Edinburgh Airport Limited

Annual report and financial statements for the year ended 31 December 2017

Edinburgh Airport Limited

Contents

Edinburgh Airport Limited

Officers and professional advisers

Directors
Gordon Dewar
Sir John Elvidge
Andrew Gillespie-Smith
Michael McGhee
Gary Pritchard
Scott Stanley (resigned on 24 July 2017)
David Thomson
Linda Urquhart

Secretary
Stephen Swan

Registered office
Edinburgh Airport
Edinburgh
EH12 9DN

Independent auditor
Deloitte LLP
Edinburgh
EH1 2DB

Banker
The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

Strategic report

The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006. The company 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 is Scotland's busiest airport, seeing 13.4 million passengers pass through its terminal in 2017. It contributes significantly to the growth of Scotland and the city of Edinburgh. Its strategy is simple but ambitious – it is where Scotland meets the world. By providing choice to its customers it will continue to grow, creating more wealth in Scotland, generating more jobs and ultimately growing the reach of our country.

The strategic objectives of Edinburgh Airport can be outlined as follows:

I. *Delivering world class operations*
  - operating safely and securely
  - providing excellent customer service
  - optimising airport operating capacity

II. *Growing through choice*
  - attracting new airlines and routes
  - providing an excellent customer proposition
  - growing non-aero commercial opportunities

III. *Improving financial performance*
  - investing wisely in the business
  - maximising cash flow
  - optimising income and lowering operating cost

IV. *Encouraging team success*
  - developing and investing in staff
  - encouraging leadership at all levels
  - supporting a high-performance culture

V. *Driving technology solutions*
  - improving customers' experience of technology
  - deploying technology to improve how we operate
  - leading the development of innovative solutions

VI. *Building relationships with our stakeholders*
  - developing strong partnerships with public and private sector organisations
  - operating responsibly on environmental matters
  - playing a significant part in contributing to the wider success of Edinburgh and Scotland

VII. *Managing our risks responsibly*
  - ensuring that health and safety is at the core of everything the airport does
  - working positively and proactively with regulators and meeting all compliance standards
  - creating a culture where all staff take responsibility for risk management

Business Model
In recent years, the airport has strengthened its long-haul connectivity and increased the frequency and choice of European short haul destinations. This is fundamental to the strength of Edinburgh Airport's future prospects as the appetite to visit Scotland's capital city grows as it becomes easier to fly to Edinburgh directly. In addition, long term contracts have been secured with all the major volume carriers which underpins and de-risks future growth.

To respond to this, the company will continue to build capacity selectively as well as introduce elements of rationalisation or optimisation as some key assets are utilised more intensively. The company will also continue to focus on the success of our non-aero revenue streams, such as retail and car parking.

2. Review of 2017 and outlook

Successful growth
Edinburgh Airport is a key contributor to the Scottish economy, supporting over 23,000 jobs across Scotland and contributing approximately £1 billion to the Scottish gross value added (GVA), with over £500 million of this in Edinburgh alone. These figures are taken from an independent economic study conducted by Biggar Economics (March 2016).

Edinburgh Airport continued its strong growth trajectory during 2017. Passenger numbers increased a further 8.7% from 2016 and operating profit increased by 29.7%.

In 2017 13.4m passengers used Edinburgh Airport, making 2017 the busiest year ever for a Scottish airport.

Commercial developments
The airport has seen an additional 34 routes announced in 2017, including a further 3 long haul routes – this has seen 14% annual growth in international traffic, with total annual passenger growth of 8.7%.

2017 has seen the 22 new retail units opened in 2016 bedding in and building on their understanding of Edinburgh Airport passengers. Work has also begun on securing operators for the terminal expansion (see below), opening in 2018 and the other new units being created within the existing departure lounge. The expansion and current departure lounge will see both new food and beverage and retail outlets.

New contracts with car rental operators and space development have meant increased passenger choice in this growing market. 2017 also saw one of the biggest changes to our public transport offering in many years, with new bus routes, new buses and numerous other enhancements. The result is a 2.6% increase in the proportion of passengers using public transport to or from the airport.

Work commenced in 2017 on a new Hotel, a Hampton by Hilton, due to open Spring 2019.

Capital investments
Edinburgh Airport continues to invest in its infrastructure to support future growth, provide a better passenger experience and ensure there is sufficient operational resilience. The airport invested £49.7million during 2017 across a range of projects in the terminal and across the airfield. The principal areas of focus included:

- A terminal expansion that will expand the main terminal building by 15,000sqm across three floors. The extension provides space for an improved retail and food & beverage offering, improves passenger and aircraft connectivity and provides additional space for core operational activities. Construction commenced in May 2017 and is expected to be completed in 2018;

- Construction of 5 new Code C stands and improved Code E capability to support the airport's growth and an extensive programme of investment to re-life existing pavements and taxiways. The work completed in July 2017 and caused minimal disruption to airfield activities and passenger experience; and

- Development of an expanded and improved Baggage Hall to support growth in passengers and ensure compliance with evolving regulatory requirements. The four year programme of investment, finishing in 2020, will transform the capability of the airport's baggage operation.

Creating stronger business partner relationships
The company directly employs approximately 10% of all workers on campus. To ensure a consistent and high level of service across the more than 100 companies who operate on campus, Edinburgh Airport focuses on creating strong business partnerships and relationships. It is the only UK airport to have all partner companies bound by an airport wide Passenger Commitments Charter.

The airport also plays a key role in Edinburgh with many of the Executive Committee and Leadership team encouraged to actively participate in the city's development and promotion from involvement on Boards at VisitScotland, Marketing Edinburgh, Edinburgh Tourism Action Group and Scottish Tourism Alliance.

Members of the Leadership team are also assigned Account Manager roles within the company to be a key point of contact for every business partner on campus.

The Airport won 'Business of the Year' at the Edinburgh Chamber of Commerce Awards during the year. Edinburgh Airport demonstrated its focus on customer service by being shortlisted for the 'Airport of the Year' at the Scottish Transport Awards, National Transport Awards and Airport Council International's (ACI) Best European Airport (10-25 million passengers).

Edinburgh Airport continues its commitment to being an airport that invests in its growth, its city and the development of its people and community.

Strategic report (continued)

Key financial metrics
These are provided in Section 3 of the Strategic report.

Review of the year
Turnover for the year ended 31 December 2017 was £184.9m (2016: £164.1m). Profit for the financial year was £68.0m (2016: £37.8m). Total shareholders' funds at the year-end totalled £150.3m (2016: £304.5m) of which £78.1m (2016: £267.0m) related to the profit and loss account. See Statement of changes in equity on page 21.

The company was re-financed during 2017, increasing overall third party funding facilities from £570.3m to £760.3m, see note 13(a). The funding consists of a combination of bank debt and longer term institutional loans. In addition, the company has a further £50m capital expenditure facility, £8m revolving credit facility and £4m overdraft facility. At 31 December 2017, £8.0m (2016: £Nil) was drawn down on the capital expenditure facility and £0.2m (2016: £Nil) on the bank overdraft facility.

Exceptional items
Exceptional items recognised in the Statement of comprehensive income relate to:
- restructuring and reorganisation costs;
- refinancing costs;
- costs associated with the closure of Edinburgh Airport Limited's defined benefit pension scheme to future accrual;
- consultation costs in relation to potential changes to flight paths above Edinburgh;
- stand development costs;
- corporate development costs;
- General Data Protection Regulation ("GDPR") compliance costs; and
- gains on settlements/curtailments in the defined benefit pension scheme.

Developments since beginning of 2018 and future outlook
In January 2018, Edinburgh Airport's passenger traffic increased by 7.7% to 0.84million from 0.78 million in January 2017.

To respond to this, the company will continue to build capacity selectively as well as introduce elements of rationalisation or optimisation as some key assets are utilised more intensively. The company will also continue to focus on the success of our non-aero revenue streams, such as retail and car parking.

European Union referendum
Following a referendum on 23 June 2016, the United Kingdom intends to withdraw from the European Union. This is commonly referred to as "Brexit". The Airport has experienced strong growth since the "Brexit" vote. Edinburgh benefits from a high proportion of inbound leisure passengers (i.e. passengers whose journeys originate overseas) with approximately 50% of our international passengers being inbound. The relative weakness of Sterling post "Brexit" vote has continued during 2017 and into 2018, making the UK a more attractive place to visit.

"Brexit" negotiations continued during 2017 and into 2018. We continue to closely monitor developments and work with the Governments in Edinburgh and London to ensure our risks and opportunities are understood as negotiations continue.

Airspace change
To ensure that Edinburgh Airport can grow in line with demand, the airspace around it needs modernised and developed. The process to do this is underway and following significant consultation, the airport made proposals to the CAA in Summer 2017 that will allow growth well into the future.

The CAA paused Edinburgh Airport's airspace change process in November 2017 to allow the airport and NATS to provide further information and review designs for eastbound departures. That work is almost complete and the airport is preparing to recommence the approval process with the CAA. The target date of February 2019 for full implementation remains on track.

3. Key performance indicators (KPIs)

We measure a number of KPIs to ensure we achieve sustainable growth over the long term and provide great service to passengers.

Metric	Definition	2017	2016	Movement
Turnover	Total revenue of the airport	**£184.9m**	£164.1m	Up 12.7%
IPP	Income per passenger	**£13.77**	£13.27	Up 3.8%
Operating profit[1]	Per Statement of comprehensive income	**£79.2m**	£61.1m	Up 29.7%
Operating cost per passenger	Unit cost of operating the airport	**£5.80**	£6.08	Down 3.8%
Capital investment	Investment in assets to improve efficiency and support growth	**£49.7m**	£18.9m	Up 163.0%
Cash flow	Net cash flows generated from our operating activities[2]	**£102.3m**	£80.1m	Up 29.5%
Passengers	Total number of passengers using the airport	**13.43m**	12.36m	Up 8.7%
Destinations	Number of destinations flown from Edinburgh airport	**140**	122	Up 14.8%
Punctuality	On time departure (OTP) [3]	**77.5%**	75.4%	Up 2.1%
Security performance	% of passengers waiting < 10 minutes [4]	**93.6%**	98.1%	Down 4.5%
Passengers with reduced mobility (PRM)	Notified arrival passengers - waiting < 5 minutes Notified departing passengers - waiting < 10 minutes [5]	**92%** **98%**	92% 96%	No change Up 2.1%
Customer satisfaction	Average Airport Service Quality (ASQ) scores [6]	**4.36**	4.29	Up 1.6%
Health and safety	Number of RIDDOR's [7]	**0**	1	Down 100.0%
Complaints	Number of complaints per 10,000 passengers [8]	**2.40**	2.34	Up 2.7%
Employee engagement	Airport employee survey [9]	**75%**	65%	Up 10.0%

[1] Operating profit is stated after operating costs and depreciation but before interest and any gains or losses on investment property.
[2] Net cash flows generated from operating activities is before capital expenditure, financing activities and interest.
[3] OTP is within 15 minutes of scheduled push back time.
[4] Security performance tracked from January to December 2017 (2016 tracked from August to December 2016). Percentage of passengers queuing at security for less than 10 minutes pre-screening.
[5] 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 10mins in respect of departures and 5 mins for those arriving on inbound flights.
[6] Airport Service Quality ('ASQ') is the global industry benchmark for measuring passenger satisfaction - measured out of 5, with 5 being the highest level of satisfaction. Measured monthly via passenger surveys. This is the average score for the year.
[7] 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.
[8] 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.
[9] This is the airport's own employee survey based on Investor in People guidance and Health and Safety Executive standards. This is an average score across all departments covering 48 questions (2016 – 52 questions) and reflects the percentage of positive responses to each question. Response rate amongst employee was 55% (2016 - 52%).

Strategic report (continued)

Risk management

Risk management is a key element of Edinburgh Airport's operations.

Risk management is embedded in the company's operations and is subject to the overview of the Board's Audit and Risk Committee who regularly review the risks identified and processes utilised to manage those risks. Edinburgh Airport's general strategy aims to meet the risks identified below on an on-going basis with appropriate and timely responses.

Edinburgh Airport has a Managing Responsibly Group ('MRG'), comprised of the Executive Team, which oversees the management of risks in the airport's operation. The MRG formally meets on a quarterly basis and covers all aspects of health, safety, security, compliance, training and environmental issues. Edinburgh Airport has established departmental MRG's with representatives from each department which feed into the airport wide MRG and allow for deeper risk review, monitoring and analysis and enhanced employee communication.

Risk management facilitates the identification, evaluation and effective management of the threats to the achievement of the company's purpose, vision, objectives, goals and strategies. The vision of risk management is to embed the awareness of risk at all levels of the organisation, in such a way that all significant business decisions are risk-informed. Particular emphasis is given to safety, security, environment, reputation, technology, operations and finance in pursuit of Edinburgh Airport's strategic framework.

A key element of the risk management process is the method of profiling risk. This determines the threats to the achievement of business objectives and day to day operations in terms of likelihood and consequence at inherent and residual level. The process considers mitigating and controlling actions. Details are maintained in risk registers which are used as the basis for regular review of risk management at the Edinburgh Airport Limited Executive Committee level and by the MRG. The risk registers are also used to make informed decisions relating to the procurement of insurance cover.

The risk management process is also aimed at defining and implementing clear accountabilities, processes and reporting formats that deliver efficient and effective management assurance to the Board of directors to ensure statutory compliance whilst supporting business units to successfully manage their operations.

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

Safety risks

Health and safety is a core value of the business and the company 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 OHSAS18001:2007 built around risk assessment, inspection, asset stewardship, governance and assurance.

Risk assessment is undertaken for all activities entailing significant risk and proportionate control measures employed to safeguard everyone impacted by the company's business. The company also operates robust asset selection, inspection and maintenance programmes to ensure property and equipment remain safe. Governance and assurance processes ensure continued process effectiveness and continual improvement.

Security risks

Security risks are regarded as critical risks to manage throughout Edinburgh Airport. The company mitigates these risks by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in leading-edge security technology. The company works closely with government agencies, including the police, the Civil Aviation Authority and the UK Border Agency building a framework to establish co-ordinated accountabilities for airport security and integrated ownership of risk. Thus ensuring security measures remain both flexible and proportionate to the prevailing threat environment.

Assurance is provided through management reporting processes and a specialist compliance audit function, reporting directly to the Sustainability and Operational Risk Committee. Edinburgh Airport also gains external assurance through regular engagement with the Centre for Protection of Critical National Infrastructure, providing physical and personal protective support and guidance; plus the National Counter Terrorism Security Office which offer current and relevant advice to protect and prepare Edinburgh Airport should an incident occur.

Strategic report (continued)

Regulatory, environmental, legal and other reputational risks

Civil Aviation Authority ('CAA') regulation
The company's operations are subject to regulation by the Department for Transport ('DfT') which is enforced by the CAA. The CAA is concerned with air safety, economic and airspace regulation, consumer protection and environmental research and consultancy. The CAA also advises the Government on aviation issues and ensures that consumer interests are represented. Consequently, the company is exposed to the risk of changes in day to day operations resulting from regulatory guidelines issued by the DfT and mitigates this as far as possible. The company is represented by dedicated staff who ensure full compliance with formal regulatory requirements, establish a sound relationship with the regulatory bodies and advise the Executive Committee and Board on regulatory matters.

Part of the regulatory framework is the company's engagement with its airline customers. To manage the risk of adverse airline relations, the company consults with airlines on issues that are likely to have a material impact on their business. In particular, airlines are engaged on a joint planning basis which provides an opportunity for them to air views and share plans, thereby ensuring their on-going requirements are articulated and understood.

Competition rules
The penalties for failing to comply with the 1998 Competition Act and relevant EU law are recognised as risks to manage within the company, given its position in certain markets. Clear policy direction, which includes compulsory awareness training and close support from the company's Legal Director, reduces the risk of the company breaching these regulations.

Environmental risks
The company is committed to ensuring that its operations comply with all environmental legislative obligations and company standards. The company recognises that environmental risk has the potential to impact negatively upon its reputation and jeopardise its licence to operate and to grow. Environmental risk is managed locally by the company by specified staff responsible for managing noise, waste, air and water quality, and carbon emissions, overseen by the Head of Health, Safety, Environment (HSE) and Risk and the Group HSE Director. The company has retained its ISO14001 accreditation and as an additional assurance that the company's responsibilities are being fully met, an independent gap analysis review was commissioned and all recommendations have been implemented.

IT infrastructure and data security risks

Our IT infrastructure, systems and data are critical to the success of the 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 our ongoing investment programme to improve the IT infrastructure and services, we and our partners deploy predictive and real time monitoring of our 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. We have an Information Management group, made up of cross functional senior leaders, who oversee all aspects of data governance. A strong programme of activity is in place to maintain a secure IT environment including vulnerability assessments, penetration testing and detection and incident recovery processes.

Operational risks

Operational disruption
There are a number of circumstances that can pose short-term risks to the normal operations of Edinburgh Airport such as shocks to the macroeconomic environment, terrorism, wars, airline bankruptcies, human health scares, weather conditions and natural disasters whose cause may be remote from the location of Edinburgh. Where possible the company seeks to anticipate the effects of these events on its operations and maintains contingency plans to minimise disruption wherever possible.

Capacity shortfall
The company is developing Edinburgh Airport to address capacity issues, which could impact on growth plans. To mitigate against this the company has created a master plan which details the delivery of capacity and infrastructure requirements over the coming years and works closely with local authorities and stakeholders to ensure that its permitted development status continues. The company also plays an active role in the development of West Edinburgh and holds regular update sessions with key stakeholders. In 2017, Edinburgh Airport continued its consultation on Airspace Change.

Capital projects
The company recognises that failure to control key capital project costs and delivery could damage its financial standing and reputation. The company mitigates this risk through adherence to a robust project process and by a system of assurance, consisting of project and programme reviews before approval and during construction. The process is continually improved incorporating lessons learnt and "best practice" distilled from knowledge sharing with other client programmes, expertise within its supply chain and guidance from professional bodies.

Strategic report (continued)

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

Industrial relations
The risk of industrial action by key staff that affects critical services, curtails operations and has an adverse financial and reputation impact on Edinburgh Airport is recognised. The company has a range of formal national and local consultative bodies to discuss pay, employment conditions and business issues with the Trade Unions. The company could also be exposed to the effect of industrial action involving other key stakeholders in the aviation sector such as airlines, air traffic controllers, baggage handlers and the UK Border Force.

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 company's business operations and funding.

The primary treasury related financial risks faced by the company are:

(a) *Interest rate risk*
To protect against an increase in interest rates the company 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 company's prudent interest rate risk management policy is consistent with the hedging requirements laid out in its debt financing agreements. As at 31 December 2017, drawn fixed rate debt after hedging with derivatives represented 86% (31 December 2016: 92%) of the Group's total external nominal debt.

(b) *Foreign exchange currency risk*
The company is not materially exposed to foreign exchange currency risk as all material transactions and financial instruments are in pounds sterling. The company 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 company'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 company. The company is funded through a mix of term loans, revolving bank debt facilities and long term institutional debt totalling £818 million (2016: £630 million) of which £768 million (2016: £570 million) was drawn at the year end. The company has positive cash flows with net cash flows from operating activities of £102.3 million (2016: £80.1 million). As at 31 December 2017, the company's cash and cash equivalents totalled negative £119k (2016: positive £8.4 million) and available headroom under undrawn committed bank facilities was £50 million (2016: £60 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 that the company is not exposed to excessive refinancing risk in any one year.

The key financial covenants in the debt financing arrangements are monitored on an ongoing basis with formal reporting – on both a historic and prospective basis - to the Audit & Risk Committee and debt investors on a semi-annual basis. The company continues to comply with all borrowing obligations and financial covenants.

(d) *Credit risk*
The company performs credit worthiness checks on all potential new customers before any credit facilities are provided. The company also has procedures in place to monitor the on-going credit worthiness of key customers. The company 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.

This report was approved by the Board of directors on 1 March 2018 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 company for the year ended 31 December 2017.

Principal activities, future developments and events after the balance sheet date
The company owns and is the operator of Edinburgh Airport. Details of strategic objectives, future developments, key performance metrics, risk management policies, and events that have occurred after the balance sheet dates can be found in the strategic report and form part of this report by cross reference.

Ownership
The company is a wholly-owned subsidiary of Green Bidco Limited, a United Kingdom ("UK") incorporated company, 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 company currently comprises the following parties:

- Global Infrastructure Partners, LP 80.90%
- Future Fund Board of Guardians 9.55%
- Q Super ("QSuper Fund") 9.55%.

Global Infrastructure Partners, LP ("GIP") is a specialist infrastructure fund that invests worldwide in high quality infrastructure assets and businesses. GIP was founded in 2006 by former senior executives from Credit Suisse and the General Electric Company. GIP targets investments in power and utilities, natural resources infrastructure, air transport infrastructure, seaports, freight railroad, water distribution and treatment and waste management. Global Infrastructure Management, LLC, the manager of GIP, has offices in New York and London with an affiliate in Sydney and portfolio operations headquarters in Stamford, Connecticut.

Future Fund Board of Guardians ("Future Fund") is Australia's sovereign wealth fund, responsible for investing for the benefit of future generations of Australians. The Future Fund was established by the Future Fund Act 2006 and aims to generate high, risk adjusted returns over the long term.

The QSuper Fund is the largest superannuation fund in Queensland and amongst the largest in Australia. The QSuper 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 QSuper Fund. The QSuper Fund's interest in the company's assets is held by QSuper Investment Holdings Pty Limited as a trustee for QSuper European Infrastructure Trust.

Dividends
The company paid dividends of £228.1 million during 2017 (2016: £25.0 million). No other cash distributions were made to the parent company, Green Bidco Limited, during 2017 (2016: £95.0 million).

Directors
Board of Directors
The company has one executive director and six non-executive directors. The following six non-executive directors oversee the company on behalf of the consortium:

Sir John Elvidge (GIP)
Andrew Gillespie-Smith (GIP)
Michael McGhee (GIP)
Gary Pritchard (GIP)
David Thomson (QSuper Fund)
Linda Urquhart (Future Fund)

Directors' report (continued)

Directors during the year
The directors who served during the year and since the year end are as follows:

Gordon Dewar
Sir John Elvidge
Andrew Gillespie-Smith
Michael McGhee
Gary Pritchard
Scott Stanley (resigned 24 July 2017)
David Thomson
Linda Urquhart

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 company against any liability incurred by them in connection with any negligence, default, breach of duty or breach of trust by him in relation to the company and may fund a director's expenditure for the purposes permitted under the Companies Act 2006.

Employment policies
For the year ended 31 December 2017 the company had 628 employees on a full-time equivalent basis (2016: 602).

Employee diversity, equal opportunities and fair treatment
The company 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. Discrimination is defined as discriminating, either directly or indirectly, on the grounds of age, sex, sexual orientation or sexuality, race (including colour, nationality, ethnic or national origins), religion or belief, gender reassignment, marital or civil partnership status, part-time status, pregnancy and maternity and disability.

The company 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 three Trade Unions.

In addition the company 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 company's employees feel they are being harassed, bullied or victimised.

Employee consultation
The company 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 company. This is achieved through formal and informal meetings and the company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests via staff surveys.

Welfare and Health & Safety
The company operates policies of non-discrimination and protection from bullying or harassment. The company 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.

The company is committed to ensuring the continued health and safety of its employees, partners and customers by creating and maintaining safe, healthy and environmentally sound working conditions to ensure the well-being of the people and the community it operates within. The company clearly demonstrates the behaviours expected of all staff and others working at the airport through inductions, procedures and visible leadership.

To ensure that best behaviours are understood and demonstrated, the company has partnered with safety consultants RyderMarshSharman who are delivering their 'Total Safety Leadership' programme throughout the business.

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

Directors' report (continued)

Recruitment
Company 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 company uses appropriate and, where required, approved selection processes in line with legislation and standard industry practice incorporating equal opportunities and diversity requirements. The company'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
Edinburgh Airport 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'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 company monitors the diversity of job applicants against the wider workforce diversity and uses female role models to promote careers during recruitment campaigns, with a view to increasing the profile of all airport roles as careers for women. The company 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 Edinburgh Airport's gender diversity:

	31 December 2017		31 December 2016	
	Male %	**Female %**	Male %	Female %
Board	**85.7**	**14.3**	87.5	12.5
Senior management (top 3 grades)	**77.5**	**22.5**	71.0	29.0
All other employees	**64.4**	**35.6**	64.0	36.0

Social and community policies
Edinburgh Airport is committed to being a good neighbour and focuses on four areas:

- Education: the company educates its community about its business and operations, and use its various industry expertise to help the younger generation;
- Communication: the company will regularly communicate with its community about its business and operations, and listen to the community voice;
- Involvement: the company will play its part in Edinburgh and Scotland where possible; and
- Charity: the company will actively promote and support charity and community work.

Education
In 2017, Edinburgh Airport hosted 19 work experience placements coordinated with local councils (West Lothian, East Lothian and Edinburgh). The airport held group tours focusing on education for air cadets, scout groups and business people. The airport also worked in partnership with local schools and participated in school career fairs and events.

Communication
Edinburgh Airport delivers a newsletter to approximately 25,000 local homes each quarter to let them know latest developments as well as giving information about the community funding and noise complaints and publishes a Corporate Responsibility Report each year to report on its achievements on several areas including water, electricity, gas, waste, noise and access. The company also lights its iconic air traffic control tower for community awareness on national issues. The company offers several ways for its community to keep in contact and processes thousands of complaints and compliments each year.

Involvement
Edinburgh Airport understands that it has a part to play in Edinburgh and in Scotland. The company 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. To do this, it gets involved in initiatives where possible.

The company runs a 'travelling with additional needs' programme for travellers who might need extra support when travelling; for example it has developed a pre-flight programme in conjunction with Scottish Autism which allows travellers to do a dummy run and experience the airport before their flight. The company also works with Guide Dogs Scotland to host puppies in training, so they can have familiarisation visits.

The company spends £40,000 per year on sponsorship to support smaller but valuable Scottish organisations such as Scottish Swimming, Scottish Curling and Street Soccer. The company helps bring Edinburgh to Edinburgh Airport with joint initiatives with Marketing Edinburgh, Festivals Edinburgh, The Fringe, VisitScotland and Edinburgh Tourism Action Group.

Directors' report (continued)

Charity
During 2017, Edinburgh Airport made £120,000 worth of charitable donations through its Community Board (2016: £120,000). This was awarded to 62 (2016: 64) charities and community groups throughout Scotland to help with local projects. Children 1st, the corporate charity partner for 2017, also received a £65,000 donation (2016: £12,000 Guide Dogs Scotland) made up from donations, foreign currency collections in the terminal and staff charity initiatives.

The company recognises the benefit community and charity work can have on an individual and encourages them to participate in local initiatives. The company made £13,194 (2016: £9,909) worth of donations to match fund the work its people did locally, helping 50 local charity and community groups (2016: 21), and provided a further £6,500 (2016: £5,250) worth of funding to charities at its annual Celebrating Success Awards Dinner, recognising the work throughout the year.

In total, through charity initiatives, the Airport provided funding of £146,000 (2016: £164,000) through charitable donations.

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 company 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.

Environmental policies
Details of the risks associated with the environment, and the policies and measures in place to mitigate these risks, can be found in the strategic report and form part of this report by cross reference.

The company has a defined CO2 strategy which takes Edinburgh Airport beyond 2020 and links in with the Scottish Government's published policy. An independently audited corporate social responsibility report is published annually covering all areas of environmental performance.

Edinburgh Airport corporate responsibility & environment policy
As part of Edinburgh Airport's commitment to corporate responsibility, the company works hard to be a good corporate citizen. Though its aspirations are global, its roots are very much in the communities in Edinburgh and the Lothians. The company strives to grow the business but maintains a commitment to minimising social and environmental impacts of its activities, to create a sustainable future for the local community, the city and Scotland.

Energy policy
Energy use is a key impact and resource which Edinburgh Airport can control. The company 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.

Noise
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 today's airlines will be operating even quieter models in the future. However, Edinburgh Airport is committed to explaining what noise is heard and why. The company works hard with communities and is investing in how it measures, reports on and discusses noise with them. 2017 has seen Edinburgh Airport invest in new noise and track keeping systems and the creation of the Edinburgh Airport Noise Board.

Edinburgh Airport also works collaboratively with the CAA, who set the Airspace Policy, airlines themselves and Air Traffic Control (ATC), who advise the aircraft where to fly. Edinburgh Airport is a member of Sustainable Aviation, a coalition of UK aviation stakeholders spanning aircraft manufacturers, airlines, airports and National Air Traffic Services, the principal air navigation provider. The company works together to promote continuous descents and continuous climbs to airlines operating from Edinburgh Airport.

Edinburgh Airport Limited

Directors' report (continued)

Going concern
During the year, the company was successfully refinanced and this has increased overall debt facilities from £570 million to £760 million. The funding consists of a combination of bank debt and longer term institutional loans. In addition, the company has a further £50 million capital expenditure facility, £8 million revolving credit facility and £4 million overdraft facility. At 31 December 2017, £8.0m (2016: £Nil) was drawn down on the capital expenditure facility and £0.2m (2016: £Nil) on the bank overdraft facility.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

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 company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

This report was approved by the board of directors on 1 March 2018 and signed on its behalf by:

Gordon Dewar
Director
Company registration number: SC096623

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 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 judgements 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:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit 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 of Edinburgh Airport Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows;
- the statement of accounting policies;
- significant accounting judgements and estimates; and
- the related notes 1 to 21.

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

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

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

We have nothing to report in respect of these matters.

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 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 company or to cease operations, or have no realistic alternative but to do so.

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

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Report on other legal and regulatory requirements

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

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

In the light of the knowledge and understanding of the company and its 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

James Boyle CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
1st March 2018

Statement of comprehensive income for the year ended 31 December 2017

	Note	**2017 £'000**	2016 £'000
Turnover	*1*	**184,877**	164,130
Operating costs before exceptional costs, depreciation & amortisation	*2*	**(77,799)**	(75,506)
Profit before exceptional costs, depreciation & amortisation		***107,078***	*88,624*
Operating costs – exceptional (net)	*4*	**(1,907)**	(571)
Profit before depreciation & amortisation		***105,171***	*88,053*
Operating costs – depreciation	*8*	**(26,126)**	(27,130)
Operating costs – amortisation of capital grants	*13(b)*	**134**	134
Operating costs - total		**(105,698)**	(103,073)
Operating profit		**79,179**	61,057
Fair value gains and losses on investment property	*9*	**33,343**	8,486
Interest receivable and similar income	*5*	**78**	536
Net interest payable and similar charges	*6*	**(26,165)**	(22,456)
Profit on ordinary activities before taxation	*2*	**86,435**	47,623
Taxation on profit on ordinary activities	*7*	**(18,452)**	(9,815)
Profit for the financial year		**67,983**	37,808
Other comprehensive income			
Actuarial gains/(losses) on defined benefit pension scheme	*19*	**1,023**	(12,198)
Fair value gains/(losses) on interest rate swaps	*14*	**5,987**	(15,394)
Total other comprehensive income		**7,010**	(27,592)
Taxation on other comprehensive income	*15*	**(1,043)**	5,642
Total comprehensive income for the year		**73,950**	15,858

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

The notes on pages 23 to 42 form an integral part of these financial statements.

Edinburgh Airport Limited

Statement of financial position as at 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Fixed assets			
Tangible fixed assets	*8*	**510,221**	487,918
Investment properties	*9*	**256,458**	221,836
Total fixed assets		**766,679**	709,754
Current assets			
Stocks	*10*	**843**	693
Debtors:			
- due within one year	*11*	**13,990**	12,773
- due after one year	*11*	**252,478**	252,268
Total debtors		**266,468**	265,041
Cash at bank		**101**	8,383
Total current assets		**267,412**	274,117
Current liabilities			
Creditors: amounts falling due within one year	*12*	**(59,467)**	(39,513)
Net current assets		**207,945**	234,604
Total assets less current liabilities		**974,624**	944,358
Creditors: amounts falling due after more than one year	*13*	**(790,703)**	(611,437)
Provisions for liabilities	*15*	**(37,409)**	(30,603)
Net assets excluding pension asset		**146,512**	302,318
Defined benefit pension asset	*19*	**3,823**	2,174
Net assets including pension asset		**150,335**	304,492
Capital and reserves			
Called up share capital	*16*	**6,500**	6,500
Other reserves:			
Capital contribution reserve		**130**	124
Non-distributable reserve		**91,706**	62,595
Hedging reserve		**(19,469)**	(24,318)
Pension reserve		**(6,586)**	(7,415)
Profit and loss account		**78,054**	267,006
Shareholder's funds		**150,335**	304,492

The notes on pages 23 to 42 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 1st March 2018. They were signed on its behalf by:

Gordon Dewar
Director

Edinburgh Airport Limited

Statement of cash flows for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Net cash generated from operating activities	*21*	**102,285**	80,116
Cash flows from investing activities			
Interest received		**21**	64
Purchase of tangible fixed assets		**(49,708)**	(18,889)
Proceeds from sale of plant, property and equipment		**-**	15
Net cash used in investing activities		**(49,687)**	(18,810)
Cash flows from financing activities			
Receipts from re-financing		**198,000**	80,000
Interest paid		**(25,333)**	(21,612)
Movement in intercompany borrowings		**(5,654)**	(91,512)
Payment of deferred finance charge		**-**	(66)
Dividends paid		**(228,113)**	(25,000)
Net cash used in financing activities		**(61,100)**	(58,190)
Net increase in cash and cash equivalents		**(8,502)**	3,116
Cash and cash equivalents at beginning of year		**8,383**	5,267
Cash and cash equivalents at end of year	*21*	**(119)**	8,383

Edinburgh Airport Limited

Statement of changes in equity for the year ended 31 December 2017

	Note	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 2016		**6,500**	**72**	**(11,703)**	**303,848**	**2,479**	**12,386**	**313,582**
Profit for the year ended 31 December 2016		-	-	-	-	-	37,808	**37,808**
Transfer of non-distributable gain on investment property		-	-	-	8,486	-	(8,486)	**-**
Transfer of deferred tax on gain on investment property		-	-	-	(298)	-	298	**-**
Other comprehensive income:								
Actuarial (losses) on defined benefit plans		-	-	-	-	(12,198)	-	**(12,198)**
Fair value (losses) on effective hedges		-	-	(15,394)	-	-	-	**(15,394)**
Deferred tax on other comprehensive income		-	-	2,779	559	2,304	-	**5,642**
Total comprehensive income for the year		**-**	**-**	**(12,615)**	**8,747**	**(9,894)**	**29,620**	**15,858**
Transactions with owners in their capacity as owners:								
Bonus share issue	*16*	250,000	-	-	(250,000)	-	-	**-**
Capital reduction	*16*	(250,000)	-	-	-	-	250,000	**-**
Dividends		-	-	-	-	-	(25,000)	**(25,000)**
Capital contribution		-	52	-	-	-	-	**52**
Balance at 31 December 2016		**6,500**	**124**	**(24,318)**	**62,595**	**(7,415)**	**267,006**	**304,492**

Statement of changes in equity for the year ended 31 December 2017 (continued)

	Note	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 2017		**6,500**	**124**	**(24,318)**	**62,595**	**(7,415)**	**267,006**	**304,492**
Profit for the year ended 31 December 2017		-	-	-	-	-	67,983	**67,983**
Transfer of non-distributable gain on investment property		-	-	-	33,343	-	(33,343)	-
Transfer of deferred tax on gain on investment property		-	-	-	(4,521)	-	4,521	-
Other comprehensive income:								
Actuarial gains on defined benefit plans		-	-	-	-	1,023	-	**1,023**
Fair value gains on effective hedges		-	-	5,987	-	-	-	**5,987**
Deferred tax on other comprehensive income		-	-	(1,138)	289	(194)	-	**(1,043)**
Total comprehensive income for the year		**-**	**-**	**4,849**	**29,111**	**829**	**39,161**	**73,950**
Transactions with owners in their capacity as owners:								
Dividends		-	-	-	-	-	(228,113)	**(228,113)**
Capital contribution		-	6	-	-	-	-	**6**
Balance at 31 December 2017		**6,500**	**130**	**(19,469)**	**91,706**	**(6,586)**	**78,054**	**150,335**

Accounting policies for the year ended 31 December 2017

General information
Edinburgh Airport Limited is a limited company domiciled and incorporated in Scotland.

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

The company's principal activities are detailed in the directors' report.

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

Basis of accounting for the year ended 31 December 2017
The financial statements of the company prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

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 company's ultimate parent company is Green Luxco I S.ar.l. 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 has taken advantage of the exemptions from the following disclosure requirements as they are disclosed in the financial statements of the ultimate parent company, Green Luxco I S.ar.l:

- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' –
  - Details of collateral, loan defaults or breaches; and
  - Details of hedges.
- Section 26 'Share based payment':
  - Share-based payment expense charged to profit or loss;
  - Reconciliation of opening and closing number and weighted average exercise price of share options;
  - How the fair value of options granted was measured;
  - Measurement and carrying amount of liabilities for cash-settled share-based payments; and
  - Explanation of modifications to arrangements.
- Section 33 'Related party disclosures':
  - Compensation for key management personnel.

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

Consequently the directors have reviewed the cash flow projections taking into account:
- the forecast revenue and operating cash flows from the underlying operations;
- the forecast level of capital expenditure; and
- the overall liquidity position, including the remaining committed and uncommitted facilities available to it, its scheduled debt maturities and its forecast financial ratios.

Based on the projections and taking into consideration the above factors the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

Foreign currency
The company 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 landing; 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 company 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 company'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 company 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, cost includes own labour costs of construction-related project management and directly attributable overheads. 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 company. The company reviews these projects on a regular basis, and at least every six months, 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.

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:

Terminal complexes	
Terminal building, pier and satellite structures	20 – 60 years
Terminal fixtures and fittings	5 – 20 years
Airport plant and equipment:	
Baggage systems	15 years
Screening equipment	7 years
Lifts, escalators, travelators	20 years
Other plant and equipment, including runway lighting and building plant	5 – 20 years
Tunnels, bridges and subways	50 – 100 years
Airfields	
Runway surfaces	10 – 15 years
Runway bases	100 years
Taxiways and aprons	50 years
Other land and buildings	
Other land	Not depreciated
Other landscaping	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 company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. Where the asset does not generate cash flows 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. Other grants are recognised as income over the periods when the related costs are incurred.

Tangible fixed assets (*continued)*

Borrowing costs
Finance costs are allocated over the term of the debt. All finance costs are charged in the Statement of comprehensive income.

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 company 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.

Cash at bank
Cash comprises cash deposits repayable on demand.

Current and deferred taxation
The tax expense 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 company 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.

Accounting policies for the year ended 31 December 2017 (continued)

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.

Company 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.

Company as a lessor
Leases where the company 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 company 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 company becomes a party to the contractual provisions of the instrument, and are offset only when the company 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 company 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 company 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 company 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 company 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, including transaction costs, 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 interest payable and other similar charges.

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

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 or loss as earned.

Share capital
The company is limited by shares.

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 company.

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

The value of these equity instruments will be based on the Internal Rate of Return ("IRR") achieved by the company's controlling shareholder from acquisition to sale of their investment in the company. 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 five years.

Payments will be measured with reference to their value for taxation purposes and recognised in profit or 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 2017

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 company 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.

Investment properties – estimate
Investment properties were valued at fair value at 31 December 2017 by Ryden, Chartered Surveyors (2016: 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. Independent valuations have been obtained for 100% of the investment properties. Approximately 60% of the investment properties comprise car parks and airside assets at the airport that are considered less vulnerable to market volatility than the overall market.

Notes to the financial statements for the year ended 31 December 2017

1. Turnover

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

	2017 £'000	2016 £'000
Aeronautical	**97,644**	88,017
Retail	**68,562**	60,483
Operational facilities and utilities	**11,381**	9,183
Property rental	**6,296**	5,383
Other	**994**	1,064
	184,877	164,130

2. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2017 £'000	2016 £'000
Staff costs (Note 3)	**31,963**	28,839
Depreciation of tangible fixed assets	**26,126**	27,130
Amortisation of capital grants	**(134)**	(134)
Profit on disposal of assets	**-**	(13)
Other operating leases	**38**	74

Auditor's remuneration

	2017 £'000	2016 £'000
Fees payable to the company's auditor for the audit of the company's annual financial statements	**46**	47
Non-audit fees payable to the company's auditor for other services		
Audit related assurance services	**5**	5
Tax advisory services	**17**	24
Tax compliance services	**59**	53
Other services	**26**	52
Total non-audit fees	**107**	134
Total fees	**153**	181

3. Employees

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

	2017	2016
	No.	No.
Office and management	**66**	60
Airside, security and operations	**513**	501
Retail and commercial	**49**	41
	628	602

Staff costs for the above employees

	2017	2016
	£'000	£'000
Wages and salaries	**24,291**	22,803
Social security	**2,554**	2,366
Other pension costs and current service cost	**45**	792
Defined contribution pension cost	**2,163**	1,658
Other employment costs	**1,326**	1,220
	30,379	28,839

Directors

In respect of the directors of Edinburgh Airport Limited:

	2017	2016
	£'000	£'000
Directors' remuneration		
Aggregate emoluments	**673**	611
Value of company pension contributions to defined contribution/ benefit scheme	**7**	6
	680	617

Highest paid director's remuneration

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

	2017	2016
	£'000	£'000
Aggregate emoluments	**603**	541
Value of company pension contributions to defined contribution/ benefit scheme	**7**	6
	610	547

An amount of £1,000 (2016: £1,000) was accrued in relation to the highest paid director's entitlements under the defined contribution pension scheme.

Details of other transactions made with directors during the year are disclosed in note 20.

4. Operating costs – exceptional (net)

	2017 £'000	2016 £'000
Restructuring and reorganisation costs [1]	**1,058**	402
Refinancing costs [2]	**312**	295
Closure of the defined benefit pension scheme to future accrual [3]	**-**	(1,450)
Consultation costs in respect of potential changes to flight paths [4]	**708**	544
Stand development costs [5]	**122**	42
Corporate development costs [6]	**188**	738
General Data Protection Regulation ("GDPR") compliance costs [7]	**88**	-
Gains on settlements/curtailments in the defined benefit pension scheme [8]	**(569)**	-
Total	**1,907**	571

[1] Procurement and redundancy costs in respect of restructuring aspects of the company's business.

[2] During 2017, the company undertook a refinancing transaction, paying associated legal fees. The company also undertook such an exercise during 2016.

[3] The company's defined benefit pension scheme closed to future accrual from 1 May 2016. The costs associated with this closure were £4,224,000. As a result of the closure, all pension scheme members became deferred members with their accrued benefits no longer linked to future changes in their salary, this has resulted in a negative past service cost £5,674,000 being recognised in 2016.

[4] During 2016, the company launched a consultation process seeking views on the potential impact of altering flight paths above Edinburgh. This process has continued into 2017.

[5] Additional coaching costs associated with the development of new stands.

[6] Costs relating to the company's 2040 masterplan as well as contract register and data management project.

[7] Costs relating to the company planning ahead to ensure it is compliant with GDPR ahead of implementation of the regulations on 25 May 2018.

[8] Defined benefit pension scheme settlement gain resulting from members transferring values from the scheme. The gain reflects the different actuarial assumptions underlying each calculation and market conditions at the time the transfers took place.

5. Interest receivable and similar income

	2017 £'000	2016 £'000
Interest receivable on bank deposits	**21**	64
Net interest on the net defined benefit pension asset	**57**	472
	78	536

6. Net interest payable and similar charges

	2017 £'000	2016 £'000
Interest on borrowings	**25,003**	21,368
Amortisation of debt costs	**738**	742
Facilities fees	**265**	243
Hedge ineffectiveness	**159**	103
	26,165	22,456

7. Taxation on profit on ordinary activities

	2017 £'000	2016 £'000
Current tax		
UK corporation tax on profits of the period	**12,888**	9,910
Adjustment in respect of previous periods:		
- UK corporation tax	**(199)**	(419)
	12,689	9,491
Deferred tax		
Origination and reversal of timing differences	**6,367**	2,330
Adjustment in respect of previous periods	**114**	61
Effect of changes in tax rates	**(718)**	(2,067)
	5,763	324
Taxation charge on profit on ordinary activities	**18,452**	9,815

Reconciliation of taxation charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19.25% (2016: 20.00%). The actual tax charge for the current and prior years differs from the standard rate for the reasons set out in the following reconciliation:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	**86,435**	47,623
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	**16,636**	9,525
Effect of:		
Expenses not deductible for tax purposes	**2,823**	3,152
Income not taxable	**(640)**	(437)
Deferred tax not provided	**436**	-
Adjustment in respect of previous periods	**(85)**	(358)
Tax rate changes	**(718)**	(2,067)
Taxation charge for the year	**18,452**	9,815

In addition to the amount charged to profit or loss, a charge of £1,042,708 (2016: credit of £5,642,208) has been recognised in other comprehensive income.

The UK corporation tax rate reduced to 19% from 1 April 2017 and will be reduced to 17% from 1 April 2020. These changes have been substantively enacted at the balance sheet date and, therefore the deferred tax assets and liabilities at 31 December 2017 have been measured using the rates that apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind.

There is no expiry date on timing differences, unused tax losses or tax credits.

Notes to the financial statements for the year ended 31 December 2017 (continued)

8. Tangible fixed assets

	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 2017	268,901	159,314	77,050	51,560	13,242	570,067
Additions	-	-	-	-	49,708	49,708
Transfers to/(from) assets in course of construction	3,827	20,883	2,385	4,253	(31,348)	-
Transfers to investment property (note 9)	-	-	-	-	(1,279)	(1,279)
31 December 2017	**272,728**	**180,197**	**79,435**	**55,813**	**30,323**	**618,496**
Depreciation						
1 January 2017	(28,038)	(18,530)	(19,379)	(16,202)	-	(82,149)
Charge for the year	(10,809)	(5,093)	(4,978)	(5,246)	-	(26,126)
31 December 2017	**(38,847)**	**(23,623)**	**(24,357)**	**(21,448)**	**-**	**(108,275)**
Net book value 31 December 2017	**233,881**	**156,574**	**55,078**	**34,365**	**30,323**	**510,221**
Net book value 31 December 2016	240,863	140,784	57,671	35,358	13,242	487,918

Assets in the course of construction
Assets in the course of construction comprise capital expenditure on on-going capital projects under the company's capital investment programme.

9. Investment properties

	2017 £'000	2016 £'000
At 1 January	**221,836**	213,350
Transfers from owner-occupied property (note 8)	**1,279**	-
Fair value gains	**33,343**	8,486
At 31 December	**256,458**	221,836

Investment property includes land held for development. The fair value of the company's investment property and land held for development at 31 December 2017 has been arrived at on the basis of a valuation carried out by Ryden, Chartered Surveyors, on an open market value basis (2016: Ryden, Chartered Surveyors). Ryden is not connected with the company. The valuation was arrived at by reference to market evidence of transaction prices for similar properties, or where not available, to market yields.

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

	2017 £'000	2016 £'000
Cost	**43,090**	41,644

As noted in note 1, rental income earned during the year was £6,296,000 (2016: £5,383,000). At the balance sheet date, the company had contracted with tenants for the following future minimum lease receipts: £6,225,100 (2016: £7,169,469).

10. Stocks

	2017 £'000	2016 £'000
Raw materials and consumables	**843**	693

The replacement cost of raw materials and consumables at 31 December 2017 and 31 December 2016 was not materially different from the amount at which they are included in the Statement of financial position.

11. Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	**6,227**	5,161
Accrued income	**5,873**	5,900
Prepayments	**1,775**	1,541
Other debtors	**115**	171
Total	**13,990**	12,773

	2017 £'000	2016 £'000
Amounts falling due after more than one year:		
Amounts receivable from group undertakings – non-interest bearing[1]	**252,478**	252,268
Total debtors	**266,468**	265,041

[1] Amounts receivable from group undertakings due after more than one year relate to amounts owed by the immediate parent company, Green Bidco Limited. Included within this balance is accrued interest of £2,863,000 (2016: £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.

Notes to the financial statements for the year ended 31 December 2017 (continued)

12. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loans and overdrafts	**8,220**	-
Trade creditors	**3,239**	4,655
Capital creditors	**9,685**	5,386
Deferred finance charges	**(700)**	(700)
Accruals and deferred income	**31,473**	24,527
Other creditors	**209**	235
Corporation tax payable	**5,907**	2,804
Other taxes and social security costs	**1,434**	2,606
Total	**59,467**	39,513

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

	2017 £'000	2016 £'000
Financing liabilities		
External borrowings (a)	**760,300**	570,300
Deferred finance charges	**(782)**	(1,455)
Fair value of floating to fixed interest rate swaps (note 14)	**26,675**	32,504
Total financing liabilities	**786,193**	601,349
Amounts payable to group undertakings	**1,457**	6,901
Accruals and deferred income (b)	**3,053**	3,187
Total	**790,703**	611,437

(a) External borrowings

Borrowings are repayable in instalments as follows:

	2017 £'000	2016 £'000
Between five and ten years	**520,300**	430,300
Greater than ten years	**240,000**	140,000
Total	**760,300**	570,300

The company has term loans with a number of banks and institutions. These loans are secured through a floating charge over the company's assets and a fixed charge over the company'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 LIBOR.

At 31 December 2017 the average interest rate payable on borrowings was 3.64% p.a. (2016: 3.99%), inclusive of the effect of interest rate swaps used to hedge floating interest rates on the underlying debt.

At 31 December 2017 the company had £50 million undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date (2016 - £60 million).

(b) Accruals and deferred income

The company 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:

	2017 £'000	2016 £'000
Balance brought forward at 1 January	**3,321**	3,455
Amortised in the year	**(134)**	(134)
31 December	**3,187**	3,321
Represented by:		
Due within one year	**134**	134
Due after more than one year	**3,053**	3,187
Total capital grants	**3,187**	3,321

Notes to the financial statements for the year ended 31 December 2017 (continued)

14. Financial Instruments

The company uses interest rate swaps to manage its exposure to interest rate movements on its bank and institutional borrowings. Contracts with nominal values of £370m (2016: £370m) fix interest on variable rate debts at an average rate of 2.48% (2016: 2.48%) 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.

All interest rate swaps meet the conditions for hedge accounting, as set out in the accounting policies.

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

	2017		2016	
Maturity date	**Notional value £'000**	**Fair value £'000**	Notional value £'000	Fair value £'000
One to two years	**120,000**	**(2,229)**	-	-
Two to five years	**-**	**-**	120,000	(4,037)
Over five years	**250,000**	**(24,446)**	250,000	(28,467)
	370,000	**(26,675)**	370,000	(32,504)

The interest rate swaps settle on a semi-annual basis. The floating rate on the interest rate swaps is six months' LIBOR. The company will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the company's cash flow exposure resulting from variable interest rates on borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps.

A gain of £5,987,000 (2016: loss of £15,394,000) was recognised in other comprehensive income. A loss of £159,000 was recognised in profit and loss in relation to hedge ineffectiveness (2016: £103,000).

15. Provisions for liabilities – deferred tax

	2017 £'000	2016 £'000
Provision at start of the year	**30,603**	35,921
Adjustment in respect of prior years	**114**	61
Charged to income statement	**5,649**	263
Charged to other comprehensive income	**1,043**	(5,642)
Provision at end of the year	**37,409**	30,603

Deferred tax is provided as follows:	**2017 £'000**	2016 £'000
Fixed asset timing differences	**41,928**	36,775
Short term timing differences	**(4,958)**	(6,096)
Pensions	**439**	(76)
Total	**37,409**	30,603

Deferred tax assets:	**2017 £'000**	2016 £'000
Recoverable within 12 months	**-**	(160)
Recoverable after 12 months	**(4,519)**	(6,012)
Total	**(4,519)**	(6,172)

Deferred tax liabilities:	**2017 £'000**	2016 £'000
Payable within 12 months	**-**	1,093
Payable after 12 months	**41,928**	35,682
Total	**41,928**	36,775

15. Provisions for liabilities – deferred tax (continued)

The UK corporate tax rate is currently 19%. During 2016, the UK government enacted legislation reducing the UK corporate tax rate to 17% from 1 April 2020 onwards.

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	**17%**	Assumption that timing difference will not reverse after April 2020.
Fixed asset timing differences – assets qualifying for capital allowances	**17%**	Assumption that timing difference will not reverse after April 2020.
Short term timing differences	**19%**	Assumption that timing difference will reverse before April 2020.

Deferred tax assets and liabilities are offset only where the company 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.

The company has an unrecognised deferred tax asset of £385,000 at 31 December 2017 (2016 : £nil).

16. Called-up share capital

Called up, allotted and fully paid:	**2017 £'000**	2016 £'000
At 1 January		
6,500,002 ordinary shares of £1 each	**6,500**	6,500
Bonus share issue of 250,000,000 ordinary shares of £1 each[1]	-	250,000
Capital reduction of 250,000,000 ordinary shares of £1 each[1]	-	(250,000)
At 31 December	**6,500**	6,500

[1] At a meeting in November 2016 the board resolved to make a bonus issue of 250,000,000 fully paid ordinary shares of £1 each from the company's non-distributable reserve. At this same meeting a subsequent reduction in capital of £250,000,000 was confirmed.

17. Dividends paid

	2017 £'000	2016 £'000
Dividend for the year:		
£35.09 (2016: £3.85) per ordinary share	**228,113**	25,000

18. Commitments and other contractual obligations

Commitments for capital expenditure
Contracted capital expenditure commitments amount to £21,406,550 (2016: £19,598,000).

Commitments under operating leases
The total future minimum lease payments under non-cancellable operating leases are as follows:

	2017 Other leases £'000	2016 Other leases £'000
Lease payments payable:		
Within one year	**102**	118
Between two and five years	**2**	39
	104	157

19. Retirement benefit schemes

Defined contribution scheme

The company operates a defined contribution pension scheme for all qualifying employees. The total cost charged to income in the year of £2,163,000 (2016: £1,658,000) represents contributions payable to this scheme by the company at rates specified in the rules of the plan. As at 31 December 2017, £188,000 (2016: £165,000) was due in respect of the current period remain unpaid to the scheme. Such amounts were paid in January 2018 when they fell due for payment.

Defined benefit scheme

The company 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 company 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 company'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 2018 is £nil (2017 £nil).

The valuation used has been based on the most recent full actuarial valuation at 31 March 2016 and was updated by Spence for the scheme assets and the present value of the defined benefit obligation for 31 December 2017. The full actuarial valuation date is 31 March 2016.

The current surplus in relation to this scheme is estimated to be £3,823,000 (2016: surplus of £2,174,000).

Key assumptions used	**2017**	2016
Discount rate	**2.4% pa**	2.6% pa
Inflation measured by:		
Retail Prices Index (RPI)	**3.2% pa**	3.3% pa
Consumer Prices Index (CPI)	**2.2% pa**	2.3% pa
Salary increases	**N/A**	N/A
Pension increases	**3.0% pa**	3.1% pa
Life expectancy of male aged 60	**25.5 years**	25.1 years
Life expectancy of male aged 60 in 2036	**27.4 years**	27.0 years

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

	2017 **£'000**	2016 £'000
Discount rate + 0.1%	**2,000**	2,100
Inflation assumptions +0.1%	**(1,700)**	(1,800)
Life expectancy + 1 year	**(2,600)**	(3,300)
Equity market falls by 5%	**(1,100)**	(2,000)

Notes to the financial statements for the year ended 31 December 2017 (continued)

19. Retirement benefit schemes (continued)

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

	2017 £'000	2016 £'000
Opening net defined benefit asset	**2,174**	7,870
Credit in profit or loss	**626**	5,062
Employer contributions	**-**	1,440
Amounts recognised in other comprehensive income (gain/(loss))	**1,023**	(12,198)
Closing net defined benefit asset	**3,823**	2,174

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

	2017 £'000	2016 £'000
Employer's part of current service cost	**-**	1,004
Running costs paid by plan	**223**	80
Contributions paid in 2016 by the Company in respect of Plan running costs	**(223)**	-
Past service costs	**(569)**	(5,674)
Interest income	**(57)**	(472)
Total expense recognised in Statement of comprehensive income	**(626)**	(5,062)

Of the charge for the year, £nil (2016: £1,084,000) has been included within operating expenses and £57,000 (2016: £472,000) has been included within finance income in note 5. Credits of £nil (2016: past service credit of £5,674,000) and gains on settlement of £569,000 (2016: £nil) have been included within Operating costs – exceptional in note 4.

The actual return on scheme assets was £5,600,000 (2016: £13,794,000).

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

	2017 £'000	2016 £'000
Present value of defined benefit obligation	**(85,204)**	(91,339)
Fair value of scheme assets	**89,027**	93,513
Net asset recognised within the statement of financial position	**3,823**	2,174

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

	2017 £'000	2016 £'000
Opening defined benefit obligation	**91,339**	72,603
Employers part of current service cost	**-**	1,004
Past service costs	**-**	(5,674)
Interest cost on obligation	**2,309**	2,573
Contributions from plan members	**-**	122
Actuarial losses	**2,211**	22,947
Benefits paid	**(10,086)**	(2,236)
Gains on Settlements/Curtailments	**(569)**	-
Closing defined benefit obligation	**85,204**	91,339

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

	2017 £'000	2016 £'000
Opening fair value of scheme assets	**93,513**	80,473
Interest on plan assets	**2,366**	3,045
Actual return less interest on scheme assets	**3,234**	10,749
Running costs paid by plan	**-**	(80)
Contributions by the company	**-**	1,440
Contributions by plan members	**-**	122
Benefits paid	**(10,086)**	(2,236)
Closing fair value of scheme assets	**89,027**	93,513

Notes to the financial statements for the year ended 31 December 2017 (continued)

19. Retirement benefit schemes (continued)

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

	2017 **£'000**	2016 £'000
Equity instruments	**21,741**	39,652
Debt instruments	**-**	34,150
Multi-asset credit	**34,555**	-
Index-linked gilts	**4,330**	10,066
Corporate bonds	**4,327**	8,884
Diversified growth funds (DGF)	**16,302**	-
Property	**2,152**	-
Liability driven investment	**4,320**	
Cash	**1,300**	761
Closing fair value of scheme assets	**89,027**	93,513

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

20. Related party transactions

The company 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 2017 there is a loan to one of the directors of £82,000 (2016: £82,000). The balance is included in the other debtors balance in note 11. £22,000 of this loan balance was granted in relation to the tax costs associated with the Long Term Incentive Plan (LTIP).

21. Notes to the Statement of cash flows

Net cash flows from operating activities:

	2017 **£'000**	2016 £'000
Profit for the financial year per Statement of comprehensive income	**67,983**	37,808
Depreciation charge	**26,126**	27,130
Taxation	**18,452**	9,815
Interest payable	**26,165**	22,456
Interest receivable	**(78)**	(536)
Fair value gain on investment property	**(33,343)**	(8,486)
Profit on disposal of fixed assets	**-**	(13)
Amortisation of capital grants	**(134)**	(134)
Increase in stock	**(150)**	(34)
Increase in debtors	**(1,217)**	(1,170)
Increase in creditors	**8,636**	4,716
Cash portion of pension scheme contributions	**(569)**	(6,030)
Cash from operations	**111,871**	85,522
Income taxes paid	**(9,586)**	(5,406)
Net cash generated from operating activities	**102,285**	80,116

Components of cash and cash equivalents:

	2017 **£'000**	2016 £'000
Cash	**101**	8,383
Overdraft	**(220)**	-
Cash equivalents	**-**	-
	(119)	8,383