase in passenger volumes in the second half of 2021. This provides the directors with confidence for the recovery when conditions allow. The directors continue to prepare detailed scenario planning exercises to consider the ongoing impacts of the COVID-19 pandemic on operations, profitability and cash flow. In scenarios where passenger numbers remain subdued the Airport retains its discipline and focus on managing costs and capital investment, preserving cash and protecting liquidity. The uncertainty and future impact of the COVID-19 pandemic has been considered as part of the group's adoption of the going concern basis. Further details can be obtained on going concern in the Directors' report.
Safety and security Ensuring the safety and security of our people, passengers and infrastructure is central to the strategy and operations of Edinburgh Airport.	Health & safety is a core value of the business and the group has invested in developing a behaviour driven, proactive safety culture, championed at a leadership level. This is underpinned by a safety management system, externally verified and accredited to OHSAS 45001:2018 built around risk assessment, worker participation, visibility of senior management, inspection, asset stewardship, governance and assurance. The group mitigates security risks by adopting and enforcing rigorous policies and procedures supported by professional training and investment in leading-edge security technology. The group works closely with government agencies, including the police, the Civil Aviation Authority (CAA) and the UK Border Agency building a framework to establish co-ordinated accountabilities for airport security and integrated ownership of risk.
IT security and resilience IT infrastructure resilience and data security are critical to the effective operation of Edinburgh Airport. The risk of an IT failure or a breach of data security could cause significant disruption to operations and lead to both financial and reputational loss.	In parallel with the ongoing investment programme to improve the IT infrastructure and services, Edinburgh Airport and its partners deploy predictive and real time monitoring of IT infrastructure and systems. Any discovery through monitoring would lead to intervention or enacting contingency plans which are designed to enable the early recovery of service in the event of an IT failure. A strong programme of activity is in place to maintain a secure IT environment including vulnerability assessments and detection and incident recovery processes.

Edinburgh Airport Limited

Strategic report (continued)

Risk description	Assessment and mitigation
Operational resilience There are numerous risk factors that could cause disruption to the short and medium-term operations of Edinburgh Airport including adverse weather, terrorism, wars, environmental factors or natural disasters. Operational resilience is an ongoing area of focus for the team as Edinburgh Airport continues to refine and test the contingency and continuity plans to respond to adverse events.	Edinburgh Airport has in place a robust and extensively tested crisis management framework, which extends to on-campus partners and agencies. Edinburgh Airport regularly reviews and tests its contingency plans, including an end-to-end test of the Airport Major Incident Response based on highest risk scenarios. Such exercises and reviews provide assurance over the capability of our framework, protocols and people. Edinburgh Airport seeks opportunities to continually improve its crisis management framework. Edinburgh Airport's crisis management framework was activated in response to the COVID-19 pandemic. Along with longer term contingency and continuity arrangements, Edinburgh Airport also has in place a programme of insurance to transfer the financial risk of adverse events including fire, war, terrorism, ash cloud and other business interruption risks.
Regulatory compliance The group's business and operations are subject to various regulatory requirements. Edinburgh Airport is primarily regulated by the UK Department for Transport (DfT) through the UK's aviation regulator, the CAA. This primary regulation is concerned with air safety, airspace regulation, airport operations, aviation security, consumer protection and the environment. Other key areas of regulatory focus for the group include compliance with competition rules, data management, and health, safety and environmental regulation.	The group takes a proactive approach to ensuring regulatory requirements are met, if not exceeded. Edinburgh Airport deploys formal project-based protocols to prepare for implementation of material new regulatory requirements, as evidenced in 2018 by the rigorous approach to implementation of our Network and Information Systems Directive ("NISD") activities. The group's Legal Director maintains a regulatory compliance register which captures key areas of legislation and the arrangements in place to ensure compliance. Dedicated internal assurance functions are in place for regulated elements of our operation. These include security compliance, airside compliance, fire service and data protection compliance.
Corporate responsibility and climate change Social and political attitudes towards air travel, climate change and sustainability may have an adverse impact on the Airport leading to the following: 1) Consumer behaviours lead to reduced air travel and declined passenger numbers and revenue. Failure to demonstrate leading practice in sustainability may lead to passengers choosing other airports over Edinburgh. 2) Government policy decisions are made to penalise the aviation industry leading to increased operating costs and/or reduced revenues. 3) Failure to keep pace with sustainable developments adversely impacts the value of the Airport.	In 2021 Edinburgh Airport published its first Sustainability Strategy. The Strategy encompasses the entire airport campus. The directors are committed to reducing the Airport's emissions footprint in line with commitments made in the Sustainability Strategy, improving the Airport's operational resilience and adapting to the predicted effects of a changing climate now and into the future. The Airport has already taken action to reduce carbon emissions and has committed to achieving Net Zero status by 2040. The Airport has also taken a number of practical steps to reduce emissions from its operations, including the reduction of onsite energy usage and the recent commitment to construct solar panels on the airfield to generate approximately 25% of our total electricity requirements. Moreover, the Airport issued a £100 million Sustainability Linked Loan in May 2021 with the pricing linked to performance across a basket of Sustainability key performance indicators ("KPIs") including reductions in Scope 1 and 2 emissions and targeting a higher Airport Carbon Accreditation ("ACA") rating. The Airport recently completed a climate change adaptation assessment, considering the physical climate risks to the Airport's infrastructure and operations. This report was submitted to the UK Government to inform its National Adaption Programme.

Risk description	Assessment and mitigation
Corporate responsibility and climate change (continued)	To support the Airport's push towards a sustainable future, a significant addition to the 2021 group financial statements is the inclusion of reporting against the Task Force on Climate-related Financial Disclosures ('TCFD') framework. These disclosures represent a voluntary, early adoption of this reporting framework and the disclosures will be expanded and enhanced in the coming years to meet the future full mandatory requirements.
Treasury risks The Board approves prudent treasury policies and delegates certain responsibilities to senior management who directly control day-to-day treasury operations. The treasury function is not permitted to speculate in financial instruments. Its purpose is to identify, mitigate and hedge treasury related financial risks inherent in the group's business operations and funding.	Primary treasury risks facing the group are as follows: *a) Interest rate risk* To protect against an increase in interest rates the group maintains a mix of fixed and floating rate debt and, where necessary, uses derivative financial instruments such as interest rate swaps to generate the desired interest rate risk profile. The group's prudent interest rate risk management policy is consistent with the hedging requirements laid out in its debt financing agreements. *b) Foreign exchange currency risk* The group is not materially exposed to foreign exchange currency risk as all material transactions and financial instruments are in pounds sterling. The group would consider the use of foreign exchange derivative financial instruments to hedge material capital or operating expenditure in foreign currencies once those transactions are considered highly likely to occur. *c) Funding and liquidity* The principal sources of the group's liquidity risk are the ability to refinance debt facilities as they fall due, ensuring cash and cash equivalents are accessible as and when required and ensuring borrowing facilities are sufficient for the future needs of the group. The group's debt maturities are spread over a range of dates, reducing exposure to refinancing risk in any one year. Cash and cash equivalents are held on short-term deposit. *d) Credit risk* The group performs credit worthiness checks on all potential new customers before any credit facilities are provided. The group also has procedures in place to monitor the on-going credit worthiness of key customers. The group rigorously enforces its payment policies to ensure that all its customers keep to the stated payment terms with follow up actions taken immediately if there is any divergence.

6. Sustainability strategy

The recovery from the COVID-19 pandemic is an opportunity for businesses to reframe their approach. Edinburgh Airport has taken this opportunity to launch its "Greater Good" strategy, the Airport's approach to a sustainable future for the benefit of its neighbours, Scotland, and the wider environment. This policy aims to achieve sustainability by linking environmental, societal and economic issues and solutions. The sustainable activities are split into four pillars:

Zero Carbon – the Airport's strategy to reduce emissions and improve the Airport's carbon footprint. This includes the recently announced plans to install an onsite solar farm which has capacity to provide 25% of the Airport's ongoing energy needs.

Enhancing Scotland – creating an Airport that offers passengers a sustainable connectivity experience by reducing its environmental impact and providing options for passengers to do that. This includes minimising waste, promoting recycling and eliminating landfill.

Scotland's Best Business – the further development of a business with integrity, working with the Airport's People, Passengers and trusted Partners. This includes a focus on creating long-term sustainable partnerships with local suppliers, supporting employees, increasing diversity and social inclusion and making publicly available the Sustainability Report, including an ESG statement.

Trusted Neighbour – share the benefits of growth with the communities closest to the Airport, whilst reducing any negative impacts associated with an Airport. This will include transparent community engagement, minimising negative impacts on noise, air and water quality and a focus on growing the Airport's regional economy.

By committing to deliver against a number of published KPIs for each sustainability pillar, Edinburgh Airport believes it can achieve the ambitious sustainability goals which it has set, in a transparent manner open to public review, scrutiny and debate.

Zero Carbon
The initiatives the group is pursuing in relation to Zero Carbon are detailed in the "Net Zero by 2040" section on page 20.

Enhancing Scotland
The group is committed to encouraging use of public transport for staff and customers. This includes introducing new bus routes connecting more areas directly to Edinburgh Airport. Edinburgh Airport is a Cycle Friendly Employer and promotes active travel to staff and visitors, with bike shelters available for staff and passengers to use and cycle maps and routes available on the website.

The group is committed to diverting waste from landfill, improving recycling rates and reducing the total volume of waste produced. In 2021, the group diverted 100% (2020: 100%) of waste from landfill and segregated 52% (2020: 57%) of the group's waste onsite.

Energy use is a key impact and resource which Edinburgh Airport can control. The Airport makes every effort to use energy efficiently and reduce usage where possible to save money and reduce its carbon footprint and is also Energy Savings Opportunity Scheme ('ESOS') compliant. In addition to the energy reduction measures that the Airport has in place, 100% of the electricity the Airport purchases comes from renewable sources. In 2021, the business also moved over to low carbon biomethane, a replacement for natural gas also known as green gas.

Scotland's Best Business
Edinburgh Airport understands that it has a part to play in Edinburgh and in Scotland. Edinburgh Airport is not just an airport but a large employer and economic contributor to the nation; its aim is not to just be a great airport but also a great business.

The Airport publishes a Corporate and Social Responsibility Report each year to report on its achievements on several areas including charity, utility usage, noise and access etc. The Airport also lights its iconic air traffic control tower for community awareness on national issues.

Trusted Neighbour
In previous years Edinburgh Airport focused on developing new, and strengthening existing, relations with the wider community. By doing so, the Airport has helped provide a voice to the community and has increased the number of opportunities to meet the public face-to-face, as well as provide a dedicated point of contact to hear any concerns or respond to questions directly. In 2020, the impact of the COVID-19 pandemic forced the Airport to pause communication channels, however a number of these channels are expected to be reopened in 2022 as the recovery continues.

6. Sustainability strategy (continued)

Edinburgh Airport recognises that whilst air travel provides many benefits, aircraft noise can impact on people who live or work near airports and under flight paths. Edinburgh Airport is working to reduce the impact of aviation noise. Aircraft have been getting progressively quieter as designs and engine technology have advanced and it is expected that airlines will be operating even quieter models in the future. However, Edinburgh Airport is committed to explaining what noise is heard and why. Even through the COVID-19 pandemic, the Airport works hard to engage with communities and is investing in how it measures, reports on, and discusses noise with them. Edinburgh Airport operates a noise and track keeping system (NTK) and a dedicated noise website. The system provides live data to the public. It can be found at: corporate.edinburghairport.com/community/edinburgh-airport-noise-lab

Edinburgh Airport worked with the Edinburgh Airport Noise Advisory Board ("Noise Board") in 2019 to commission independent noise analysis reports from several acoustic consultancies including CAA Environmental Research and Consultancy Department ("ERCD") and To70. Edinburgh Airport's full and summary NAP 2018-2023 documents became publicly available on our noise website March 2019.

In 2020, the Airport set up an independent panel to review its community noise engagement to ensure the Airport performs as effectively as possible in this regard. This group has now reported its findings and the Airport is working with the Noise Board to consider its recommendations.

Edinburgh Airport also works collaboratively with the CAA, who set airspace policy, Air Traffic Control (ATC), who advise the aircraft where to fly and our airline partners to encourage compliance with any procedures which impact noise.

Edinburgh Airport is a member of Sustainable Aviation, a coalition of UK aviation stakeholders spanning aircraft manufacturers, airlines, airports and National Air Traffic Services (NATS), the principal air navigation provider in the UK. The Airport works together with these partners to promote continuous descents and continuous climbs to airlines operating from Edinburgh Airport.

To support the group's continued push towards achieving a sustainable future, EAL has elected to voluntarily early adopt the recommendations from the Task Force on Climate-Related Financial Disclosures ("TCFD").

The Airport is committed to reducing its emissions footprint in line with its commitments, improving operational resilience and adapting to the predicted effects of a changing climate now and into the future.

EAL has already taken action to reduce carbon emissions and has committed to achieving Net Zero status by 2040. The Airport has also taken a number of practical steps to reduce emissions from its operations, including the reduction of onsite energy usage and the recent commitment to construct solar panels on the airfield to generate approximately 25% of our total electricity requirements. Moreover, EAL issued a £100 million Sustainability Linked Loan in May 2021 with the pricing linked to performance across a basket of Sustainability key performance indicators ("KPIs") including reductions in Scope 1 and 2 emissions and targeting a higher Airport Carbon Accreditation ("ACA") rating.

TCFD Framework

The Task Force on Climate-related Financial Disclosures (TCFD) recommendations were published in 2017 to establish a consistent global standard for climate-related financial risk disclosures, covering both the financial and non-financial sectors. It is now the most widely recognised international initiative for businesses to assess and report the impacts of climate change. The TCFD recommendations are structured around four thematic areas: governance, strategy, risk management, and metrics and targets. These are intended to connect and inform each other.

- **Governance** - The organisation's governance around climate related risks and opportunities
- **Strategy** - The actual and potential impacts of the climate related risks and opportunities on the organisation's businesses, strategy and financial planning
- **Risk Management** - The process used by the organisation to identify, assess, and manage climate-related risks.
- **Metrics and Targets** - The metrics and targets used to access and manage relevant climate-related risks and opportunities

The group recognises the value to stakeholders of comprehensive climate risk disclosure.

6. Sustainability strategy (continued)

The detailed TCFD recommendations under each thematic area can be mapped to the group's disclosure as follows:

TCFD recommended disclosures	Disclosure section	*Page no.*
Governance		
- Board oversight of climate-related risks and opportunities	- Governance	*17*
- Management's role in assessing and managing climate-related risks and opportunities	- Governance	*17*
Strategy		
- *Risks and opportunities identified in the short, medium and long-term*	- *Climate-related risks* - Climate-related opportunities	*18-20*
- Impact of climate related risks and opportunities on the organisation's strategy and financial planning	- Climate-related risks - Climate-related opportunities	*18-20*
- Describe the resilience of the organisation's strategy under different climate scenarios	- Scenario analysis	*20*
Risk management		
- Processes for identifying and assessing climate-related risks, and integration of climate-related risks into overall risk management framework	- Risk	*21*
- Processes for managing climate-related risks	- Risk	*21*
Metrics and targets		
- Metrics used to assess climate-related risks and opportunities	- Metrics	*21*
- GHG emissions and related risks	- Metrics	*21*
- Targets used to manage climate-related risks and opportunities and performance monitored against those targets	- Metrics	*21*

Roadmap to full compliance with TCFD recommendations

The group has established a roadmap to further develop its reporting in line with the TCFD recommendations. The group has made significant progress to date against the *Governance*, *Risk management* and *Metrics and targets* pillars of the TCFD recommendations but acknowledges that whilst major work has begun on quantifying the impacts of climate change and climate change scenario analysis, there remains work to do. The timeline for the completion of this work is set out in the roadmap below. Other elements in the roadmap represent the group's drive to continuously improve our understanding of climate change and embed climate change into decision making and business strategy.

TCFD Pillar	Actions	2022	2023	2024
Governance	- Further integrate climate considerations into strategic planning	→	→	→
	- Conduct Board and leadership deep dives on climate change	→	→	→
Strategy	- Develop climate scenario analysis and financial outputs	→		
	- Develop and refine medium and long-term risks and opportunities based on the evolving global climate change projections	→	→	→
	- Continue to integrate climate change considerations into business strategy	→	→	→
Risk management	- Develop signposts to monitor changes in scenarios	→	→	
	- Develop understanding of potential financial impacts	→	→	→
Metrics and targets	- Develop and refine short-term climate metrics and targets	→		
	- Develop medium and long-term climate targets	→	→	

6. Sustainability strategy (continued)

Governance

The group's board oversees climate risk management and its potential to influence and inform corporate strategy and decision making.

In 2021 the Airport published its first Sustainability Strategy. The strategy encompasses the entire airport campus – the business and the businesses the group works with. The group understands it cannot achieve its goals alone and will seek to work with government, industry organisations, stakeholders and communities.

The group has structured its activities around four key pillars; zero carbon, enhancing Scotland, Scotland's best business and trusted neighbour.

- **Zero Carbon** – the Airport's strategy to tackle emissions and improve the Airport's carbon footprint. This includes the recently announced plans to construct an onsite solar farm that will provide approximately 25% of the Airport's ongoing energy needs.

- **Enhancing Scotland** – creating an Airport that offers passengers a sustainable connectivity experience by reducing its environmental impact and providing options for passengers to do that. This includes minimising waste, promoting recycling and eliminating landfill.

- **Scotland's best business** – the further development of a business with integrity, working with the Airport's people, passengers and trusted partners. This includes a focus on supporting employees, increasing diversity and social inclusion and making publicly available a Sustainability Report, including an ESG statement.

- **Trusted Neighbour** – share the benefits of growth with the communities closest to the Airport, whilst reducing any negative impacts associated with an Airport. This will include transparent community engagement, minimising negative impacts on noise, air and water quality and a focus on growing the Airport's regional economy.

The group knows a pivotal part of any sustainability strategy is setting out the steps it will take to tackle emissions and how it will reduce the group's carbon footprint, the group also commits to working in partnership to ensure the group is leading and advocating in the fight against Climate Change, helping Scotland and the UK transition to a low carbon economy by leading within aviation to achieve Net Zero and continuing to pursue progressive onsite carbon management.

The Sustainability Strategy, along with a revised climate change risk register, will complement the existing risk management processes in place and help ensure that the Airport is well prepared for any future climate change.

A board subcommittee focussing on sustainability was also established in 2021 to support the group's commitment to delivering the Sustainability Strategy. The subcommittee meets quarterly and provides oversight and scrutiny of the Sustainability Strategy. Membership of the subcommittee includes two non-executive directors of the company along with two other shareholder representatives.

Further support is provided by the Audit & Risk Committee which maintains oversight of risk management and internal controls. Additionally, a Sustainability Executive Management Group has been established and meets monthly to discuss Sustainability performance, projects and initiatives.

A Head of Sustainability was appointed in December 2021. This new role will be responsible for oversight of progress against the Sustainability Strategy and related KPIs as well as assisting the wider business with embedding sustainability in the wider airport operations.

The group will focus on continuing to develop its understanding of the physical and financial risks posed by climate change, publishing these findings in future TCFD reporting.

6. Sustainability strategy (continued)

Strategy

<u>Climate-related risks</u>

Climate change presents significant strategic risks to the aviation sector. The short-term to medium-term risks relate predominantly to the transition to a low-carbon economy and the net-zero targets at both national and company level. The decarbonisation of the aviation industry is a significant challenge.

- ***Policy and regulatory changes*** – to help in achieving the national net-zero targets, government policy could price carbon through taxation or carbon trading schemes. These policies could reduce the demand for air travel. To mitigate this risk, EAL has set a net-zero target of 2040 for our own emissions, ahead of the UK's and Scotland's national target.

- ***Financial and market changes*** – investors and lenders are increasingly funding decarbonisation strategies. This could result in high-carbon sectors, such as aviation, incurring a higher cost of funding and/or more difficulties in securing funding. In EAL's most recent refinancing process, following engagement with lenders on the Airport's decarbonisation plans, EAL issued a £100 million Sustainability Linked Loan with the pricing linked to performance on a number of ESG KPIs. The resulting board and operational focus on performance against these ESG KPIs will help to ensure EAL remains in a good position to secure future ESG-linked funding at a competitive cost.

- ***Reputational*** – as consumers increasingly aim to reduce their individual carbon footprint, there is a risk of decreased demand for air travel – choosing short haul over long haul, choosing alternative modes of transport etc. EAL is mitigating this risk by reducing the Airport's direct carbon emissions, maintaining the carbon neutral status of the Airport and incentivising airlines to reduce the carbon emissions of their fleet flying from Edinburgh.

- ***Technology*** – the highest proportion of emissions from the aviation industry is from the aircraft themselves. The transition of aircraft to zero carbon will take significant investment and technological developments. Some of these changes, e.g. any future variations in aircraft fuels, may require development and alterations to EAL's existing infrastructure. Existing proposals to introduce lower carbon sustainable fuels are likely to operate from existing infrastructure with only lower value investment required. EAL signed a memorandum of understanding with Orsted in October 2021 to identify options for decarbonising the Airport and accelerate the shift to sustainable air travel.

6. Sustainability strategy (continued)

Longer-term it is possible that climate change will lead to a greater frequency and intensity of physical risks to airport operations and infrastructure. Physical risks identified include:

Driver	Risk	Existing and future controls
Higher temperatures and more extreme heatwaves	➢ Structural damage to runway and aprons by temperatures exceeding design standards	- Regular inspections of airfield - Regular patching and repairs carried out by maintenance team
	➢ Overheating in buildings including temperature critical infrastructure	- Building management system ('BMS') controls all passenger and office areas. This is regularly monitored
	➢ Increased cost and temporary disruption to airside and landside power supply due to increased energy demand during heatwaves	- BMS and Energy Management Systems used to monitor performance and highlight inefficiencies - Backup generators in place to maintain critical infrastructure - Development of onsite electricity generation from solar farm
	➢ Potential for disease outbreaks due to global increase in pests and communicable diseases	- Airport emergency plans have been further developed and honed throughout COVID-19 outbreak
	➢ Changing bird migration patterns lead to an increased risk of aircraft strikes	- Annual Birdstrike Management Standards review carried out by third party
Greater rainfall and storm frequency and intensity	➢ Temporary airside disruptions due to flooding and damage to airport	- Project to improve capacity of storm network - Wider flood risk project to develop both understanding and controls in place
	➢ Changes to groundwater levels could cause subsidence and water ingress damage to buildings and surfaces	- Ongoing monitoring of SEPA flood warning data and local river levels - Airport design and location of critical infrastructure - Incorporating flood risk into future airfield building project decision making – both location and building type
	➢ Pollution Control Systems are challenged during extreme rainfall events, failure of which would result in pollution entering local waterways	- Monthly water quality monitoring - Regular monitoring and maintenance of wastewater interceptors
More extreme cold weather spells and storm events	➢ Structural damage to runway and aprons as a result of freeze-thaws	- Regular inspections and patching/repairs - Twice annual remedial work ensures runway and aprons in good condition
	➢ Increased variability of snowfall challenges winter contingency planning	- Detailed winter operations planning - Variety of long- and short-term forecasting to monitor likely conditions - Stock of de-icer materials maintained on site
	➢ Increased risk of schedule interruption from stormy conditions	- Air Traffic control continually monitoring weather and can increase aircraft separation as required - Contingency planning in place for extreme conditions

6. Sustainability strategy (continued)

Climate-related opportunities

The group's focus and development of climate change solutions will also present opportunities, which include:

- Lowering operating costs by reducing energy consumption and other efficiency initiatives
- Supporting airline partners with electrification and low emission fuels infrastructure to improve industry emissions
- Designing and building sustainable buildings to attract tenants
- Enhancing our industry's response to climate change by engaging with stakeholders
- Achieving net zero and incentivising airlines to reduce carbon emissions could help to increase consumer confidence in the Airport as a responsible, sustainable business

Scenario analysis

Edinburgh Airport is currently developing a scenario analysis tool to quantify the impact of climate change risks on financial performance over long-term. This analysis will examine different climate change pathways, identify risks we may likely face, and help us understand our resilience as a business.

Scenario analysis relies on assumptions of economical and technology shifts, commodity dependencies and weather forecasts. It is not possible to predict with certainty which scenario might eventuate and therefore its outcomes are not considered definitive.

Our scenario analysis will be utilised to better understand the exposure of our assets to physical climate risks and to test the climate transition resilience of our business. These scenarios will assume various degrees of warming and include social, technological, economic and political developments considered plausible under each warming trajectory.

Three scenarios are currently in development with the financial outputs expected to be presented to the group's board and sustainability sub-committee by the end of 2022.

- **Orderly Transition**

  The Orderly scenario assumes climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.

- **Disorderly Transition**

  The Disorderly scenario explores higher transition risk due to policies being delayed or divergent across countries and sectors. For example, carbon prices would have to increase abruptly after a period of delay.

- **Hot House World**

  The Hot House World scenario assumes that some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk including irreversible impacts like sea-level rise.

Net Zero by 2040

EAL is on a pathway to net zero by 2040 (across Scope 1, 2 and 3 emissions).

The pathway considers various decarbonisation options ranging from energy efficiency, strategic sourcing of renewables, engagement and carbon offsets.

- **Energy efficiency** – Investment in energy saving opportunities including (1) efficient equipment, materials and fixtures; (2) systems optimisation and monitoring to reduce energy use; and (3) consumption behaviour and education
- **Renewable energy procurement** – 100% of EAL's electricity during the year was obtained from renewable sources. Part way through the year EAL decided to replace natural gas with 'green' biogas.
- **Onsite renewables** - Onsite renewable generation reduces the amount of non-renewable electricity required. During the year the board approved investment in an onsite solar farm that will generate approximately 25% of our total electricity requirement.
- **Carbon offsets** - Carbon offsets that provide socioeconomic benefits will be used to offset emissions that can no longer be feasibly managed through our energy efficiency, renewable purchase and generation strategies. We will continue to monitor and review the role offsets play in our neutrality pathway
- **Engage and influence** - We aim to actively engage with airline, ground handlers and retail business partners to influence a reduction in emissions outside our direct operational control (Scope 3)

6. Sustainability strategy (continued)

Risk

Edinburgh Airport has a comprehensive approach to risk management given the diverse threats and challenges facing the aviation industry today. Dealing with climate change risks is an important part of this process.

Senior management assists the board by monitoring key aspects of the risk framework including policies, delegation of approvals required, risk management reporting, operational control assessments and due diligence.

EAL operates an integrated management system (Managing Responsibly System) which is certified to ISO14001, ISO9001 and ISO45001. This system has been in place for several years and is used to drive continual improvement. A key component to this system is the risk registers which track departmental risks and provides an overall view of the most significant business risks. Climate related risks e.g. flooding and adverse weather and included in these registers. EAL has undertaken a full Climate Change Adaptation assessment in the year, considering the physical and financial climate risks to EAL's infrastructure, operations and performance. The assessment will be reviewed regularly and undergo a full refresh to ensure risks are fully up to date and remain relevant.

To identify climate risks, a series of workshops and interviews were conducted with internal EAL stakeholders, with representation across a range of departments. These workshops were designed to validate climate-related physical and transition risks to the Airport, including the risk ratings and identify priority risks.

The Airport Operators Association created a working group tasked with agreeing a standard risk assessment template to be used by all reporting airports including EAL.

Priority physical and transition risks are integrated into business wide risk registers and monitored through standard risk management processes.

Metrics

EAL measures and discloses scope 1, 2 and 3 greenhouse gas (GHG) emissions, in line with the Greenhouse Gas Protocol Corporate Standard. The Airport also reports against the sector-specific requirements of Airport Carbon Accreditation, on track for achieving Level 3 accreditation in 2022, with the aim of achieving Level 3+ by 2023 and Level 4 by 2025.

EAL publishes energy and carbon reporting in these financial statements, as required by the Streamlined Energy and Carbon Reporting (SECR) regime.

EAL monitors and discloses the following metrics annually in EAL's annual Corporate Social Responsibility Report, published on the EAL website, which assists in understanding climate-related risks:

1. Direct and indirect greenhouse gas (GHG) emissions (Scope 1, 2 and 3)
2. Emissions intensity (per passenger)
3. Energy consumption
4. Waste generation, disposal and intensity (per passenger)
5. Water consumption and intensity (per passenger)

We will continue to review climate indicators developed for our scenario analysis on an ongoing basis to understand and monitor evolving climate change trajectories.

Strategic report (continued)

6. Sustainability strategy (continued)

Market Based Emissions (tCO2e)	*2019*	*2020*	*2021*
Scope 1 – Total	**2,944**	**3,980**	**2,707**
Airport natural gas	2,104	3,350	1,665
Airport de-icer	262	415	498
Airport operational vehicles	534	208	156
Refrigerants	30	6	379
Fire training	2	1	9
Gas oil	12	-	-
Scope 2 – Total	**-**	**-**	**-**
Airport electricity	-	-	-
Scope 3 – Total	**115,663**	**49,354**	**58,775**
Aircraft movements	89,034	38,882	49,167
Passenger surface access	13,042	2,309	2,443
Staff commute	6,679	4,231	3,521
Waste	3,328	1,753	1,750
Electricity T&D & WTT (Gen, T&D)	1,647	1,060	1,523
Third party de-icer	552	531	197
Third party operational vehicles	755	282	141
Water	233	112	23
Aircraft engine tests	83	101	2
Tenant natural gas	181	71	4
Business travel	129	24	4
Outside of Scope – Total	**21**	**15**	**15**
Operational vehicles (diesel)	21	12	12
Fire training (diesel and wood)	0.02	3	3
Total	**118,628**	**53,349**	**61,497**
Emissions intensity (kgCO₂e/PAX)	**8.04**	**15.33**	**20.30**
Total carbon offsets (tCO₂e)	**-**	**4,004**	**2,711**

This report was approved by the Board of directors on 31 March 2022 and signed on its behalf by:

Gordon Dewar
Director
Company registration number: SC096623

Directors' report

The directors present their annual report and the audited financial statements for the group for the year ended 31 December 2021.

Principal activities and future developments
The group owns and is the operator of Edinburgh Airport. Details of strategic objectives, future developments, key performance metrics, risk management policies can be found in the Strategic report and form part of this report by cross reference.

Ownership
The group is a wholly-owned subsidiary of Green Bidco Limited, a United Kingdom ("UK") incorporated group and is ultimately owned by a consortium through a number of UK and overseas holding companies and limited liability partnerships. The consortium that ultimately owns the group currently comprises the following parties:

- Global Infrastructure Partners, LP ("GIP") 80.90%
- Future Fund Board of Guardians ("Future Fund") 9.55%
- Australian Retirement Trust ("ART") 9.55%.

Global Infrastructure Partners (GIP) is a leading independent infrastructure fund manager that makes equity and debt investments in infrastructure assets and businesses. GIP targets investments in the energy, transport, digital infrastructure, and water/waste sectors in both OECD and select emerging market countries. Headquartered in New York, GIP operates out of 10 offices: New York, London, Stamford (Connecticut), Sydney, Melbourne, Brisbane, Mumbai, Delhi, Singapore and Hong Kong. For more information, visit www.global-infra.com.

The Future Fund is Australia's sovereign wealth fund, investing for the benefit of future generations of Australians. The Future Fund was established in 2006 to strengthen the Australian Government's long-term financial position and today invests the assets of six public asset funds. The Fund's role is to generate strong, risk adjusted returns over the long-term.

The ART is the largest superannuation fund in Queensland and amongst the largest in Australia. The ART Board is established under the Superannuation (State Public Sector) Act 1990, under which the Superannuation (State Public Sector) Deed 1990 was created which governs the ART. The ART's interest in the group's assets is held by QSuper Investment Holdings Pty Limited as a trustee for QSuper European Infrastructure Trust.

Dividends
The group paid dividends of £nil during 2021 (2020: £nil). Other cash distributions totalling £nil (2020: £nil) were made to the parent company, Green Bidco Limited, during 2021.

Directors
Edinburgh Airport Limited has one executive director and six non-executive directors. The six non-executive directors oversee the parent Company on behalf of the consortium. The directors who served during the year and since the year end are as follows:

Gordon Dewar		
Sir John Elvidge	*(non-executive, GIP)*	
Andreea Luana Badiu	*(non-executive, GIP)*	
Michael McGhee	*(non-executive, GIP)*	
Scott Telesz	*(non-executive, GIP)*	
David Thomson	*(non-executive, ART)*	(deceased 5 March 2022)
Linda Urquhart	*(non-executive, Future Fund)*	

Directors' indemnity
The company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, every director of the company may be indemnified out of the assets of the group against any liability incurred by them in connection with any negligence, default, breach of duty or breach of trust by him or her in relation to the group and may fund a director's expenditure for the purposes permitted under the Companies Act 2006.

Employment policies
For the year ended 31 December 2021 the group had 500 employees on a full-time equivalent basis (2020: 635).

Employee diversity, equal opportunities and fair treatment
The group has an Equal Opportunities Policy in place that sets out its position on equal opportunity in all aspects of employment. This includes recruitment and promotion, giving guidance and encouragement to employees at all levels to act fairly and prevent discrimination.

The Airport has appropriate policies for the management and fair treatment of employees in line with Advisory, Conciliation and Arbitration Service ('ACAS') guidelines and has collective bargaining agreements in place with Trade Unions.

Employment policies (continued)

In addition the group has a 'Dignity at Work' policy. The overall aim of this policy is to ensure that all employees are treated with dignity and respect whilst at work, and are able, and encouraged, to meet their full potential by working in a non-threatening environment, free of harassment and/or bullying. Individuals should have the confidence to complain about harassment or bullying, and lack of consideration, in the knowledge that their concerns will be dealt with appropriately and fairly. This policy outlines procedures to be followed if the group's employees feel they are being harassed, bullied or victimised.

The group was assessed as a "Disability Confident Leader" under the UK Government's Disability Confident scheme in March 2020. This accreditation, the highest possible under the scheme, recognises the group's commitment to supporting disabled employees and candidates for employment throughout their careers and to the support provided for employees who develop disabilities.

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings, Union meetings, regular correspondence to employees home addresses, virtual town halls and internal communications channels.

Welfare and Health & Safety

The group has a comprehensive whistleblowing policy which includes the provision of a confidential third-party helpline, Safecall. The group also has comprehensive employee health and wellbeing provisions covering both physical and mental health support with onsite occupational health, physiotherapy and podiatry professionals supported by other health professionals and an employee assistance programme as required.

Training and development

All the group's employees receive an annual appraisal with opportunities to receive appropriate training and development for their role delivered both internally or externally. There are opportunities for career development through personal, management and leadership development programmes. The group supports work experience for schools and job readiness training for long term unemployed, university internships and has further education and apprenticeship programmes available. The group maintains compliance with all relevant mandatory and statutory training requirements from relevant bodies including the CAA.

Recruitment

Group vacancies are filled through appropriate recruitment practices with a comprehensive pre-employment vetting process in line with the requirements to issue an airside pass and maintain effective Airport security. The group uses appropriate and, where required, approved selection processes in line with legislation and standard industry practice incorporating equal opportunities and diversity requirements. The group's position in simple terms is to ensure that the application of recruitment, and on-going training and promotion policies, to all individuals will be solely on the basis of job requirements and the individual's ability and merits.

Gender diversity

The group recognises the great benefits of having a diverse workforce with different backgrounds, solely employed on ability and it supports this belief with policies on equality and diversity. Edinburgh Airport reports annually on its Gender Pay Gap and publishes the results on its website.

The group's workforce gender diversity is broadly in line with occupational gender bias in the wider UK economy where traditionally male dominated roles in engineering, fire service and operations, for example, do not see high volumes of female applicants. The group monitors the diversity of job applicants against the wider workforce diversity and uses female role models to promote careers during recruitment campaigns and engages with schools and further education providers with a view to increasing the profile of all Airport roles as careers for women. The group also uses its leadership and management development programmes to encourage and grow top female talent and support improved diversity at senior levels.

The table below shows the group's gender diversity:

	31 December 2021		31 December 2020	
	Male %	**Female %**	Male %	Female %
Board	**71.4**	**28.6**	71.4	28.6
Senior management (top 3 grades)	**71.0**	**29.0**	73.7	26.3
All other employees	**65.9**	**34.1**	65.0	35.0

Charity
During 2021, Edinburgh Airport made donations of 76,000 (2020: 50,000) facemasks to local community and charity groups to allow these groups to continue to provide their vital support and services safely during the pandemic. In 2021, Edinburgh Airport also made charitable donations of £2,000 (2020: £50,000) to selected charities to assist those most affected by the COVID-19 pandemic.

In 2019, Edinburgh Airport made £143,000 worth of charitable donations through its Community Board. This was awarded to 74 charities and community groups throughout Scotland to help with local projects. The COVID-19 pandemic resulted in the Community Board being temporarily paused in 2020, however the Community Board has been relaunched on 1 Feb 2022.

Human rights
Edinburgh Airport firmly supports and carries out its business in a manner compatible with the protection of individuals' human rights. The Airport does this through its compliance with relevant legislation and through an insistence on ethical business practices. Where relevant the Airport has group policies that reflect the rights granted to individuals under the Human Rights Act 1998, such as in the areas of fair treatment and non-discrimination, data protection, dignity at work and health and wellbeing. Furthermore, the Airport has formalised policies and procedures to combat modern slavery as it may affect the business.

Modern Slavery Act 2015
The Airport has a zero tolerance policy towards modem slavery and human trafficking, and is committed to ensuring that there is no modern slavery or human trafficking in the supply chains or in any part of the business, and to doing what can be done to prevent the Airport from being used by human traffickers.

There are three broad areas to which the Airport has regard:

- *Supply chain* – the Airport has in the region of 480 suppliers; to ensure all those in the supply chain and contractors comply with the Airport's values and ethics and the Airport is working towards establishing a supply chain compliance programme.
- *Business partners* – the Airport aims to ensure that business partners, not just suppliers, comply with its values and ethics.
- *Use of the Airport* – the Airport works with the police and other agencies to assist them in detecting and disrupting human trafficking which might be taking place at the Airport. In addition, security officers are being trained to recognise and assist those who might be vulnerable.

The Airport's Slavery and Human Trafficking Statement may be found on the Airport's website.

Going concern
The Airport refinanced £175m of maturing bank debt facilities in May 2021, ensuring there are no debt facilities maturing until at least March 2024. The group has overall third-party funding of £1,113.3 million (2020 - £1,113.3 million). The funding consists of a combination of bank debt and longer term institutional loans. This funding includes a £50.0 million capital expenditure facility and a £10.0 million revolving credit facility. At 31 December 2021, £50.0 million (2020: £50.0 million) was drawn down on the capital expenditure facility and £8.0 million (2020: £8.0 million) was drawn on the revolving credit facility.

As at 28 February 2022 the group had £53.9m of cash in the bank and £2.0m of unutilised committed facilities.

As noted in the Strategic report, the impacts of the COVID-19 pandemic on Edinburgh Airport and the wider aviation industry continue into 2022. The directors continue to undertake detailed scenario planning exercises to consider the ongoing impacts of the COVID-19 pandemic on operations, profitability and cash flow. The scenario modelling assumes reduced passenger numbers and revenue as a result of COVID-19, reflecting the reduced activity and recovery period. The scenario planning exercise undertaken assumes a cautious approach to the Airport's recovery from the COVID-19 pandemic. These scenarios incorporate the robust suite of cash preservation and cost reduction measures which were initially implemented in 2020 in response to the pandemic. These scenarios assume profitability and cash generation in 2022.

The directors believe Edinburgh Airport is well-placed to recover quickly and, along with the wider aviation industry, are confident of a strong recovery for air travel when conditions allow. The directors' expectation is international markets will continue to reopen with the resultant onset of passenger recovery during 2022. Passenger demand will continue to be dependent upon local and national restrictions. The relaxation of travel restrictions due to the successful implementation of vaccination programmes globally led to a notable increase in passenger volumes in the second half of 2021. This provides optimism for the recovery when conditions allow. However, the emergence of the Omicron variant in November 2021 and the reintroduction of short notice travel restrictions by Governments globally adversely impacted passenger traffic in the final weeks of 2021 and introduced further uncertainty over the timing of recovery in 2022.

Directors' report (continued)

Going concern (continued)
A successful UK booster vaccination campaign and growing evidence that Omicron is less virulent than previous variants has resulted in many of the travel restrictions and testing protocols introduced in late 2021 being relaxed in early 2022. From 18 March 2022, the final remaining COVID-19 travel restrictions in the UK were lifted which provides optimism for a strong recovery in passenger air travel. Clearly uncertainty in forecasting continues in relation to the nature and extent of travel restrictions, the passenger number recovery rate and the level to which they will rise. The directors remain confident in a full recovery in air travel, albeit the exact timing of which remains unclear. Further there is uncertainty around the ability of the group to obtain waivers for a projected potential breach of banking covenants at the June 2022 assessment point. Notwithstanding this issue the directors are confident the waivers will be secured, if required, due to the strong long-term relationships with lenders, the underlying profitability of the business, the value in the business model and ultimately the Airport's ability to recover from the impact of the pandemic.

The directors therefore continue to adopt the going concern basis in preparing the financial statements, however the matter discussed above results in the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and therefore the company may be unable to discharge its liabilities in the normal course of business.

Auditor
Pursuant to the provisions of section 485 of the Companies Act 2006, a resolution relating to the reappointment of the auditor, Deloitte LLP, will be proposed within the period set out in section 485.

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's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group'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.

This report was approved by the Board of directors on 31 March 2022 and signed on its behalf by:

Gordon Dewar
Director
Company registration number: SC096623

Edinburgh Airport Limited

Directors' responsibilities statement

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

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Independent auditor's report to the members of Edinburgh Airport Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Edinburgh Airport 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 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and company statement of financial position;
- the consolidated statement of changes in equity;
- the company statement of changes in equity;
- the consolidated statement of cash flows;
- the statement of accounting policies; and
- the related notes 1 to 23.

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

Basis for opinion

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

We are independent of the 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 policies in the financial statements, which indicates that as a result of COVID-19, there is forecasting uncertainty in relation to the nature and extent of travel restrictions and the pace and timing of recovery in passenger numbers. Further there is uncertainty in relation to the ability of the group to obtain waivers for projected breaches of banking covenants at the June 2022 and December 2022 assessment points.

As stated in the accounting policies, these events or conditions, along with the other matters as set forth in the accounting policies, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Independent auditor's report to the members of Edinburgh Airport Limited

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 frameworks 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 legislation; 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 environmental regulations ad well as health and safety legislation.

We discussed among the audit engagement team including relevant internal specialists such as valuations, pensions, and financial instrument 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.

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:
- 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 weight and passenger numbers.

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 in-house / 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, reviewing internal audit reports and reviewing correspondence with HMRC.

Independent auditor's report to the members of Edinburgh Airport Limited

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.

James Boyle CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
31 March 2022

Edinburgh Airport Limited

Consolidated statement of comprehensive income for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	*1*	**63,944**	68,125
Operating costs before exceptional costs, depreciation & amortisation	2	**(45,641)**	(55,592)
Other income – grant income	*2(a)*	**3,255**	7,504
Profit before exceptional costs, depreciation & amortisation		***21,558***	*20,037*
Operating costs – exceptional	*4*	**(1,829)**	(7,196)
Profit before depreciation & amortisation		***19,729***	*12,841*
Operating costs – depreciation	*8*	**(32,687)**	(32,798)
Operating costs - total		**(80,157)**	(95,586)
Operating loss		**(12,958)**	(19,957)
Fair value gains / (losses) on investment property	*9*	**16,635**	(52,939)
Interest receivable and similar income	*5*	**81**	263
Net interest payable and similar charges	*6*	**(40,116)**	(35,507)
Loss before taxation	2	**(36,358)**	(108,140)
Taxation on loss	*7*	**(8,630)**	11,689
Loss for the financial year		**(44,988)**	(96,451)
Other comprehensive income			
Actuarial gains / (losses) on defined benefit pension scheme	*20*	**12,698**	(6,894)
Fair value gains / (losses) on interest rate swaps	*15*	**15,905**	(5,545)
Total other comprehensive income		**28,603**	(12,439)
Taxation on other comprehensive income	*16*	**(6,333)**	2,185
Total comprehensive income for the year		**(22,718)**	(106,705)

The results recognised during the current and prior year were from continuing operations.

The notes on pages 35 to 57 form an integral part of these financial statements.

Edinburgh Airport Limited

Consolidated and company statement of financial position as at 31 December 2021

	Note	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Fixed assets					
Tangible fixed assets	*8*	**526,707**	550,527	**526,601**	550,442
Investment properties	*9*	**262,300**	245,665	**262,300**	245,665
Investments	*10*	**-**	-	**-**	-
Total fixed assets		**789,007**	796,192	**788,901**	796,107
Current assets					
Stocks	*11*	**1,046**	991	**1,039**	975
Debtors:					
- due within one year	*12*	**9,643**	9,732	**9,939**	10,353
- due after one year	*12*	**378,084**	378,023	**378,084**	378,023
Total debtors		**387,727**	387,755	**388,023**	388,376
Cash at bank		**50,238**	80,920	**50,185**	80,740
Total current assets		**439,011**	469,666	**439,247**	470,091
Current liabilities					
Creditors: amounts falling due within one year	*13*	**(34,885)**	(111,247)	**(34,400)**	(111,048)
Net current assets		**404,126**	358,419	**404,847**	359,043
Total assets less current liabilities		**1,193,133**	1,154,611	**1,193,748**	1,155,150
Creditors: amounts falling due after more than one year	*14*	**(1,126,264)**	(1,067,127)	**(1,126,264)**	(1,067,127)
Provisions for liabilities	*16*	**(52,962)**	(38,225)	**(53,115)**	(38,327)
Net assets excluding pension asset / (liability)		**13,907**	49,259	**14,369**	49,696
Defined benefit pension asset / (liability)	*20*	**7,856**	(4,778)	**7,856**	(4,778)
Net assets including pension asset / (liability)		**21,763**	44,481	**22,225**	44,918
Capital and reserves					
Called up share capital	*17*	**6,500**	6,500	**6,500**	6,500
Other reserves:					
Capital contribution reserve		**1,247**	1,247	**1,247**	1,247
Non-distributable reserve		**70,143**	69,080	**70,143**	69,080
Hedging reserve		**(7,080)**	(20,636)	**(7,080)**	(20,636)
Pension reserve		**(2,591)**	(13,368)	**(2,591)**	(13,368)
Profit and loss account		**(46,456)**	1,658	**(45,994)**	2,095
Shareholder's funds		**21,763**	44,481	**22,225**	44,918

The loss of the Company for the financial year was £45.0 million (2020: £96.0 million loss).

The notes on pages 35 to 57 form an integral part of these financial statements.

The financial statements of Edinburgh Airport Limited (company registration number: SC096623) were approved by the Board of directors and authorised for issue on 31 March 2022. They were signed on its behalf by:

Gordon Dewar
Director

Edinburgh Airport Limited

Consolidated statement of cash flows for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	*23*	**20,156**	10,887
Cash flows from investing activities			
Interest received		**81**	221
Purchase of tangible fixed assets		**(11,191)**	(32,555)
Net cash used in investing activities		**(11,110)**	(32,334)
Cash flows from financing activities			
Drawdown of existing bank facilities		**-**	58,000
Net receipts from re-financing		**-**	75,000
Interest paid		**(39,601)**	(36,985)
Movement in intergroup borrowings		**(127)**	(1,112)
Net cash from financing activities		**(39,728)**	94,903
Net (decrease) / increase in cash and cash equivalents		**(30,682)**	73,456
Cash and cash equivalents at beginning of year		**80,920**	7,464
Cash and cash equivalents at end of year	*23*	**50,238**	80,920

Edinburgh Airport Limited

Consolidated statement of changes in equity for the year ended 31 December 2021

		Called up share capital £'000	Capital contribution reserve £'000	Hedging reserve £'000	Non-distributable reserve £'000	Pension reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2020		**6,500**	**922**	**(16,443)**	**116,821**	**(7,994)**	**51,055**	**150,861**
Loss for the year ended 31 December 2020		-	-	-	-	-	(96,451)	**(96,451)**
Transfer of non-distributable loss on investment property	9	-	-	-	(52,939)	-	52,939	**-**
Transfer of deferred tax on loss on investment property		-	-	-	5,885	-	(5,885)	**-**
Other comprehensive income:								
Actuarial losses on defined benefit plans	20	-	-	-	-	(6,894)	-	**(6,894)**
Fair value losses on effective hedges		-	-	(5,545)	-	-	-	**(5,545)**
Deferred tax on other comprehensive income		-	-	1,352	(687)	1,520	-	**2,185**
Total comprehensive income for the year		**-**	**-**	**(4,193)**	**(47,741)**	**(5,374)**	**(49,397)**	**(106,705)**
Transactions with owners in their capacity as owners:								
Capital contribution		-	325	-	-	-	-	**325**
Balance at 31 December 2020		**6,500**	**1,247**	**(20,636)**	**69,080**	**(13,368)**	**1,658**	**44,481**
Loss for the year ended 31 December 2021		-	-	-	-	-	(44,988)	**(44,988)**
Transfer of non-distributable gain on investment property	9	-	-	-	16,635	-	(16,635)	**-**
Transfer of deferred tax on gain on investment property		-	-	-	(13,509)	-	13,509	**-**
Other comprehensive income:								
Actuarial gain on defined benefit plans	20	-	-	-	-	12,698	-	**12,698**
Fair value gain on effective hedges		-	-	15,905	-	-	-	**15,905**
Deferred tax on other comprehensive income		-	-	(2,349)	(2,063)	(1,921)	-	**(6,333)**
Total comprehensive income for the year		**-**	**-**	**13,556**	**1,063**	**10,777**	**(48,114)**	**(22,718)**
Balance at 31 December 2021		**6,500**	**1,247**	**(7,080)**	**70,143**	**(2,591)**	**(46,456)**	**21,763**

Edinburgh Airport Limited

Company statement of changes in equity for the year ended 31 December 2021

		Called up share capital £'000	Capital contribution reserve £'000	Hedging reserve £'000	Non-distributable reserve £'000	Pension reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2020		**6,500**	**922**	**(16,443)**	**116,821**	**(7,994)**	**51,055**	**150,861**
Loss for the year ended 31 December 2020		-	-	-	-	-	(96,014)	**(96,014)**
Transfer of non-distributable loss on investment property	*9*	-	-	-	(52,939)	-	52,939	**-**
Transfer of deferred tax on loss on investment property		-	-	-	5,885	-	(5,885)	**-**
Other comprehensive income:								
Actuarial losses on defined benefit plans	*20*	-	-	-	-	(6,894)	-	**(6,894)**
Fair value losses on effective hedges		-	-	(5,545)	-	-	-	**(5,545)**
Deferred tax on other comprehensive income		-	-	1,352	(687)	1,520	-	**2,185**
Total comprehensive income for the year		**-**	**-**	**(4,193)**	**(47,741)**	**(5,374)**	**(48,960)**	**(106,268)**
Transactions with owners in their capacity as owners:								
Capital contribution		-	325	-	-	-	-	**325**
Balance at 31 December 2020		**6,500**	**1,247**	**(20,636)**	**69,080**	**(13,368)**	**2,095**	**44,918**
Loss for the year ended 31 December 2021		-	-	-	-	-	(44,963)	**(44,963)**
Transfer of non-distributable gain on investment property	*9*	-	-	-	16,635	-	(16,635)	**-**
Transfer of deferred tax on gain on investment property		-	-	-	(13,509)	-	13,509	**-**
Other comprehensive income:								
Actuarial gain on defined benefit plans	*20*	-	-	-	-	12,698	-	**12,698**
Fair value gain on effective hedges		-	-	15,905	-	-	-	**15,905**
Deferred tax on other comprehensive income		-	-	(2,349)	(2,063)	(1,921)	-	**(6,333)**
Total comprehensive income for the year		**-**	**-**	**13,556**	**1,063**	**10,777**	**(48,089)**	**(22,693)**
Balance at 31 December 2021		**6,500**	**1,247**	**(7,080)**	**70,143**	**(2,591)**	**(45,994)**	**22,225**

Accounting policies for the year ended 31 December 2021

General information
Edinburgh Airport Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom and registered in Scotland.

The address of the parent company's registered office and principal place of business is: Edinburgh Airport, Edinburgh, Scotland, EH12 9DN.

The group's principal activities are detailed in the Directors' report.

The principal accounting policies applied in the preparation of the financial statements of the group are set out below. 2020 was the first year consolidated financial statements were presented for Edinburgh Airport Limited and its subsidiary undertaking, Edinburgh Airport Services Limited, which was incorporated on 13 November 2019 and commenced trading in February 2020. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of accounting for the year ended 31 December 2021
The financial statements of the group prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

The financial statements have been prepared under the historical cost convention as modified by certain items recognised at fair value.

Ultimate parent undertaking and controlling party
The immediate parent company of Edinburgh Airport Limited is Green Bidco Limited, a company registered in the United Kingdom.

The group's ultimate parent company is Green Luxco I S.ar.l., a company registered in Luxembourg. The registered office of Green Luxco I S.ar.l. is 78-80, rue Mühlenweg, L-2155 Luxembourg. Green Luxco I S.ar.l. is the smallest and largest company to consolidate these financial statements for the year.

Copies of the financial statements for Green Bidco Limited and Green Luxco I S.ar.l. may be obtained by writing to The Company Secretary, Edinburgh Airport, Edinburgh, Scotland, EH12 9DN, United Kingdom.

The directors are of the opinion that the ultimate controlling party is a group of investment funds managed by Global Infrastructure Partners, LP.

Reduced disclosures
In accordance with FRS 102 (and the Application Guidance to FRS 100 'Application of Financial Reporting Requirements') the company only has taken advantage of the exemptions from the following disclosure requirements as they are disclosed in the financial statements of the Edinburgh Airport Limited group:

- Section 7 'Statement of Cash flows'

Basis of consolidation
The group consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 31 December.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Results of subsidiary undertakings acquired, incorporated or disposed of during the year are included from the date of acquisition, date of incorporation or to the date of disposal to the extent of group control.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

As permitted by Section 408 of the Companies Act 2006, a separate statement of consolidated income for Edinburgh Airport Limited is not presented.

Amendments issued by the FRC in December 2019 were first applied in the 2020 financial statements. The amendments enable the group to take advantage of the temporary amendments to specific hedge accounting requirements in FRS 102 paragraphs 12.25C to 12.25F to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

Edinburgh Airport Limited

Accounting policies for the year ended 31 December 2021 (continued)

Going concern
Details regarding the adoption of the going concern basis can be found in the Directors' report on page 25.

Functional and presentational currencies
The financial statements are presented in sterling which is also the functional currency of the group.

Foreign currency
The group is not materially exposed to foreign exchange currency risk as all material transactions and financial instruments are in pounds sterling. Transactions denominated in foreign currencies are translated into sterling using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rates of exchange ruling at the reporting date. Differences arising on translation are charged or credited to profit or loss.

Turnover
Turnover represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes and consists primarily of:

Aeronautical
- Passenger charges based on the number of departing passengers on departure, recognised on departure;
- Aircraft landing charges levied according to noise, emissions and weight, recognised on landing;
- Aircraft parking charges based on a combination of weight and time parked, recognised on departure; and
- Other charges levied for passenger and baggage operation when these services are rendered.

Retail
- Concession fees from retail and commercial concessionaires at or around the Airport are based upon turnover certificates supplied by concessionaires and are recognised in the period to which they relate; and
- Car parking income for both roll up and pre-book customers is recognised from date of entering the car park to earlier of customer exit date or period end.

Property and operational facilities
- Property letting sales, 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; and
- Other invoiced sales, recognised on the performance of the service.

Operating costs - exceptional
The group presents, on the face of the Statement of comprehensive income, disclosure of exceptional items. Exceptional items are items of income and expense that, because of their size or incidence merit separate presentation to allow an understanding of the group's financial performance. Additional details of exceptional items are provided as and when required as set out in note 4.

Tangible fixed assets
Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. The group took the option under FRS 102 section 35 "Transition to this FRS" to revalue fixed assets to their fair value at the transition date of 1 January 2014 and treat this as deemed cost.

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
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. Where appropriate and cost includes own labour costs of construction-related project management. Costs associated with 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.

Accounting policies for the year ended 31 December 2021 (continued)

Tangible fixed assets (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. The group assesses, at each reporting date, whether there is an indication that an asset's residual value and/or useful life may not be appropriate. If such indication exists, the useful lives and residual values are reviewed, and adjusted if appropriate.

Terminal complexes	
Terminal building, pier and satellite structures	20 – 60 years
Terminal fixtures and fittings	5 – 20 years
Airport plant and equipment:	
Baggage systems	2 – 15 years
Screening equipment	3 – 7 years
Lifts, escalators, travellators	5 – 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	10 – 100 years
Taxiways and aprons	10 – 50 years
Other land and buildings	
Other land	Not depreciated
Other landscaping	10 – 75 years
Buildings and structures	5 – 50 years
Roads and surfaces	5 – 15 years
Miscellaneous fixtures and fittings	5 – 20 years
Plant and equipment	
Motor vehicles	4 – 8 years
Office equipment	5 – 10 years
Computer equipment	4 – 5 years
Computer software	3 – 7 years

Land and buildings are accounted for separately even when acquired together.

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 that are independent of other assets, the recoverable amount of the income-generating unit to which the asset belongs is estimated. Recoverable amount is the higher of an asset's net realisable value 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 an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

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.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to profit or loss over the expected useful lives concerned. Government grants relating to government support during the COVID-19 pandemic are recognised in other income in the period in which they are receivable. Other grants are recognised as income over the periods when the related costs are incurred.

Borrowing costs

All finance costs are charged in the Statement of comprehensive income in the period in which they are incurred.

Investment properties
Investment properties (including properties rented out under an operating lease) are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS102. The directors consider that, because investment properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the profit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified or quantified.

Stocks
Raw materials and consumables consist of engineering spares and other consumable stores (fuel and anti-freeze media) and are valued at the lower of cost and current value.

At each reporting date, the group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed.

Reversals of any impairment losses are also recognised in profit or loss.

Investments – Company
Investments in a subsidiary company are held at cost less accumulated impairment losses.

Cash at bank
Cash comprises cash deposits repayable on demand and investments in AAA-rated money market funds.

Current and deferred taxation
The tax credit for the year represents the sum of the current tax expense and deferred tax expense. Current tax liabilities are recognised when tax payable exceeds the tax paid.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on differences between the value of assets and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the group to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities (or, separately, deferred tax assets and deferred tax liabilities) are offset, if and only if, there is a legally enforceable right to set off the amounts and the intention is either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Group as a lessee
Operating leases are identified during agreement of the initial contracts. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

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

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

Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are capitalised as part of a tangible fixed asset.

Retirement benefits

Defined contribution plans
For defined contribution schemes the amount charged to profit or loss in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments in the Statement of financial position.

Defined benefit plans
For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method.

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Gains or losses recognised in profit or loss

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost;
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred; and
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations.

Gains or losses recognised in other comprehensive income

- Actuarial gains and losses; and
- The difference between the interest income on the plan assets and the actual return on the plan assets.

Financial instruments
The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102, in full, to all its financial instruments.

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument, and are offset only when the group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade debtors
Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the Statement of comprehensive income for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit and loss.

Financial liabilities and equity
Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all its liabilities.

Trade creditors
Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Derivatives
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value, at each reporting date. Fair value gains and losses are recognised in the Statement of comprehensive income unless hedge accounting is applied and the hedge is a cash flow hedge.

To qualify for hedge accounting, the group documents the hedged item, the hedging instrument and the hedging relationship between them as well as the causes of hedge ineffectiveness such as different maturities, nominal amounts or variable rates or counterparty credit risk.

The group elects to adopt hedge accounting for interest rate swaps where:
- The interest rate swap is a qualifying hedging instrument with an external party that hedges interest rate risk on a loan, part of the nominal amount of a loan, or a group of loans managed together that share the same risk and that qualify as a hedged item;
- The hedging relationship between the interest rate swap and the interest rate risk on the loan is consistent with the risk management objectives for undertaking hedges (i.e. to manage the risk that fixed interest rates becomes unfavourable in comparison to current market rates or the variability in cash flows arising from floating interest rates); and
- The change in the fair value of the interest rate swap is expected to move inversely to the change in the fair value of the interest rate risk on the loan.

Where an interest rate swap that converts floating rate debt into fixed rate debt qualifies for hedge accounting, it is accounted for as a cash flow hedge. The cumulative change in the fair value of the interest rate swap is recognised in other comprehensive income up to the amount of the cumulative fair value movement on the floating rate debt that is attributable to the floating interest rate risk. Any excess fair value gains or losses on the interest rate swap not recognised in other comprehensive income are recognised in profit or loss. The gains and losses recognised in other comprehensive income are recorded as a separate component of equity – the hedging reserve.

Net cash settlements on interest rate swaps are recognised in profit or loss in the period(s) when the net cash settlement accrues. The hedging reserve is reclassified to profit or loss when the fixed rate interest is recognised in profit or loss.

Hedge accounting is discontinued when a floating to fixed interest rate swap expires, is sold, terminated or exercised or when the conditions for hedge accounting are no longer met if the group documents its election to discontinue hedge accounting. Any fair value gains or losses accumulated in the hedging reserve are reclassified to profit or loss, either when the variable interest rate expense is recognised in profit or loss, or immediately on discontinuation of hedge accounting if future variable interest rate cash flows are no longer expected to occur.

Borrowings
Borrowings are initially recognised at the transaction price and subsequently measured at amortised cost using the effective interest method, net of direct issue costs. Interest expense is recognised on the basis of the effective interest method and is included in net interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

Accounting policies for the year ended 31 December 2021 (continued)

Derecognition of financial assets and liabilities
A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

A financial liability, or part thereof, is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Deferred income
Contractual income is treated as deferred income and released to profit and loss as earned.

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

Dividends
Dividends are recognised as liabilities once they are no longer at the discretion of the group.

Share-based payments
The group grants share options ("equity-settled share-based payments") in the form of a long-term incentive plan ("LTIP") to members of its Executive Committee. The LTIP relates to equity instruments of Green Bidco Limited, the entity which owns the group.

The value of these equity instruments will be based on the Internal Rate of Return ("IRR") achieved by the group's controlling shareholder from acquisition to sale of their investment in the group. Below a minimum IRR threshold, these equity instruments will have no value. Above a ceiling IRR, the value of these equity instruments are capped. These equity instruments will vest over a two to six year period from the date of issue.

Payments will be measured with reference to their value for taxation purposes and recognised in profit and loss in the period in which they are made.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions (the 'original fair value') and under the modified terms and conditions (the 'modified fair value') are both determined at the date of modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Significant accounting judgements and estimates for the year ended 31 December 2021

Estimates and Judgements (Group and Company)
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. Actual results may, however, differ from the estimates calculated and management believe that the following area presents the greatest level of uncertainty.

There are no judgments to disclose in these financial statements.

Investment properties – estimate
Investment properties were valued at fair value at 31 December 2021 by Ryden, Chartered Surveyors (2020: Ryden, Chartered Surveyors). The valuations were prepared in accordance with relevant accounting standards and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence. As noted by the group's external valuer, the COVID-19 pandemic has caused extensive disruption to businesses and economic activities in 2020 and 2021 and the uncertainties created have increased the estimation uncertainty over the fair value of the investment property portfolio at the balance sheet date. Independent valuations have been obtained for 100% of the investment properties. Given the valuation of each investment property is based on a particular individual set of assumptions, it is not possible to disclose the sensitivity of the valuation as a whole to changes in these assumptions. See note 9 for further detail on investment properties.

Notes to the financial statements for the year ended 31 December 2021

1. Turnover

All of the group's turnover arises in the United Kingdom and relates to continuing operations. Additional details of the turnover generated by each of the group's key activities are given below:

	2021 £'000	2020 £'000
Aeronautical	**30,045**	33,560
Retail	**20,955**	23,348
Operational facilities and utilities	**4,526**	4,471
Property rental	**5,399**	6,064
Other	**3,019**	682
	63,944	68,125

2. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2021 £'000	2020 £'000
Staff costs (Note 3)	**22,135**	29,129
Depreciation of tangible fixed assets (Note 8)	**32,687**	32,798
Other operating leases	**7**	110

(a) Grant income

	2021 £'000	2020 £'000
Capital grant income (Note 14(b))	**(388)**	(388)
Coronavirus Job Retention Scheme government grant income	**(2,670)**	(7,116)
Other grant income	**(197)**	-
	(3,255)	(7,504)

(b) Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the group's auditor for the audit of the group's annual financial statements	**70**	55
Fees payable to the group's auditor for the audit of the subsidiary's annual financial statements	**9**	9
	79	64
Non-audit fees payable to the group's auditor for other services		
Audit related assurance services	**5**	5
Tax advisory services	**14**	116
Tax compliance services	**52**	60
Total non-audit fees	**71**	181
Total fees	**150**	245

3. Employees

The average monthly number of persons (including directors) employed, on a full-time equivalent basis, by the group during the year was:

	2021 No.	2020 No.
Office and management	**71**	76
Airside, security and operations	**385**	506
Retail and commercial	**44**	53
	500	635

Staff costs for the above employees

	2021 £'000	2020 £'000
Wages and salaries	**17,860**	23,226
Social security	**1,994**	2,576
Defined contribution pension cost	**1,660**	2,501
Other employment costs	**621**	826
	22,135	29,129

Directors

In respect of the directors of Edinburgh Airport Limited:

	2021 £'000	2020 £'000
Directors' remuneration		
Aggregate emoluments	**430**	423
Value of group pension contributions to defined contribution scheme	**1**	9
	431	432

One director is a member of the defined contribution pension scheme.

Details of other transactions made with directors during the year are disclosed in note 21.

Key management personnel

The directors believe key management personnel to consist of the directors of Edinburgh Airport Limited. Remuneration of key management personnel is therefore set out above.

Highest paid director's remuneration

	2021 £'000	2020 £'000
Aggregate emoluments	**319**	312
Value of group pension contributions to defined contribution scheme	**1**	9
	320	321

An amount of £597 (2020: £769) was accrued in relation to the highest paid director's entitlements under the defined contribution pension scheme.

The highest paid director of the group held shares in a parent group, through a long-term incentive plan, throughout both 2021 and 2020.

Share based payments

The Company grants share options in the form of a long-term incentive plans ("LTIP") to certain members of its Executive Committee. The LTIPs relates to equity instruments of Green Bidco Limited, the immediate parent company of the group.

The amount recognised in the income statement in respect of LTIPs amounted to £nil (2020: £325,000).

In June 2014 13,200 shares options were issued at a fair value of £18.32 per share. At 31 December 2021, 9,150 share options had vested (31 December 2020 – 9,150) and 1,350 had been forfeited (31 December 2020 – 1,350).

In November 2019 14,800 shares options were issued at a fair value of £250.00 per share. At 31 December.2021, 2,960 share options had vested (31 December 2020 – 2,960).

Notes to the financial statements for the year ended 31 December 2021 (continued)

4. Operating costs – exceptional

	2021 £'000	2020 £'000
Restructuring and reorganisation costs [1]	**269**	3,448
Asset de-recognition [2]	**759**	1,970
Flood prevention project costs [3]	**56**	-
Refinancing costs [4]	**745**	300
Stock write down [5]	**-**	1,281
Consultation costs in respect of potential changes to flight paths [6]	**-**	197
Total	**1,829**	7,196

[1] Given the significant reduction in passenger numbers as a result of the COVID-19 pandemic around one third of the group's staff were made redundant during 2020. The continued impact of COVID-19 in 2021 resulted in a small number of additional redundancies.

[2] The Airport's capital expenditure plan was significantly scaled back as a result of the COVID-19 pandemic as part of a suite of cost reduction measures. A full review of assets under the course of construction was performed in both 2020 and 2021 and where projects had been halted and it was not clear when the projects would be restarted as a result of the COVID-19 pandemic or the project would no longer deliver the assets originally intended, the asset was de-recognised.

[3] The Airport's Flood Prevention Strategy project looks at the causes of recent flooding events around the airport campus and the risk of potential future flooding. This project seeks to make recommendation and apply solutions to reduce the future risk of flooding and provide greater resilience against future flood events. This includes £46,000 (2020: £nil) of de-recognised assets (see note 8).

[4] The Airport refinanced £175m of debt, executed new interest rate swaps and transitioned debt and interest rate swaps from LIBOR to SONIA. The exceptional operating costs are the associated legal fees.

[5] Write down of PPE stocks purchased during the first wave of the COVID-19 pandemic.

[6] In 2016, the group launched a consultation process seeking views on the potential impact of altering flight paths above Edinburgh. This consultation process has been ongoing since 2016 until being temporarily paused in 2020 due to the COVID-19 pandemic.

5. Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable on bank deposits	**81**	221
Net interest on the defined benefit pension asset	**-**	42
	81	263

6. Net interest payable and similar charges

	2021 £'000	2020 £'000
Interest on borrowings	**37,976**	36,125
Amortisation of debt costs	**776**	478
Facilities fees	**13**	129
Net interest on the defined benefit pension asset	**64**	-
Loss on swaps – non hedging relationship	**178**	-
Hedge ineffectiveness/(effectiveness)	**1,109**	(1,225)
	40,116	35,507

Notes to the financial statements for the year ended 31 December 2021 (continued)

7. Taxation on loss on ordinary activities

	2021 £'000	2020 £'000
Current tax (Group and Company)		
UK corporation tax on losses of the period	-	-
Adjustment in respect of previous periods:		
- UK corporation tax	**226**	(7,152)
Total current tax (Group and Company)	**226**	(7,152)
Deferred tax (Group)		
Origination and reversal of timing differences	**(4,254)**	(9,644)
Adjustment in respect of previous periods	**(241)**	(119)
Effect of changes in tax rates	**12,899**	5,226
Total deferred tax (Group)	**8,404**	(4,537)
Taxation charge/(credit) on loss on ordinary activities (Group)	**8,630**	(11,689)
Deferred tax (Company)		
Origination and reversal of timing differences	**(4,240)**	(9,542)
Adjustment in respect of previous periods	**(241)**	(119)
Effect of changes in tax rates	**12,936**	5,226
Total deferred tax (Company)	**8,455**	(4,435)
Taxation charge/(credit) on loss on ordinary activities (Company)	**8,681**	(11,587)

Reconciliation of taxation charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2020: 19%). Upcoming changes in tax rates are set out in the Provisions for Liabilities note on page 54. The actual tax charge/(credit) for the current and prior years differs from the standard rate for the reasons set out in the following reconciliation:

Group	2021 £'000	2020 £'000
Loss before taxation	**(36,358)**	(108,140)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**(6,908)**	(20,547)
Effect of:		
Expenses not deductible for tax purposes	**2,726**	3,537
Income not taxable	**(72)**	(74)
Effects of other loss reliefs	-	7,077
Deferred tax not provided	-	363
Adjustment in respect of previous periods	**(15)**	(7,271)
Tax rate changes (see note 16)	**12,899**	5,226
Taxation charge/(credit) for the year	**8,630**	(11,689)

Company	2021 £'000	2020 £'000
Loss before taxation	**(36,280)**	(107,601)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**(6,893)**	(20,445)
Effect of:		
Expenses not deductible for tax purposes	**2,725**	3,537
Income not taxable	**(72)**	(74)
Effects of other loss reliefs	-	7,077
Deferred tax not provided	-	363
Adjustment in respect of previous periods	**(15)**	(7,271)
Tax rate changes (see note 16)	**12,936**	5,226
Taxation charge/(credit) for the year	**8,681**	(11,587)

In addition to the amount charged to profit or loss, a charge of £6,784,000 (2020: £2,185,000 credit) has been recognised in other comprehensive income. There is no expiry date on timing differences, unused tax losses or tax credits.

8. Tangible fixed assets

Group	Terminal complexes £'000	Airfield £'000	Other land and buildings £'000	Plant, equipment & other assets £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation						
1 January 2021	336,301	213,605	91,589	69,595	42,460	753,550
Additions	-	-	-	-	9,672	9,672
Transfers to/(from) assets in course of construction	28,793	1,084	2,906	1,801	(34,584)	-
Derecognition	-	-	-	-	(805)	(805)
31 December 2021	**365,094**	**214,689**	**94,495**	**71,396**	**16,743**	**762,197**
Depreciation						
1 January 2021	(77,673)	(47,404)	(40,911)	(37,035)	-	(203,023)
Charge for the year	(12,648)	(9,415)	(5,722)	(4,902)	-	(32,687)
31 December 2021	**(90,321)**	**(56,819)**	**(46,633)**	**(41,937)**	**-**	**(235,710)**
Net book value 31 December 2021	**274,773**	**157,870**	**47,862**	**29,459**	**16,743**	**526,707**
Net book value 31 December 2020	258,628	166,201	50,678	32,560	42,460	550,527

Group
Assets in the course of construction comprise capital expenditure on on-going capital projects under the group's capital investment programme. A full review of assets under the course of construction was performed during the year and for some capital projects where work had been halted, if was not clear when the projects would be restarted as a result of the COVID-19 pandemic, the asset was de-recognised. These assets, amounting to £805,000 (2020: £1,970,000), were derecognised in the year (see note 4).

8. Tangible fixed assets (continued)

Company	Terminal complexes £'000	Airfield £'000	Other land and buildings £'000	Plant, equipment & other assets £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation						
1 January 2021	336,301	213,605	91,589	69,508	42,460	753,463
Additions	-	-	-	-	9,672	9,672
Transfers to/(from) assets in course of construction	28,793	1,084	2,906	1,801	(34,584)	-
Derecognition	-	-	-	-	(805)	(805)
Transfers to group company	-	-	-	(133)	-	(133)
31 December 2021	**365,094**	**214,689**	**94,495**	**71,176**	**16,743**	**762,197**
Depreciation						
1 January 2021	(77,673)	(47,404)	(40,911)	(37,033)	-	(203,021)
Transfers to group company	-	-	-	85	-	85
Charge for the year	(12,648)	(9,415)	(5,722)	(4,875)	-	(32,660)
31 December 2021	**(90,321)**	**(56,819)**	**(46,633)**	**(41,823)**	**-**	**(235,596)**
Net book value 31 December 2021	**274,773**	**157,870**	**47,862**	**29,353**	**16,743**	**526,601**
Net book value 31 December 2020	258,628	166,201	50,678	32,475	42,460	550,442

Company

Assets in the course of construction comprise capital expenditure on on-going capital projects under the group's capital investment programme. A full review of assets under the course of construction was performed during the year and for some capital projects where work had been halted, if was not clear when the projects would be restarted as a result of the COVID-19 pandemic, the asset was de-recognised. These assets, amounting to £805,000 (2020: £1,970,000), were derecognised in the year (see note 4).

9. Investment properties (Group and Company)

	2021 £'000	2020 £'000
At 1 January	**245,665**	298,488
Transfers from owner-occupied property (note 8)	**-**	116
Fair value gains/(losses)	**16,635**	(52,939)
At 31 December	**262,300**	245,665

Investment property includes land held for development. The fair value of the group's investment property and land held for development at 31 December 2021 has been arrived at on the basis of a valuation carried out by Ryden, Chartered Surveyors, on an open market value basis (2020: Ryden, Chartered Surveyors). Ryden is not connected with the group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties, or where not available, to market yields. The fair value losses recognised in 2020 are a result of the impact of the COVID-19 pandemic on the Airport.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2021 £'000	2020 £'000
Cost	**52,436**	52,436

As noted in note 1, rental income earned during the year was £5,399,000 (2020: £6,064,000). At the balance sheet date, the group had contracted with tenants for the following future minimum lease receipts:

Amounts receivable in	2021 £'000	2020 £'000
Less than 1 year	**2,944**	3,232
More than 1 year but less than 5 years	**5,373**	5,662
More than 5 years	**1,954**	2,833
Total amounts receivable under non-cancellable operating leases	**10,271**	11,727

10. Investments (Company)

On 13 November 2019, Edinburgh Airport Limited paid £100 to acquire 100 ordinary shares of £1 each on incorporation of Edinburgh Airport Services Limited, amounting to 100% of the issued ordinary share capital. The registered office of Edinburgh Airport Services Limited is Edinburgh Airport, Edinburgh, Scotland, EH12 9DN. The principal activity of Edinburgh Airport Services Limited is the provision of airport operational services.

11. Stocks

Group

	2021 £'000	2020 £'000
Raw materials and consumables	**1,046**	991

Company

	2021 £'000	2020 £'000
Raw materials and consumables	**1,039**	975

Group and Company

The replacement cost of raw materials and consumables at 31 December 2021 and 31 December 2020 was not materially different from the amount at which they are included in the Statement of financial position.

Stock of PPE purchased during the first wave of the COVID-19 pandemic amounting to £1,281,000 were written off to Exceptional costs during 2020 (see Note 4).

12. Debtors

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade debtors	**3,669**	1,779	**3,658**	1,777
Accrued income	**3,920**	2,636	**3,643**	2,066
Prepayments	**1,494**	1,394	**1,485**	1,374
Corporation tax receivable	**291**	3,436	**291**	3,436
VAT receivable	**-**	219	**-**	350
Amounts receivable from subsidiary	**-**	-	**593**	1,082
Amounts receivable from other group undertakings	**141**	140	**141**	140
Other debtors	**128**	128	**128**	128
Total	**9,643**	9,732	**9,939**	10,353

	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Amounts falling due after more than one year:				
Amounts receivable from other group undertakings – non-interest bearing[1]	**376,465**	376,465	**376,465**	376,465
Amounts receivable from other group undertakings – interest bearing[2]	**1,619**	1,558	**1,619**	1,558
Total	**378,084**	378,023	**378,084**	378,023
Total debtors	**387,727**	387,755	**388,023**	388,376

[1] Non-interest bearing amounts receivable from other group undertakings due after more than one year relate to amounts owed by the immediate parent group, Green Bidco Limited. Included within this balance is accrued interest of £2,863,000 (2020: £2,863,000) which is payable on full settlement of the outstanding balance. Following the refinancing in May 2014, interest ceased to be charged on the loan. The loan is not repayable for at least 5 years.

[2] Interest-bearing amounts receivable from other group undertakings due after more than one year relate to a £1,500,000 (2020: £1,500,000) loan amount owed by another group company, Crosswind Developments Limited. Interest is accrued on the loan at Bank of England Base Rate plus a fixed margin. Total interest accrued as at 31 December 2021 was £119,000 (2020: £58,000). The loan is repayable in 2024.

13. Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
External borrowings (note 14 (a))	**-**	75,000	**-**	75,000
Trade creditors	**2,451**	2,050	**2,450**	2,033
Capital creditors	**3,957**	5,476	**3,957**	5,476
Deferred finance charges	**(479)**	(501)	**(479)**	(501)
Accruals	**23,836**	25,818	**23,526**	25,648
Deferred income	**2,622**	2,570	**2,622**	2,570
Other creditors	**630**	263	**630**	264
Other taxes and social security costs	**1,868**	571	**1,694**	558
Total	**34,885**	111,247	**34,400**	111,048

14. Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Financing liabilities				
External borrowings (a)	**1,113,300**	1,038,300	**1,113,300**	1,038,300
Deferred finance charges	**(568)**	(259)	**(568)**	(259)
Fair value of floating to fixed interest rate swaps (note 15)	**10,731**	25,897	**10,731**	25,897
Total financing liabilities	**1,123,463**	1,063,938	**1,123,463**	1,063,938
Amounts payable to other group undertakings	**1,300**	1,300	**1,300**	1,300
Deferred income (b)	**1,501**	1,889	**1,501**	1,889
Total	**1,126,264**	1,067,127	**1,126,264**	1,067,127

(a) External borrowings

Borrowings are repayable in instalments as follows:

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Less than one year (note 13)	**-**	75,000	**-**	75,000
Between one and two years	**-**	100,000	**-**	100,000
Between two and five years	**488,300**	233,300	**488,300**	233,300
Between five and ten years	**565,000**	605,000	**565,000**	605,000
Greater than ten years	**60,000**	100,000	**60,000**	100,000
Total due in more than one year	**1,113,300**	1,038,300	**1,113,300**	1,038,300
Total	**1,113,300**	1,113,300	**1,113,300**	1,113,300

The group has term loans with a number of banks and institutions. These loans are secured through a floating charge over the group's assets and a fixed charge over the group's share capital. There are no additional securities granted following the refinancing activity in the year. Interest is charged at either fixed rate or at a margin above SONIA.

At 31 December 2021 the average interest rate payable on borrowings was 3.44% p.a. (2020: 3.19%), inclusive of the effect of interest rate swaps used to hedge floating interest rates on the underlying debt.

At 31 December 2021 the group had £1.9 million undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date (2020 - £1.9 million).

(b) Deferred income

The group has received capital grants which are classified as deferred income and are amortised over the expected useful lives of the assets concerned.

Analysis of capital grants within deferred income is as follows:

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Balance brought forward at 1 January	**2,277**	2,665	**2,277**	2,665
Amortised in the year	**(388)**	(388)	**(388)**	(388)
31 December	**1,889**	2,277	**1,889**	2,277
Represented by:				
Due within one year	**388**	388	**388**	388
Due after more than one year	**1,501**	1,889	**1,501**	1,889
Total capital grants	**1,889**	2,277	**1,889**	2,277

Notes to the financial statements for the year ended 31 December 2021 (continued)

15. Financial Instruments (Group and Company)

The group and company use interest rate swaps to manage exposure to interest rate movements on its bank and institutional borrowings. Contracts with nominal values of £352.5 million (2020: £250.0 million) fix interest on variable rate debts at an average rate of 2.18% (2020: 2.66%) for periods up until 2027.

The fair values of interest rate swaps are determined using market values of equivalent instruments at the Statement of financial position date.

Interest rate swaps with nominal values of £250.0m (2020: £250.0m) meet the conditions for hedge accounting, as set out in the accounting policies.

During the year, the group and company acquired additional interest rate swaps with a total notional value of £102.5m (2020: £nil).

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

	2021		2020	
Maturity date	**Notional value £'000**	**Fair value £'000**	Notional value £'000	Fair value £'000
Two to five years	**160,000**	**(5,944)**	160,000	(14,400)
Over five years	**192,500**	**(4,787)**	90,000	(11,497)
	352,500	**(10,731)**	250,000	(25,897)

The interest rate swaps settle on a semi-annual basis. Publication of GBP LIBOR ceased at the end of the financial year under review. During the preceding months the Company migrated all of its LIBOR-linked debt and interest rate derivatives to SONIA. The floating rate on the interest rate swaps is now linked to SONIA. The group will settle the difference between the fixed and floating interest rate on a net basis.

In respect of the interest rate swaps which meet the conditions for hedge accounting, a gain of £15,905,000 (2020: £5,545,000 loss) was recognised in other comprehensive income. A loss of £1,109,000 (2020: £1,225,000 gain) was recognised in profit and loss in relation to hedge effectiveness.

16. Provisions for liabilities – deferred tax

	Group		**Company**	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Provision at start of the year	**38,225**	44,947	**38,327**	44,947
Adjustment in respect of prior years	**(241)**	(119)	**(241)**	(119)
Charged/(credited) to income statement	**8,645**	(4,418)	**8,696**	(4,316)
Credited to other comprehensive income	**6,333**	(2,185)	**6,333**	(2,185)
Provision at end of the year	**52,962**	38,225	**53,115**	38,327

Deferred tax is provided as follows:	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Fixed asset timing differences	**62,927**	45,183	**62,926**	45,183
Short term timing differences	**(2,515)**	(6,958)	**(2,507)**	(6,856)
Losses	**(7,450)**	-	**(7,304)**	-
Total	**52,962**	38,225	**53,115**	38,327

Deferred tax assets:	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Recoverable after 12 months	**9,965**	6,958	**9,811**	6,856
Total	**9,965**	6,958	**9,811**	6,856

Deferred tax liabilities:	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Payable after 12 months	**62,927**	45,183	**62,926**	45,183
Total	**62,927**	45,183	**62,926**	45,183

16. Provisions for liabilities – deferred tax (continued)

Group and Company

The UK corporation tax rate for the year was 19%.

The UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This change has been enacted at the balance sheet date and therefore the deferred tax assets and liabilities as at 31 December 2021 have been measured using the rates that would be expected to apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind.

Deferred tax should be measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. As a result, consideration has been given to the likely reversal of underlying timing differences on which deferred tax is recognised to determine the appropriate rate to apply to these balances. Deferred tax has been recognised at the following rates:

Fixed asset timing differences – Land & investment properties	25%
Fixed asset timing differences – assets qualifying for capital allowances	25%
Short term timing differences	**19-25%**

Deferred tax assets and liabilities are offset only where the group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

17. Called-up share capital

	Group and Company	
	2021	2020
Called up, allotted and fully paid:	**£'000**	£'000
At 1 January and 31 December	**6,500**	6,500

18. Dividends paid (Group and Company)

	2021	2020
	£'000	£'000
Dividend for the year: £nil (2020: £nil) per ordinary share	**-**	-

19. Commitments and other contractual obligations (Group and Company)

Commitments for capital expenditure

Contracted capital expenditure commitments amount to £4,772,000 (2020: £5,596,000).

Commitments under operating leases

There are no future minimum lease payments due under non-cancellable operating leases as at 31 December 2021 (2020: none).

20. Retirement benefit schemes (Group and Company)

Defined contribution scheme

The group operates a defined contribution pension scheme for all qualifying employees. The total cost charged to profit and loss in the year of £1,660,000 (2020: £2,501,000) represents contributions payable to this scheme by the group at rates specified in the rules of the plan. As at 31 December 2021, £154,000 (2020: £128,000) was due in respect of the current period and remained unpaid to the scheme. Such amounts were paid in January 2022 when they fell due for payment.

Defined benefit scheme

The group operates a defined benefit scheme for certain qualifying employees. Under the scheme, the employees are entitled to retirement benefits varying between 1.85 and 67 per cent of final salary on attainment of a retirement age of 60. No other post-retirement benefits are provided. The scheme is funded.

The assets of the plan are held in a separate trustee administered fund. The plan was established on 31 May 2012 following a bulk transfer of the pension obligations and corresponding assets from the BAA Airports pension scheme when the group ceased to be a component of the BAA group.

Following consultation with its members and trustees, the defined benefit pension scheme was closed to future accrual with effect from midnight on 30 April 2016. The members of the scheme were thereafter entitled to participate in the group's defined contribution scheme, details of which are noted above. The estimated amount of total employer contributions expected to be paid to the plan during 2022 is £nil (2021: £nil).

The valuation used has been based on the most recent full actuarial valuation at 31 March 2019 and was updated by Spence & Partners for the scheme assets and the present value of the defined benefit obligation for 31 December 2021.

The current surplus in relation to this scheme is estimated to be £9,658,000 (2020: £4,778,000 deficit).

Key assumptions used	**2021**	2020
Discount rate	**1.9% pa**	1.3% pa
Inflation measured by:		
Retail Prices Index (RPI)	**3.2% pa**	2.9% pa
Consumer Prices Index (CPI)	**2.5% pa**	2.2% pa
Pension increases	**3.0% pa**	2.8% pa
Life expectancy of male aged 60	**26.0 years**	25.9 years
Life expectancy of female aged 60	**28.3 years**	28.1 years
Life expectancy of male aged 60 in 2041	**27.7 years**	27.7 years
Life expectancy of female aged 60 in 2041	**30.0 years**	29.8 years

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	2021 **£'000**	2020 £'000
Discount rate + 0.1%	**2,000**	2,300
Inflation assumptions +0.1%	**(1,500)**	(1,900)
Life expectancy + 1 year	**(3,200)**	(3,500)

20. Retirement benefit schemes (Group and Company) (continued)

The movement in the net defined benefit asset is as follows:

	2021 £'000	2020 £'000
Opening net defined benefit asset	**(4,778)**	2,074
Credit in statement of financial position	**(64)**	42
Amounts recognised in other comprehensive income	**12,698**	(6,894)
Closing net defined benefit asset/(liability)	**7,856**	(4,778)

Amounts recognised in the statement of comprehensive income in respect of the defined benefit scheme are as follows:

	2021 £'000	2020 £'000
Interest expense/(income)	**64**	(42)
Actuarial (gains)/losses on defined benefit pension scheme	**(12,698)**	6,894
Total expense recognised in Statement of comprehensive income	**(12,634)**	6,852

Of the charge for the year, £64,000 (2020: £nil) has been included within Interest payable, £nil (2020: £42,000) has been included within finance income in note 5 and a gain of £12,698,000 (2020: £6,894,000 loss) has been included in other comprehensive income.

The actual return on scheme assets was a gain of £9,149,000 (2020: gain of £6,900,000).

The amount included within the statement of financial position arising from the group's obligations in respect of its defined benefit retirement benefit scheme is as follows:

	2021 £'000	2020 £'000
Present value of defined benefit obligation	**(92,519)**	(96,853)
Fair value of scheme assets	**100,375**	92,075
Net asset/(liability) recognised within the statement of financial position	**7,856**	(4,778)

Movements in the present value of defined benefit obligations were as follows:

	2021 £'000	2020 £'000
Opening defined benefit obligation	**96,853**	84,547
Interest expense	**1,292**	1,676
Actuarial (gains)/losses	**(4,777)**	12,076
Benefits paid	**(849)**	(1,446)
Closing defined benefit obligation	**92,519**	96,853

Movements in the fair value of scheme assets were as follows:

	2021 £'000	2020 £'000
Opening fair value of scheme assets	**92,075**	86,621
Interest income	**1,228**	1,718
Actual return on plan assets less interest income	**7,921**	5,182
Benefits paid	**(849)**	(1,446)
Closing fair value of scheme assets	**100,375**	92,075

The analysis of scheme assets at fair value at the balance sheet date was as follows:

	2021 £'000	2020 £'000
Equity instruments	**24,101**	25,662
Multi-asset credit	**22,556**	17,675
Diversified growth funds (DGF)	**18,885**	17,644
Property	**5,252**	4,317
Liability driven investment	**18,396**	10,801
UK Corporate bonds	**5,438**	15,834
Cash	**5,747**	142
Closing fair value of scheme assets	**100,375**	92,075

The pension plans have not invested in any of the group's own financial instruments nor in properties or other assets used by the group.

21. Related party transactions (Group and Company)

The group is exempt under the terms of FRS 102 Section 33 "Related Party Disclosures" from disclosing related party transactions with entities that are part of the Green Luxco I S.ar.l. Group, as all subsidiaries within the group are wholly-owned.

At 31 December 2021 there is a loan to one of the directors of £82,000 (2020: £82,000). The balance is included in the other debtors balance in Note 12. £22,000 of this loan balance was granted in relation to the tax costs associated with the Long Term Incentive Plan (LTIP).

22. Post balance sheet events

A successful UK booster vaccination campaign and growing evidence that Omicron is less virulent than previous variants resulted in many of the travel restrictions and testing protocols being relaxed in early 2022. From 18 March 2022, the final remaining COVID-19 travel restrictions in the UK were lifted which provides optimism for a strong recovery in passenger air travel. Airlines advise Summer 2022 demand is strong.

This all provides the directors with optimism regarding the continued recovery in passenger numbers in 2022 towards pre-COVID-19 levels.

On 24th February 2022, Russian troops invaded Ukraine. The Directors are closely monitoring the situation and do not expect there will be a material impact on the business or its strategy.

23. Notes to the Group Statement of cash flows

Net cash flows from operating activities:

	2021 £'000	2020 £'000
Loss for the financial year per Statement of comprehensive income	**(44,988)**	(96,451)
Depreciation charge	**32,687**	32,798
Taxation	**8,630**	(11,689)
Interest payable	**40,116**	35,507
Interest receivable	**(81)**	(263)
Fair value loss/(gain) on investment property	**(16,635)**	52,939
Derecognition of fixed assets	**805**	1,970
Amortisation of capital grants	**(388)**	(388)
(Increase)/decrease in stock	**(55)**	77
(Increase/decrease in debtors	**(2,990)**	10,107
Increase/(decrease) in creditors	**135**	(9,946)
Cash inflow from operations	**17,236**	14,661
Income taxes paid	**2,920**	(3,774)
Net cash generated from operating activities	**20,156**	10,887

Components of cash and cash equivalents:

	2021 £'000	2020 £'000
Cash	**50,238**	80,920
	50,238	80,920