Edinburgh Airport Limited
Annual report and financial statements for the year ended 31 December 2022

Company registration number: SC096623

Edinburgh Airport Limited

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Edinburgh Airport Limited

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Edinburgh Airport Limited

Strategic report

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

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

1. General strategy

Edinburgh Airport is Scotland's busiest airport with 11.3 million passengers passing through its terminal in 2022. The Airport makes a significant contribution to the economic, cultural and social wellbeing of the city of Edinburgh and Scotland. In the years leading up to the Covid-19 pandemic, Edinburgh Airport's management team successfully delivered sustained growth in passenger numbers and route connectivity as well as significant investment in new facilities and improved levels of customer service. Edinburgh Airport's goal is to provide a world class operation by delivering sustainable growth through choice, whilst balancing the needs of its stakeholders and managing risks responsibly.

The Covid -19 global pandemic caused disruption on an unprecedented scale for Edinburgh Airport and the wider aviation industry. 2022 saw a rapid recovery in the demand for air travel following the relaxation of international travel restrictions, as explained in section 2 below. Demand for leisure travel was particularly strong due to high levels of pent-up demand. The directors are confident that Edinburgh Airport is well-placed to return to pre-pandemic volumes in the short term and to grow thereafter.

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

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

2. Review of 2022 and outlook

At the outset of 2022 the Covid-19 pandemic continued to impact the Airport and the wider aviation industry due to the reintroduction of travel restrictions in response to the emergence of the Omicron variant in late 2021. In early 2022 these restrictions were removed for all major international markets, except China.

The recovery from the pandemic is now well underway and the Airport has delivered its first full summer season with no travel restrictions since 2019. The release of the pent-up demand for travel has resulted in a significant increase in passenger numbers. Passenger numbers for the year ended 31 December 2022 are 11.3 million (2021 – 3.0 million), representing a 272% year on year increase from 2021, and representing 76% of 2019 volumes. In the same period revenue was £193.3 million (2021 - £63.9 million), 87% of 2019 revenue.

The strong volume recovery has resulted in a significant increase in EBITDA for the year ended 31 December 2022 to £118.4 million (2021 - £21.6 million), 84% of 2019 EBITDA. This is despite cost challenges including increased energy prices, the highest levels of inflation in a generation and investment in operational resilience to address shortcomings elsewhere in the aviation industry.

The entire aviation industry experienced difficulties associated with the rapid return of demand to the market. Challenges with labour recruitment and training for secure aviation environments hindered the sector's ability to keep pace with demand. Early recruitment meant Edinburgh Airport was much better prepared for the increased demand than most, however, the Airport was still affected by the operational difficulties caused by many other factors including schedule disruptions, campus partner operations and changes in passenger behaviours, including significantly earlier arrivals for flights.

Edinburgh Airport's approach is always to work collaboratively and constructively with partner organisations, such as airlines, ground handlers and immigration services, seeking assurances about their operational resilience. Edinburgh Airport has invested in operational resilience and provided resource where possible during these challenging periods. At the same time, Edinburgh Airport is clear about the standards required and the improvements in operational resilience which need to be made.

Strategic report (continued)

2. Review of 2022 and outlook (continued)

Operation Unicorn
In September 2022 the Airport team was saddened to learn of the death of Her Majesty the Queen. The Airport was involved in the Queen's final departure from Scotland, working with partners from across the UK and Scotland as part of Operation Unicorn. The flight that carried Her Majesty's coffin from Edinburgh to London was serviced by a C-17 Globemaster and departed the Airport on the 13th of September. It has since been reported that it was the most-tracked flight ever. The Airport was honoured to play a small but important part in the Queen's final departure from Scotland.

Community commitment
The Airport continues its commitment to play its part in its community through actions, including:
- £100,000 awarded to local community groups & charities;
- £32,000 raised for the Airport's charity partner of the year "The Larder" through staff fundraising activities and foreign coin collections;
- A further £61,000 worth of gifts-in-kind were provided to "The Larder" in the form of advertising space and confiscated alcohol donations;
- Hosting an NHS Testing Station and public Covid-19 screening centre on its campus;
- 92,000 facemasks donated to local organisations;
- Holding regular Edinburgh Airport Consultative Committee meetings with community stakeholders; and
- Appointing a new Sustainability Manager with a remit to further develop Edinburgh Airport's community engagement in alignment with the Trusted Neighbour pillar of the Greater Good strategy.

Capital investments
The Airport scaled back its capital investment programme in response to the Covid-19 pandemic. The Airport is now steadily increasing its capital investment programme again to support future growth, provide a better passenger experience and ensure sufficient operational resilience, all whilst supporting the Airport's carbon reduction ambitions. During 2022, the Airport invested £17.7 million (2021: £9.7 million) across a range of projects across the terminal and the airfield. The principal areas of focus include:

- Installation of an onsite solar farm with capacity to provide 25% of the Airport's ongoing energy needs;
- Implementation of new security technology in preparing for upcoming changes to security regulations (such as 3D imaging of hand luggage and 100% body scanning);
- Improvement of the safety and operability of Pick Up & Drop Off zone; and
- Development of the Global AirPark site to support a new Cargo and Logistics Hub.

Commercial developments
The Airport experienced a strong recovery in passenger traffic in 2022, with international traffic surpassing 2019 levels in certain months. Passenger recovery has strengthened through the year and creates a strong platform to recover to 2019 levels in 2023. A number of new destinations have been added to the route network, strengthening both the short-haul and long-haul portfolio. Transatlantic traffic was particularly strong in 2022 and new routes have been added for 2023 to both Atlanta with Delta, and Calgary with WestJet. The new routes include:

Airline	Routes
BA Cityflyer	Chambery
easyJet	Bournemouth, Catania, Jersey, Santorini, Antalya
Delta	Atlanta
Ryanair	Belfast
Sun Express	Izmir
WestJet	Calgary

2022 has seen improvement in the Airport's retail outlets and food and beverage outlets. The Airport continues to attract premium brands, with the opening of a number of new and replacement units, including Fevertree, Bridge & Castle and a second All Bar One unit. The new Plaza Premium lounge opened in August 2022.

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

Review of the year
Turnover for the year ended 31 December 2022 was £193.3 million (2021: £63.9 million). The profit for the financial year was £77.8 million (2021: £46.1 million loss as restated). Shareholders' funds at the year-end totalled £72.2 million (2021: £21.6 million deficit as restated) of which a surplus of £13.0 million (2021: £46.5 million deficit) related to the profit and loss account. See note 1 for detail on the restated amounts. See Statement of changes in equity on pages 33 and 34.

Strategic report (continued)

2. Review of 2022 and outlook (continued)

The group has overall third-party funding of £1,055.3 million (2021 - £1,113.3 million). The funding consists of a combination of bank debt and longer-term institutional loans. In response to the impact of the Covid-19 pandemic, the capital expenditure and revolving credit facilities were substantially drawn down during 2020. These revolving facilities were repaid in full during October 2022. At 31 December 2022, £nil (2021: £50.0 million) was drawn down on the capital expenditure facility and £nil (2021: £8.0 million) was drawn down on the revolving credit facility.

The group has positive cash flows with net cash flows from operating activities of £126.4 million (2021: £20.2 million). As at 31 December 2022, the group's cash and cash equivalents totalled £60.7 million (2021: £50.2 million) and available headroom under undrawn committed bank facilities was £60.0 million (2021: £2.0 million). Although there can be no certainty that financing markets will remain open at all times, debt maturities are spread over a range of dates, thereby ensuring the group is not exposed to excessive refinancing risk in any one year.

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

Developments since beginning of 2023 and future outlook
The macroeconomic and geopolitical outlook remains uncertain. Management are mindful of the threat posed by the 'Cost of Living Crisis' on the demand for air travel. Airlines remain optimistic for 2023 and have reported a strong booking pipeline. The Directors continue to closely monitor the conflict in Ukraine but do not expect there will be a material impact on the business or its strategy. The Airport is well-placed to respond to any deterioration in trading conditions due to its flexibility and discretion in its cost base and investment plan along with adequate liquidity.

As at 28 February 2023 the group had £58.7 million of cash in the bank and £60.0 million of unutilised committed facilities.

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

Exceptional items

Exceptional items recognised in the Statement of comprehensive income relate to:
- de-recognition of assets under the course of construction;
- flood prevention project costs; and
- refinancing costs.

3. S.172 Statement

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

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

The group has a 2040 Masterplan in place, which sets out a long-term, strategic view of the future of Edinburgh Airport. In addition, the group maintains a rolling 5-year plan, ensuring the directors are always planning for the longer term. The 5-year plan was updated for the first time since the outset of the Covid-19 pandemic during 2022. Long-term capital projects are planned and viewed collectively at least annually by directors. This approach encourages longer-term operational decision making to support the capital plans.

(b) The interests of the group's employees

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings, Union meetings, weekly team briefing documents, regular letters to employee home addresses and the group e-magazine and intranet. The group also host monthly virtual 'town-halls' to keep employees up to date at a time when some are not physically working on site.

The annual employee engagement survey was completed in 2022 with results collated in Q1 2023. The survey was completed for the first time since the onset of the Covid-19 pandemic. Action points will be identified from this review and policies introduced or changed directly as a result.

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

The group places a strong emphasis on employee wellbeing and has policies and practices in place to ensure this, including extensive occupational health support, free physiotherapy, mental health support and podiatry, generous pension contributions, financial education and benefits for ill-health and death in service. Edinburgh Airport has achieved Disability Confident Leader status and works in partnership with the Department for Work and Pensions to support employment on campus for the long-term unemployed and supporting young people through apprenticeships, graduate recruitment and internships. The group has a Talent and Inclusion strategy to support employment especially in disadvantaged groups and to encourage diversity. The group has recently been endorsed by Work180 who promote organisational standards that raise the bar for women in the workplace, and only endorse employers that are committed to making real progress so that all women can expect better.

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

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

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

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

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

- The group being awarded a 'Very Good' rating from the Civil Aviation Authority in April 2021 for the service provided to Passengers with Reduced Mobility (PRM), a service insourced by Edinburgh Airport Serviced Limited (EASL), a wholly owned subsidiary of Edinburgh Airport. The group continues to enhance the accessibility of this service to passengers requiring assistance and will be reintroducing a dedicated service for passengers with Hidden Disabilities and Additional Needs in 2023.
- The group appointed a Ground Handling Contract Manager to ensure active, open, and regular communication channels between Ground Handlers, Station Managers and Senior Management to jointly review performance and operational planning.

3. S.172 Statement (continued)

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

Suppliers
The directors ensure the group treats suppliers consistently by operating a standard on-boarding process with all suppliers to agree terms of business, including standard payment terms. This policy helps to ensure that all dealings with suppliers are consistent and fair. All suppliers are asked to sign up to the Airport's Supplier Sustainability Pledge.

The Pledge is the minimum standard that the Airport expects responsible businesses to hold themselves accountable to and signing up to the Pledge indicates that the supplier applies the same ethical, social and legal standards as the Airport.

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

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

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

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

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

The group's activities in respect of managing and improving its impact on the community and environment are detailed in the "Sustainability strategy" section on page 14.

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

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

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

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

Strategic report (continued)

4. Key performance indicators (KPIs)

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

Metric	Definition	2022	2021	Movement (% or percentage points, 'pp')
Turnover	Total revenue of the Airport	**£193.3m**	£63.9m	Up 202.5%
IPP	Income per passenger	**£17.17**	£21.10	Down 18.6%
Operating profit/(loss)[1]	Per Statement of comprehensive income	**£81.5m**	(£13.0m)	Up 726.9%
Operating cost per passenger[2]	Unit cost of operating the Airport	**£6.88**	£15.06	Down 54.3%
Capital investment	Investment in assets to improve efficiency and support growth	**£17.7m**	£9.7m	Up 82.5%
Cash flow	Net cash flows generated from the group's operating activities[3]	**£126.4m**	£20.2m	Up 525.7%
Passengers	Total number of passengers using the Airport	**11.26m**	3.03m	Up 271.6%
Destinations	Number of destinations flown to from Edinburgh Airport	**153**	119	Up 28.6%
Sustainability	Total greenhouse gas emissions (kgCO_2e)	**145,943**	67,815	Up 115.2%
Punctuality	On time departure (OTP) [4]	**60.9%**	87.2%	Down 26.3pp
Security performance	% of passengers waiting < 10 minutes [5]	**82.0%**	96.9%	Down 14.9pp
Passengers with reduced mobility (PRM)	Notified arrival passengers - waiting < 5 minutes Notified departing passengers - waiting < 10 minutes [6]	**87.9%** **99.9%**	87.0% 99.8%	Up 0.9pp Up 0.1pp
Customer satisfaction	Average Happy/Sad Passenger Survey Scores[7]	**80.0%**	83.9%	Down 3.9pp
Health and safety	Number of RIDDOR's [8]	**2**	2	Nil
Complaints	Number of complaints per 10,000 passengers [9]	**1.64**	1.57	Up 4.5%
Employee engagement	Airport employee survey [10]	**73.0%**	N/A	N/A

[1] Operating profit/(loss) is stated after operating costs and depreciation but before interest and any gains or losses on investment property.
[2] Operating cost per passenger is calculated before exceptional costs, depreciation and amortisation.
[3] Net cash flows generated from operating activities is before capital expenditure, financing activities and interest.
[4] OTP is within 15 minutes of scheduled push back time.
[5] Security performance tracked from January to December. Percentage of passengers queuing at security for less than 10 minutes pre-screening.
[6] The European Civil Aviation Conference (ECAC) has outlined standards for waiting times for passengers with reduced mobility (PRM) at airports within Europe. Where notification has been provided in advance of travel, the standard is that 80% of passengers receive assistance within 10 mins in respect of departures and 5 minutes for those arriving on inbound flights.
[7] Customer satisfaction at Edinburgh Airport measured as the proportion of passengers who select "happy" or "neutral" on the campus happy/sad surveys in response to the question "how was your experience so far at the airport today?". This survey is presented to passengers on an iPad post-security, and on the EAL Wi-Fi landing page.
[8] The Reporting of Injuries, Disease and Dangerous Occurrence Regulations (RIDDOR) stipulate certain serious workplace accidents, occupational diseases and specified dangerous occurrences must be reported to the Health & Safety Executive.
[9] Data provided reflects the volume of formal passenger complaints raised via phone, email, the Edinburgh Airport website, live chats and reviews by passengers themselves. Every form submitted by individual passengers is recorded as a complaint for KPI purposes.
[10] This is the airport's own employee survey based on Investor in People guidance and Health and Safety Executive standards. 2022 was the first year the survey was completed since 2019 as a result of the Covid-19 pandemic. The result is an average score across all departments covering 102 questions (2019 – 75 questions) and reflects the percentage of positive responses to each question. New questions were added to the survey in 2022 with regard to wellbeing and diversity. Response rate amongst employees was 62% (2019 - 61%).

5. Principal risks and uncertainties

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

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

The Executive Committee holds bi-annual risk workshops to identify new and emerging risks and to consider the profiling and control mechanisms within the corporate risk register. The 2022 workshops focussed on reviewing how existing business risks were affected by the Covid-19 pandemic, identifying the new business risks and ensuring the controls to mitigate these risks were operating effectively.

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

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

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

Risk governance
Oversight of the ERM framework has been delegated to the Audit and Risk sub-committee of the Board, which provides regular updates to the Board on its activities and matters emerging. In 2022, the Audit and Risk Committee received formal bi-annual updates on the corporate risks and its quarterly agenda is focussed on key areas of risk for the business and how management are responding to these. Updates on operational risks were paused during the Covid-19 pandemic, in 2023 the Audit and Risk Committee will again receive bi-annual updates on these risks.

At both a corporate and operational level there is clear accountability for ownership of risks and mitigating actions. During 2022, Edinburgh Airport reinstated its formal internal audit programme with the engagement of a Senior Risk and Assurance Manager. The Senior Risk and Assurance Manager reports to the Audit Committee and operates an annual internal audit programme.

Strategic report (continued)

Management has assessed the principal risks and uncertainties as follows:

Risk description	Assessment and mitigation
Safety and security Ensuring the safety and security of the group's people, passengers and infrastructure is central to the strategy and operations of Edinburgh Airport.	Health & safety is a core value of the business, and the group has invested in developing a behaviour driven, proactive safety culture, championed at a leadership level. This is underpinned by a safety management system, externally verified and accredited to ISO 45001:2018 built around risk assessment, worker participation, visibility of senior management, inspection, asset stewardship, governance and assurance. The group mitigates security risks by adopting and enforcing rigorous policies and procedures supported by professional training and investment in leading-edge security technology. The group works closely with government agencies, including the police, the Civil Aviation Authority (CAA) and the UK Border Agency building a framework to establish co-ordinated accountabilities for airport security and integrated ownership of risk. Additionally, the group utilises a Security Management System which encourages correct security culture and have invested in the correct leadership and supervisory structures to help ensure the correct security culture is implemented.
IT security and resilience IT infrastructure resilience and data security are critical to the effective operation of Edinburgh Airport. The risk of an IT failure or a breach of data security could cause significant disruption to operations and lead to both financial and reputational losses.	In parallel with the ongoing investment programme to improve the IT infrastructure and services, Edinburgh Airport and its partners deploy predictive and real time monitoring of IT infrastructure and systems. Any discovery through monitoring would lead to intervention or enacting contingency plans which are designed to enable the early recovery of service in the event of an IT failure. A strong programme of activity is in place to maintain a secure IT environment including vulnerability assessments and detection and incident recovery processes.
Operational resilience There are numerous risk factors that could cause disruption to the short and medium-term operations of Edinburgh Airport including adverse weather, terrorism, wars, environmental factors or natural disasters. Operational resilience is an ongoing area of focus for the team as Edinburgh Airport continues to refine and test the contingency and continuity plans to respond to adverse events.	Edinburgh Airport has in place a robust and extensively tested crisis management framework, which extends to on-campus partners and agencies. Edinburgh Airport regularly reviews and tests its contingency plans, including an end-to-end test of the Airport Major Incident Response based on highest risk scenarios. Such exercises and reviews provide assurance over the capability of the group's framework, protocols and people. Edinburgh Airport seeks opportunities to continually improve its crisis management framework. In 2022 'Exercise Mayday' was undertaken, simulating an aircraft accident. This involved all relevant on-campus partners including Police Scotland, Scottish Ambulance Service, Department for Transport and Air Accidents Investigation Branch. Along with longer term contingency and continuity arrangements, Edinburgh Airport also has in place a programme of insurance to transfer the financial risk of adverse events including fire, war, terrorism, ash cloud and other business interruption risks.

Risk description	Assessment and mitigation
Regulatory compliance The group's business and operations are subject to various regulatory requirements. Edinburgh Airport is primarily regulated by the UK Department for Transport (DfT) through the UK's aviation regulator, the CAA. This primary regulation is concerned with air safety, airspace regulation, airport operations, aviation security, consumer protection and the environment. Other key areas of regulatory focus for the group include compliance with competition rules, data management, and health, safety and environmental regulation.	The group takes a proactive approach to ensuring regulatory requirements are met, if not exceeded. Edinburgh Airport deploys formal project-based protocols to prepare for implementation of material new regulatory requirements. An example of which is the Security Futures project currently underway to implement new security technology in preparing for upcoming changes to security regulations of 3D imaging of hand luggage and 100% body scanning. The group's Legal Director maintains a regulatory compliance register which captures key areas of legislation and the arrangements in place to ensure compliance. Dedicated internal assurance functions are in place for regulated elements of the group's operation. These include security compliance, airside compliance, fire service and data protection compliance.
Failure of 3rd Party There are numerous 3rd parties who operate at the Airport, including ground handling agents, air traffic control and airlines. The success of their operation is critical to the success of the overall operation and passenger experience at the Airport. During summer 2022 some 3rd parties failed to keep up with required operational capacity. There is a risk that poor performance or failure of a 3rd party materially disrupts the delivery of core operations or capital programme delivery.	During Covid-19, Edinburgh Airport developed a detailed risk assessment of 3rd party status to understand their criticality and what risks are posed by their failure or operational poor performance. The Airport has assessed contingency plans in place to manage identified risks, including mobilisation of alternative suppliers. In addition, direct supplier contracts have indemnity and insurance protection in place and critical suppliers are subject to additional monitoring procedures including financial due diligence. The Airport has continued investment in managing 3rd parties which is demonstrated by the appointment of a Ground Handling Contract Manager within the operations team to ensure Ground Handlers meet the level of performance expected by the Airport and its passengers.
Corporate social responsibility and climate change Social and political attitudes towards air travel, climate change and sustainability may have an adverse impact on the Airport leading to the following: 1) Consumer behaviours lead to reduced air travel and declining passenger numbers and revenue. Failure to demonstrate leading practice in sustainability may lead to passengers choosing other airports over Edinburgh. 2) Government policy decisions are made to penalise the aviation industry leading to increased operating costs and/or reduced revenues. 3) Failure to keep pace with sustainable developments adversely impacts the value of the Airport.	In 2021 Edinburgh Airport published its first Sustainability Strategy. The 'Greater Good' Strategy encompasses the entire airport campus. The directors are committed to reducing the Airport's carbon emissions in line with commitments made in the Sustainability Strategy, improving the Airport's operational resilience, and adapting to the expected effects of a changing climate now and into the future. The Airport has committed to several meaningful overarching carbon emissions targets: • **Achieved**: Carbon Neutral on Scope 1 and 2 • **2030**: Net Zero (Scope 1 and 2) • **2040**: Net Zero (Scope 1, 2 and 3 – excluding Air Traffic Movements) • **2045**: Net Zero (Scope 1, 2 and 3 – including Air Traffic Movements) The Airport has taken several practical steps to reduce emissions from its operations, including investment in fleet electrification, energy efficient lighting, electric vehicle chargers, Fixed Electrical Ground Power units, and an enhanced building management system. Furthermore, work is ongoing to construct an airside solar farm that will generate up to 25% of the Airport campus' electricity requirements.

Risk description	Assessment and mitigation
Corporate social responsibility and climate change (continued)	Moreover, the Airport issued a £100 million Sustainability Linked Loan in May 2021, with the pricing linked to performance across a basket of sustainability key performance indicators (”KPIs”) including reductions in Scope 1 and 2 emissions and targeting a higher Airport Carbon Accreditation (“ACA”) rating. The Airport completed a climate change adaptation report in 2021, considering the physical climate risks to the Airport’s infrastructure and operations. In 2022, the Airport completed a climate change transition risk assessment where the financial impact of multiple long-term climate change and decarbonisation scenarios was considered. To support the Airport’s push towards a sustainable future, a significant addition to the 2021 group financial statements was the inclusion of reporting against the Task Force on Climate-related Financial Disclosures (‘TCFD’) framework. These disclosures represent a voluntary, early adoption of this reporting framework and the disclosures have been expanded to capture the output of the climate change transition risk scenario modelling exercise.
Treasury risks The group’s principal financial instruments include external borrowings and derivatives. If the risks covered under the assessment and mitigation section were not identified and managed, there is a risk the group would not continue to be able to access finance to fund its current operations.	The Board approves prudent treasury policies and delegates certain responsibilities to senior management who directly control day-to-day treasury operations. The treasury function is not permitted to speculate in financial instruments. Its purpose is to identify, mitigate and hedge treasury related financial risks inherent in the group’s business operations and funding. The group manages its primary treasury risks as follows: *a) Interest rate risk* To protect against an increase in interest rates the group maintains a mix of fixed and floating rate debt and, where necessary, uses derivative financial instruments such as interest rate swaps to generate the desired interest rate risk profile. The group’s prudent interest rate risk management policy is consistent with the hedging requirements laid out in its debt financing agreements. *b) Foreign exchange currency risk* The group is not materially exposed to foreign exchange currency risk as all material transactions and financial instruments are in pounds sterling. The group would consider the use of foreign exchange derivative financial instruments to hedge material capital or operating expenditure in foreign currencies once those transactions are considered highly likely to occur. *c) Funding and liquidity* The principal sources of the group’s liquidity risk are the ability to refinance debt facilities as they fall due, ensuring cash and cash equivalents are accessible as and when required and ensuring borrowing facilities are sufficient for the future needs of the group. The group’s debt maturities are spread over a range of dates, reducing exposure to refinancing risk in any one year. Cash and cash equivalents are held on short-term deposit. *d) Credit risk* The group performs credit worthiness checks on all potential new customers before any credit facilities are provided. The group also has procedures in place to monitor the on-going credit worthiness of key customers. The group rigorously enforces its payment policies to ensure that all its customers keep to the stated payment terms with follow up actions taken immediately if there is any divergence.

Strategic report (continued)

Risk description	Assessment and mitigation
Macroeconomic Factors and the ‘Cost of Living’ Crisis The UK is facing a ‘Cost of Living’ crisis with inflation at its highest level in a generation and real wages falling. The UK economy is now predicted to avoid a technical recession in 2023 but still shrink before returning to growth in 2024. There is a risk that these macroeconomic factors (inflation, unemployment etc.) adversely impacts the propensity to travel and the recovery of the Airport is prolonged.	The group has actively considered the impact of a recession on demand for air travel. Alternative scenarios have been modelled to better understand the impact of changing consumer behaviour on the Airport’s financial condition. Revenue and passenger numbers will continue to be closely monitored for early identification of a downturn. The group managed the downturn in revenue during the Covid-19 pandemic and can utilise learnings from this if necessary, such as deferring non-essential capital spend. Additionally, adequate liquidity will be retained to support day-to-day activities.

6. Sustainability strategy

Following the launch of Edinburgh Airport's Greater Good sustainability strategy in 2021, the Airport continues to deliver against its committed objectives in the pursuit of a sustainable future for the benefit of its neighbours, Scotland and the wider environment. The strategy aims to achieve sustainability by linking environmental, societal and economic issues and solutions are formed into four pillars:

Zero Carbon – the Airport's strategy to reduce emissions and improve the Airport's carbon footprint. This includes the build of an onsite solar farm in 2023 which has capacity to provide 25% of the Airport's ongoing energy needs.

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

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

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

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

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

Zero Carbon
The initiatives the group is pursuing in relation to Zero Carbon are detailed in the "Net Zero by 2040" section on page 19.

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

The group is committed to diverting waste from landfill, improving recycling rates and reducing the total volume of waste produced. In 2022, once again the Airport diverted 100% (2021: 100%) of waste from landfill and segregated 63% (2021: 52%) of waste generated onsite for recycling or second use.

Energy use is a key impact and resource which Edinburgh Airport can control. The Airport makes every effort to use energy efficiently, reducing usage where possible to save money and reducing its carbon footprint. The Airport is also Energy Savings Opportunity Scheme ('ESOS') compliant. In addition to the energy reduction measures that the Airport has in place, 100% of the electricity the Airport purchases comes from renewable sources. In 2021, the business also moved over to low carbon biomethane, a replacement for natural gas also known as green gas, while in 2022, the Airport introduced Hydrotreated Vegetable Oil (HVO) as an alternative to diesel for operational vehicles.

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

Trusted Neighbour
Edinburgh Airport is committed to being an honest, open, and trusted neighbour. Over the years, the Airport has worked with community groups, businesses, local educators, and charities to create robust, personable, and open dialogue. Unfortunately, in 2020, the impact of the Covid-19 pandemic forced a pause in communication channels while the industry faced its toughest battle in generations. In 2022, many of these communication channels began to reopen and culminated in the appointment of a new Sustainability Manager whose purview includes further developing and deepening the Airport's community engagement.

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.

6. Sustainability strategy (continued)

Aircraft have been getting progressively quieter as designs and engine technology have advanced and it is expected that airlines will be operating even quieter models in the future. However, Edinburgh Airport is committed to explaining what noise is heard and why. Even throughout the Covid-19 pandemic, the Airport worked hard to engage with communities and continues to invest in how it measures, reports on, and discusses noise with them. Edinburgh Airport operates a noise and track keeping system (NTK) and a dedicated noise website. The system provides live data to the public. It can be found at: corporate.edinburghairport.com/community/edinburgh-airport-noise-lab

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

In 2020, the Airport set up an independent panel and has reviewed its community noise engagement to ensure the Airport performs as effectively as possible in this regard. The implementation of the review's findings is still ongoing between the Noise Board and wider Airport.

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

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

Achievements in 2022

- Achieved Level 3 Airport Carbon Accreditation with Level 3+ submission in progress
- Started construction on the airside solar farm that will provide ~25% of the Airport's electricity needs
- Scope 1 & 2 carbon emissions 91% lower than 2019 baseline year
- £100,000 awarded to local community groups & charities
- Embedded sustainability screening into the capital investment approval process
- Launched the 'Greater Good' supply chain sustainability pledge
- Completed a major scenario modelling exercise to understand the financial impact of the long-term climate change transition risk
- Introduced an airline charging mechanism to incentivise the use of cleaner and more efficient aircraft
- Replaced diesel with hydrotreated vegetable oil in 80% of operational vehicles
- Publication of first stand-alone 'Greater Good' Sustainability Report
- Updated the revised Net Zero roadmap and refined the implementation plan.
- Reduced water use and de-icer use
- Engaged with all major airlines to understand and support efforts to decarbonise air travel and accelerate the adoption of energy efficient practices and technologies.

TCFD Framework

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

- **Governance** - The organisation's governance around climate related risks and opportunities.

- **Strategy** - The actual and potential impacts of the climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.

- **Risk Management** - The process used by the organisation to identify, assess, and manage climate-related risks.

- **Metrics and Targets** - The metrics and targets used to access and manage relevant climate-related risks and opportunities.

6. Sustainability strategy (continued)

To support the group's continued push towards achieving a sustainable future, EAL has elected to voluntarily early adopt the TCFD recommendations.

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

TCFD recommended disclosures	Disclosure section	*Page no.*
Governance		
- Board oversight of climate-related risks and opportunities	- Governance	*16-17*
- Management's role in assessing and managing climate-related risks and opportunities	- Governance	*16-17*
Strategy		
- Risks and opportunities identified in the short, medium and long-term	- Climate-related risks - Climate-related opportunities	*17-19*
- Impact of climate related risks and opportunities on the organisation's strategy and financial planning	- Climate-related risks - Climate-related opportunities	*17-19*
- Describe the resilience of the organisation's strategy under different climate scenarios	- Scenario analysis	*19*
Risk Management		
- Processes for identifying and assessing climate-related risks, and integration of climate-related risks into overall risk management framework	- Risk	*20*
- Processes for managing climate-related risks	- Risk	*20*
Metrics and Targets		
- Metrics used to assess climate-related risks and opportunities	- Metrics	*20-21*
- GHG emissions and related risks	- Metrics	*20-21*
- Targets used to manage climate-related risks and opportunities and performance monitored against those targets	- Metrics	*20-21*

Roadmap to full compliance with TCFD recommendations

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

TCFD Pillar	Actions	2023	2024	2025
Governance	- Further integrate climate considerations into strategic planning	→	→	→
	- Conduct Board and leadership deep dives on climate change	→	→	→
Strategy	- Develop climate scenario analysis and financial outputs	→		
	- Develop and refine medium and long-term risks and opportunities based on the evolving global climate change projections	→	→	→
	- Continue to integrate climate change considerations into business strategy	→	→	→
Risk Management	- Develop signposts to monitor changes in scenarios	→	→	
	- Develop understanding of potential financial impacts	→	→	→
Metrics and Targets	- Develop and refine short-term climate metrics and targets	→		
	- Develop medium and long-term climate targets	→	→	

Governance

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

6. Sustainability strategy (continued)

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

The group has structured its activities around four key pillars; Zero Carbon, Enhancing Scotland, Scotland's Best Business and Trusted Neighbour (see page 14).

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

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

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

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

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

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

Strategy

<u>Climate-related risks</u>

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

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

- ***Financial and market changes*** – investors and lenders are increasingly funding decarbonisation strategies. This could result in high-carbon sectors, such as aviation, incurring a higher cost of funding and/or more difficulties in securing funding.

  In EAL's most recent refinancing process in 2021, following engagement with lenders on the Airport's decarbonisation plans, EAL issued a £100 million Sustainability Linked Loan with the pricing linked to performance on several ESG KPIs including reductions in Scope 1 and 2 emissions and targeting a higher Airport Carbon Accreditation ("ACA") rating. The resulting board and operational focus on performance against these ESG KPIs will help to ensure EAL remains in a good position to secure future ESG-linked funding at a competitive cost.

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

6. Sustainability strategy (continued)

Climate-related risks (continued)

Technology – the highest proportion of emissions from the aviation industry is from the aircraft themselves. The transition of aircraft to zero carbon will take significant investment and technological developments. Some of these changes, e.g. any future variations in aircraft fuels, may require development and alterations to EAL's existing infrastructure. Existing proposals to introduce lower carbon sustainable fuels are likely to operate with existing infrastructure with only lower value investment required. EAL is working with airlines and other industry partners to understand and support the shift to sustainable air travel

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

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

6. Sustainability strategy (continued)

Climate-related opportunities

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

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

Scenario analysis

Edinburgh Airport has developed a scenario analysis tool to quantify the impact of climate change risks on financial performance over long-term. This analysis examines different climate change pathways, identifies risks the group may likely face, and helps us understand the Airport’s resilience as a business.

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

The group’s scenario analysis is used to better understand the exposure of the group’s assets to physical climate risks and to test the climate transition resilience of the group’s business. These scenarios assume various degrees of warming and include social, technological, economic, and political developments considered plausible under each warming trajectory.

The outputs from the scenario analysis were presented to the sustainability sub-committee in 2022 and will be refreshed annually as new information and data sets emerge.

- **Orderly Transition**

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

- **Disorderly Transition**

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

- **Hot House World**

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

Net Zero by 2040

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

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

- **Energy efficiency** – Investment in energy saving opportunities including (1) efficient equipment, materials, and fixtures; (2) systems optimisation and monitoring to reduce energy use; and (3) consumption behaviour and education.

- **Renewable energy procurement** – 100% of EAL’s electricity during the year was obtained from renewable sources. 100% of EAL’s gas requirement was satisfied through the purchase of ‘green’ biogas.

- **Onsite renewables** - Onsite renewable generation reduces the amount of non-renewable electricity required. During the year construction started on an onsite solar farm that will generate approximately 25% of the group’s total electricity requirement. The project is expected to complete by the start of Summer 2023.

6. Sustainability strategy (continued)

- **Carbon offsets** - Carbon offsets that provide socioeconomic benefits will be used to offset emissions that can no longer be feasibly managed through the group's energy efficiency, renewable purchase, and generation strategies. The group will continue to monitor and review the role offsets play in the Airport's neutrality pathway and prioritise the purchase of long-term removals.

- **Engage and influence** – The group aim to actively engage with airline, ground handlers and retail business partners to encourage a reduction in emissions outside the Airport's direct operational control (Scope 3).

Risk

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

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

EAL operates an integrated management system (Managing Responsibly System) which is certified to ISO14001, ISO9001 and ISO45001. This system has been in place for several years and is used to drive continual improvement. A key component to this system is the risk registers which track departmental risks and provides an overall view of the most significant business risks. Climate related risks e.g., flooding, and adverse weather are included in these registers.

EAL completed a full Climate Change Adaptation assessment in 2021 to consider the physical and financial climate risks to EAL's infrastructure, operations, and performance. The assessment is reviewed regularly and will be subject to a full refresh in 2023 to ensure risks are fully up to date and remain relevant.

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

In 2022, the Airport completed a climate change transition risk assessment where the financial impact of multiple long-term climate change and decarbonisation scenarios was considered.

Metrics

EAL measures and discloses scope 1, 2 and 3 greenhouse gas (GHG) emissions, in line with the Greenhouse Gas Protocol Corporate Standard. The Airport also reports against the sector-specific requirements of Airport Carbon Accreditation and achieved Level 3 accreditation in 2022. EAL is on track to achieve achieving Level 3+ accreditation in 2023 and Level 4 by 2024.

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

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

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

The group will continue to review climate indicators developed for the Airport's scenario analysis on an ongoing basis to understand and monitor evolving climate change trajectories.

6. Sustainability strategy (continued)

Market Based Emissions (tCO2e)	*2020*[1]	*2021*[1]	*2022*
Scope 1 – Total	**3,997**	**2,445**	**265**
Airport natural gas	3,350	1,403	3
Airport de-icer	415	498	124
Airport operational vehicles	208	156	33
Refrigerants	6	379	60
Fire training	18	9	45
Gas oil	-	-	-
Scope 2 – Total	**-**	**-**	**-**
Airport electricity	-	-	-
Scope 3 – Total	**71,754**	**65,355**	**145,082**
Aircraft movements	51,225	48,228	111,480
Passenger surface access	12,364	9,586	24,737
Staff commute	4,231	3,521	981
Waste	1,753	1,750	4,527
Electricity T&D & WTT (Gen, T&D)	1,060	1,523	1,595
Fuel and Bioenergy WTT	-	361	693
Third party de-icer	531	198	470
Third party operational vehicles	282	141	350
Water	112	37	65
Aircraft engine tests	101	2	169
Tenant natural gas	71	4	0
Business travel	24	4	15
Outside of Scope – Total	**15**	**15**	**596**
Operational vehicles (diesel)	12	12	15
Fire training (diesel and wood)	3	3	581
Total	**75,766**	**67,815**	**145,943**
Emissions intensity (kgCO_2e/PAX)	**21.78**	**22.37**	**12.96**
Total carbon offsets (tCO_2e)	**4,004**	**2,711**	**-**[2]

[1]Results for 2020 and 2021 have been recalculated following a review of previous methodology.
[2]280 tonnes were purchased subsequent to the year end to offset 2022 emissions.

This report was approved by the Board of directors on 14 April 2023 and signed on its behalf by:

Gordon Dewar
Director
Company registration number: SC096623

Directors' report

The directors present their annual report and the audited financial statements for the group for the year ended 31 December 2022.

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

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

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

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

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

ART is the superannuation fund formed through the merger of Sunsuper and QSuper. ART is one of Australia's largest super funds and proud to take care of over $200 billion in retirement savings for more than two million members. ART's interest in the group's assets is held by QSuper Investment Holdings Pty Limited as trustee for QSuper European Infrastructure Trust.

Dividends
The group paid dividends of £nil during 2022 (2021: £nil). Other cash distributions totalling £nil (2021: £nil) were made to the parent company, Green Bidco Limited, during 2022.

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

Gordon Dewar		
Sir John Elvidge	*(non-executive, GIP)*	
Andreea Luana Badiu	*(non-executive, GIP)*	
Michael McGhee	*(non-executive, GIP)*	
Scott Telesz	*(non-executive, GIP)*	(resigned 1 December 2022)
James Butler	*(non-executive, GIP)*	(appointed 16 February 2023)
David Thomson	*(non-executive, ART)*	(resigned 5 March 2022)
Sarah Sophie Flemig	*(non-executive, ART)*	(appointed 16 February 2023)
Linda Urquhart	*(non-executive, Future Fund)*	

It was with great sadness that the Board and the Company lost a valued colleague in David Thomson when he died in 2022. David brought a wealth of aviation and financial experience along with a warm and collaborative approach to business. All at Edinburgh Airport will miss David greatly.

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

Employment policies
For the year ended 31 December 2022 the group had 719 employees on a full-time equivalent basis (2021: 500).

Employment policies (continued)

Employee diversity, equal opportunities and fair treatment

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

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

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

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

The group have recently been endorsed by Work180 for the support provided for gender diversity and inclusion.

Employee consultation

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

Welfare and Health & Safety

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

Training and development

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

Recruitment

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

Gender diversity

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

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

Directors' report (continued)

Gender diversity (continued)
The table below shows the group's gender diversity:

	31 December 2022		31 December 2021	
	Male %	**Female %**	Male %	Female %
Board	**60.0**	**40.0**	71.4	28.6
Senior management (top 3 grades)	**66.0**	**34.0**	71.0	29.0
All other employees	**65.7**	**34.3**	65.9	34.1

Charity
During 2022, Edinburgh Airport made donations of 92,000 (2021: 76,000) facemasks to local community and charity groups to allow these groups to continue to provide their vital support and services safely during the pandemic.

Edinburgh Airport made £100,000 worth of charitable donations through its Community Fund, to support local projects, after a 2-year hiatus due to the COVID pandemic. The recipients were comprised of 33 local charities and community groups whose projects aligned with one or more of the four pillars within the Airport's Greater Good strategy. Funding was used for items such as treadmills, polytunnel refurbishment, projectors, football goals, rainwater collection buckets, fruit cages, solar panels, and more.

The Airport also provided direct charitable support through its Charity Partner of the Year scheme. 2022 saw a grand total of £100,000 donated to The Larder through activities such as sports fundraisers, charity challenges, raffles, foreign coin collection, bake sales, and in-kind gifts. This partnership will extend throughout 2023 before a new Charity of the Year partner is selected in 2024.

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

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

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

- *Supply chain* – the Airport has more than 650 suppliers; to ensure all those in the supply chain and contractors comply with the Airport's values and ethics and the Airport is working towards establishing a supply chain compliance programme.
- *Business partners* – the Airport aims to ensure that business partners, not just suppliers, comply with its values and ethics.
- *Use of the Airport* – the Airport works with the police and other agencies to assist them in detecting and disrupting human trafficking which might be taking place at the Airport. In addition, security officers are being trained to recognise and assist those who might be vulnerable.

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

Going concern
The directors have prepared the financial statements on a going concern basis which they believe to be appropriate for the following reasons.

As at 31 December 2022, the group had net assets of £72.2 million, net current assets of £445.4 million and recorded a profit for the year of £77.8 million.

At the balance sheet date, the group has overall funding of £1,055.3 million (2021: £1,113.3 million). This is made up of a number of debt facilities which mature over a number of years from March 2024 to October 2033. These facilities consist of a combination of bank debt and longer term institutional loans as described in note 16. The funding available includes a £50.0 million capital expenditure facility and a £10.0 million revolving credit facility. At 31 December 2022 and at the date of approval of these financial statements, both of these facilities totalling £60.0m remained undrawn.

The directors have reviewed the cash flow projections to December 2027, which extend beyond 12 months from the date of approval of these financial statements and take into account:

Going concern (continued)

- 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, its scheduled debt maturities and its forecast financial ratios.

In order to reflect wider economic uncertainty these forecasts include severe but plausible downside scenarios which reflect a reduction in forecast passenger numbers and increased interest rates payable on debt facilities. These forecasts demonstrate the group has adequate financial resources and will remain compliant with financial covenants associated with its debt facilities.

The forecasts are dependent upon the group refinancing the debt facilities which fall due in March 2024 and May 2024 amounting to £175.3 million and £235.0 million respectively. The group completed the refinancing of these facilities on 5 April 2023 by agreeing a £450.0 million 5-year bank debt facility with a number of banks. The funding package includes a £350.0 million Term Loan and a £100.0 million Revolving Credit Facility. The proceeds have been applied to the full prepayment of the debt facilities which fall due in March 2024 and May 2024. The group’s next scheduled debt maturity is in October 2026 when £80.0 million of long-term institutional debt is due for repayment.

Consequently the directors continue to adopt the going concern basis of accounting in preparing the annual financial statement.

Auditor

KPMG LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Statement of disclosure of information to the Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the group’s auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group’s auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

This report was approved by the Board of directors on 14 April 2023 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 Group and parent Company 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 they have elected to prepare the Group and parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect 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 UK 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

Opinion

We have audited the financial statements of Edinburgh Airport Limited ("the Company") for the year ended 31 December 2022 which comprise the Consolidated statement of comprehensive income, the Consolidated and company statement of financial position, the Consolidated statement of cash flows, the Consolidated and company statement of changes in equity and related notes, including the Statement of accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high level policies and procedures to prevent and detect fraud and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board and audit committee minutes; and
- Considering remuneration incentive schemes and performance targets for management and directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as aero rebates, valuation of defined benefit obligation and valuation of investment properties. On this audit we identified a fraud risk related to revenue recognition over aero rebates as amounts may be susceptible to manipulation which could impact profits.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries posted containing specific risk based keywords and unusual account combinations.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias, including assessing site margin recognition for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit[.]/[; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors’ responsibilities

As explained more fully in their statement set out on page 26, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities

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 our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC’s website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh, EH1 2EG
14 April 2023

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Note	2022 £'000	2021 as restated £'000
Turnover	*2*	**193,316**	63,944
Operating costs before exceptional costs, depreciation & amortisation	*3*	**(77,497)**	(45,641)
Other income – grant income	*3(a)*	**2,622**	3,255
Profit before exceptional costs, depreciation & amortisation		***118,441***	*21,558*
Operating costs – exceptional	*5*	**(1,452)**	(1,829)
Profit before depreciation & amortisation		***116,989***	*19,729*
Operating costs – depreciation	*10*	**(35,474)**	(32,687)
Operating costs - total		**(114,423)**	(80,157)
Operating profit / (loss)		**81,515**	(12,958)
Fair value gains on investment property	*11*	**24,493**	10,992
Fair value gains / (losses) on derivative financial instruments	*6*	**42,387**	(1,287)
Interest receivable and similar income	*7*	**942**	81
Net interest payable and similar charges	*8*	**(43,243)**	(38,829)
Profit / (loss) before taxation	*3*	**106,094**	(42,001)
Taxation on profit / (loss)	*9*	**(28,266)**	(4,130)
Profit / (loss) for the financial year		**77,828**	(46,131)
Other comprehensive income			
Actuarial gains on defined benefit pension scheme	*22*	**548**	12,698
Fair value gains on interest rate swaps	*17*	**20,919**	15,905
Total other comprehensive income		**21,467**	28,603
Taxation on other comprehensive income	*9*	**(5,416)**	(6,333)
Total comprehensive income for the year		**93,879**	(23,861)

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

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

Consolidated and company statement of financial position as at 31 December 2022

		Group		Company	
		2022	2021 as restated	**2022**	2021 as restated
	Note	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Tangible fixed assets	*10*	**507,757**	526,707	**507,671**	526,601
Investment properties	*11*	**229,119**	204,626	**229,119**	204,626
Investments	*12*	**-**	-	**-**	-
Total fixed assets		**736,876**	731,333	**736,790**	731,227
Current assets					
Stocks	*13*	**1,021**	1,046	**1,016**	1,039
Debtors:					
- due within one year	*14*	**17,820**	9,643	**18,475**	9,939
- due after one year	*14*	**430,654**	378,084	**430,654**	378,084
Total debtors		**448,474**	387,727	**449,129**	388,023
Cash at bank		**60,705**	50,238	**59,884**	50,185
Total current assets		**510,200**	439,011	**510,029**	439,247
Current liabilities					
Creditors: amounts falling due within one year	*15*	**(64,762)**	(34,885)	**(63,920)**	(34,400)
Net current assets		**445,438**	404,126	**446,109**	404,847
Total assets less current liabilities		**1,182,314**	1,135,459	**1,182,899**	1,136,074
Creditors: amounts falling due after more than one year	*16*	**(1,057,590)**	(1,126,264)	**(1,057,590)**	(1,126,264)
Provisions for liabilities	*18*	**(61,036)**	(38,689)	**(61,187)**	(38,842)
Net assets / (liabilities) excluding pension asset		**63,688**	(29,494)	**64,122**	(29,032)
Defined benefit pension asset	*22*	**8,553**	7,856	**8,553**	7,856
Net assets / (liabilities) including pension asset		**72,241**	(21,638)	**72,675**	(21,176)
Capital and reserves					
Called up share capital	*19*	**6,500**	6,500	**6,500**	6,500
Other reserves:					
Capital contribution reserve		**1,247**	1,247	**1,247**	1,247
Non-distributable reserve		**45,112**	26,742	**45,112**	26,742
Hedging reserve		**8,560**	(7,080)	**8,560**	(7,080)
Pension reserve		**(2,180)**	(2,591)	**(2,180)**	(2,591)
Profit and loss account		**13,002**	(46,456)	**13,436**	(45,994)
Shareholder's funds / (deficit)		**72,241**	(21,638)	**72,675**	(21,176)

The profit of the Company for the financial year was £77.8 million (2021: £46.1 million loss as restated).

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

The financial statements of Edinburgh Airport Limited (company registration number: SC096623) were approved by the Board of directors and authorised for issue on 14 April 2023. They were signed on its behalf by:

Gordon Dewar
Director

Consolidated statement of cash flows for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Net cash generated from operating activities	*24*	**126,380**	20,156
Cash flows from investing activities			
Interest received		**681**	81
Purchase of tangible fixed assets		**(15,802)**	(11,191)
Net cash used in investing activities		**(15,121)**	(11,110)
Cash flows from financing activities			
Repayment of external borrowings		**(58,000)**	-
Interest paid		**(41,681)**	(39,601)
Movement in intergroup borrowings		**(1,111)**	(127)
Net cash used in financing activities		**(100,792)**	(39,728)
Net increase / (decrease) in cash and cash equivalents		**10,467**	(30,682)
Cash and cash equivalents at beginning of year		**50,238**	80,920
Cash and cash equivalents at end of year	*24*	**60,705**	50,238

Edinburgh Airport Limited

Consolidated statement of changes in equity for the year ended 31 December 2022

		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 2021 as restated (note 1)		**6,500**	**1,247**	**(20,636)**	**26,822**	**(13,368)**	**1,658**	**2,223**
Loss for the year ended 31 December 2021 as restated		-	-	-	-	-	(46,131)	**(46,131)**
Transfer of non-distributable loss on investment property as restated	*11*	-	-	-	10,992	-	(10,992)	**-**
Transfer of deferred tax on loss on investment property as restated		-	-	-	(9,009)	-	9,009	**-**
Other comprehensive income:								
Actuarial gain on defined benefit plans	*22*	-	-	-	-	12,698	-	**12,698**
Fair value gain on effective hedges		-	-	15,905	-	-	-	**15,905**
Deferred tax on other comprehensive income		-	-	(2,349)	(2,063)	(1,921)	-	**(6,333)**
Total comprehensive income for the year as restated		**-**	**-**	**13,556**	**(80)**	**10,777**	**(48,114)**	**(23,861)**
Balance at 31 December 2021 as restated		**6,500**	**1,247**	**(7,080)**	**26,742**	**(2,591)**	**(46,456)**	**(21,638)**
Profit for the year ended 31 December 2022		-	-	-	-	-	77,828	**77,828**
Transfer of non-distributable gain on investment property	*11*	-	-	-	24,493	-	(24,493)	**-**
Transfer of deferred tax on gain on investment property		-	-	-	(6,123)	-	6,123	**-**
Other comprehensive income:								
Actuarial gain on defined benefit plans	*22*	-	-	-	-	548	-	**548**
Fair value gain on effective hedges		-	-	20,919	-	-	-	**20,919**
Deferred tax on other comprehensive income		-	-	(5,279)	-	(137)	-	**(5,416)**
Total comprehensive income for the year		**-**	**-**	**15,640**	**18,370**	**411**	**59,458**	**93,879**
Balance at 31 December 2022		**6,500**	**1,247**	**8,560**	**45,112**	**(2,180)**	**13,002**	**72,241**

Company statement of changes in equity for the year ended 31 December 2022

		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 2021 as restated (note 1)		**6,500**	**1,247**	**(20,636)**	**26,822**	**(13,368)**	**2,095**	**2,660**
Loss for the year ended 31 December 2021 as restated		-	-	-	-	-	(46,106)	**(46,106)**
Transfer of non-distributable loss on investment property as restated	*11*	-	-	-	10,992	-	(10,992)	**-**
Transfer of deferred tax on loss on investment property as restated		-	-	-	(9,009)	-	9,009	**-**
Other comprehensive income:								
Actuarial gain on defined benefit plans	*22*	-	-	-	-	12,698	-	**12,698**
Fair value gain on effective hedges		-	-	15,905	-	-	-	**15,905**
Deferred tax on other comprehensive income		-	-	(2,349)	(2,063)	(1,921)	-	**(6,333)**
Total comprehensive income for the year as restated		**-**	**-**	**13,556**	**(80)**	**10,777**	**(48,089)**	**(23,836)**
Balance at 31 December 2021 as restated		**6,500**	**1,247**	**(7,080)**	**26,742**	**(2,591)**	**(45,994)**	**(21,176)**
Profit for the year ended 31 December 2022		-	-	-	-	-	77,800	**77,800**
Transfer of non-distributable gain on investment property	*11*	-	-	-	24,493	-	(24,493)	**-**
Transfer of deferred tax on gain on investment property		-	-	-	(6,123)	-	6,123	**-**
Other comprehensive income:								
Actuarial gain on defined benefit plans	*22*	-	-	-	-	548	-	**548**
Fair value gain on effective hedges		-	-	20,919	-	-	-	**20,919**
Deferred tax on other comprehensive income		-	-	(5,279)	-	(137)	-	**(5,416)**
Total comprehensive income for the year		**-**	**-**	**15,640**	**18,370**	**411**	**59,430**	**93,851**
Balance at 31 December 2022		**6,500**	**1,247**	**8,560**	**45,112**	**(2,180)**	**13,436**	**72,675**

Accounting policies for the year ended 31 December 2022

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

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

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

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

Basis of accounting for the year ended 31 December 2022
The financial statements of the group prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

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

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

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

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

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

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

- Section 7 'Statement of Cash flows'

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

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

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

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

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

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

Accounting policies for the year ended 31 December 2022 (continued)

Going concern
The directors have prepared the financial statements on a going concern basis which they believe to be appropriate for the following reasons.

As at 31 December 2022, the group had net assets of £72.2 million, net current assets of £445.4 million and recorded a profit for the year of £77.8 million.

At the balance sheet date, the group has overall funding of £1,055.3 million (2021: £1,113.3 million). This is made up of a number of debt facilities which mature over a number of years from March 2024 to October 2033. These facilities consist of a combination of bank debt and longer term institutional loans as described in note 16. The funding available includes a £50.0 million capital expenditure facility and a £10.0 million revolving credit facility. At 31 December 2022 and at the date of approval of these financial statements, both of these facilities totalling £60.0m remained undrawn.

The directors have reviewed the cash flow projections to December 2027, which extend beyond 12 months from the date of approval of these financial statements and take 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, its scheduled debt maturities and its forecast financial ratios.

In order to reflect wider economic uncertainty these forecasts include severe but plausible downside scenarios which reflect a reduction in forecast passenger numbers and increased interest rates payable on debt facilities. These forecasts demonstrate the group has adequate financial resources and will remain compliant with financial covenants associated with its debt facilities.

The forecasts are dependent upon the group refinancing the debt facilities which fall due in March 2024 and May 2024 amounting to £175.3 million and £235.0 million respectively. The group completed the refinancing of these facilities on 5 April 2023 by agreeing a £450.0 million 5-year bank debt facility with a number of banks. The funding package includes a £350.0 million Term Loan and a £100.0 million Revolving Credit Facility. The proceeds have been applied to the full prepayment of the debt facilities which fall due in March 2024 and May 2024. The group's next scheduled debt maturity is in October 2026 when £80.0 million of long-term institutional debt is due for repayment.

Consequently the directors continue to adopt the going concern basis of accounting in preparing the annual financial statement.

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

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

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

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

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

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

Operating costs - exceptional
The group presents, on the face of the Statement of comprehensive income, disclosure of exceptional items. Exceptional items are items of income and expense that, because of their size or incidence merit separate presentation to allow an understanding of the group's financial performance. Additional details of exceptional items are provided as and when required as set out in note 5.

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

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

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

Depreciation
Depreciation is provided on operational assets, other than land and assets in the course of construction, to write off the cost of the assets less estimated residual value by equal instalments over their expected useful lives as set out below. The group assesses at each reporting date whether there is an indication that an asset's residual value and/or useful life may not be appropriate. If such indication exists, the useful lives and residual values are reviewed, and adjusted if appropriate.

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

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

Impairment of assets
The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. Where the asset does not generate cash flows that are independent of other assets, the recoverable amount of the income-generating unit to which the asset belongs is estimated. Recoverable amount is the higher of an asset's net realisable value and its value in use. In assessing value in use, the estimated future cash flows are discounted to their

Tangible fixed assets (continued)
present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value, on a straight-line basis over its remaining useful life.

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting policies for the year ended 31 December 2022 (continued)

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

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

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

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

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

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

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

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

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

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

Retirement benefits

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

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

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

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

Gains or losses recognised in profit or loss

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

Gains or losses recognised in other comprehensive income

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

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

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

Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant accounting judgements and estimates for the year ended 31 December 2022

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

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

Investment properties
Investment properties were valued at fair value at 31 December 2022 by Ryden, Chartered Surveyors (2021: Ryden, Chartered Surveyors). The valuations were prepared in accordance with relevant accounting standards and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence. As noted by the group's external valuer, the Covid-19 pandemic has caused extensive disruption to businesses and economic activities since 2020. However, the group's external valuer do not consider there to be material estimation uncertainty over the fair value of the investment property portfolio at the balance sheet date. Independent valuations have been obtained for 100% of the investment properties. Given the valuation of each investment property is based on a particular individual set of assumptions, it is not possible to disclose the sensitivity of the valuation as a whole to changes in these assumptions. See note 11 for further detail on investment properties.

Defined benefit pension scheme
The group operates a defined benefit pension scheme which is closed to new entrants and has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligations depend on a number of factors including life expectancy, salary increases, asset valuations and the discount rate. The trustees of the pension fund take the advice of actuaries to estimate these factors to determine the net pension asset / obligation in the balance sheet, and management rely on these estimates in preparing these financial statements. The assumptions reflect historical experience and current trends. See note 22 for the disclosures relating to the defined benefit pension scheme.

Notes to the financial statements for the year ended 31 December 2022

1. Prior period adjustment

Following careful consideration of the investment property portfolio, the valuation approach has been amended for certain assets within the portfolio. This is to more appropriately reflect the consideration of market participants. Given the size and nature of the adjustment it has been deemed appropriate to reflect these changes by way of prior year adjustment. This has resulted in a reduction in investment property portfolio in the prior period amounting to £57,674,000. There has been a corresponding reduction in the related deferred tax liability of £14,273,000, which combined has reduced prior period net assets by £43,401,000. The impact on the prior period profit is a reduction in profit before tax of £5,643,000 and a reduction in the deferred tax charge of £4,500,000.

Changes to the statement of financial position

Group	As previously reported at 31 Dec 2021	Adjustment at 1 Jan 2021	Adjustment at 31 Dec 2021	**As restated at 31 Dec 2021**
	£'000	£'000	£'000	**£'000**
Fixed assets				
Investment property	262,300	(52,031)	(5,643)	204,626
Provisions for liabilities				
Deferred tax	(52,962)	9,773	4,500	(38,689)
Net assets / (liabilities) including pension asset	21,763	(42,258)	(1,143)	(21,638)
Capital and reserves				
Non-distributable reserve	70,143	(42,258)	(1,143)	26,742

Company	As previously reported at 31 Dec 2021	Adjustment at 1 Jan 2021	Adjustment at 31 Dec 2021	**As restated at 31 Dec 2021**
	£'000	£'000	£'000	**£'000**
Fixed assets				
Investment property	262,300	(52,031)	(5,643)	204,626
Provisions for liabilities				
Deferred tax	(53,115)	9,773	4,500	(38,842)
Net assets / (liabilities) including pension asset	22,225	(42,258)	(1,143)	(21,176)
Capital and reserves				
Non-distributable reserve	70,143	(42,258)	(1,143)	26,742

Changes to the statement of comprehensive income

Group	As previously reported	Adjustment	**As restated**
Year ended 31 December 2021	£'000	£'000	**£'000**
Fair value gain on investment property	16,635	(5,643)	10,992
Taxation on loss	(8,630)	4,500	(4,130)
Loss for the year	(44,988)	(1,143)	(46,131)

Company	As previously reported	Adjustment	**As restated**
Year ended 31 December 2021	£'000	£'000	**£'000**
Fair value gain on investment property	16,635	(5,643)	10,992
Taxation on loss	(8,681)	4,500	(4,181)
Loss for the year	(44,963)	(1,143)	(46,106)

Notes to the financial statements for the year ended 31 December 2022 (continued)

2. Turnover

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

	2022 £'000	2021 £'000
Aeronautical	**88,758**	30,045
Retail	**79,286**	20,955
Operational facilities and utilities	**15,575**	4,526
Property rental	**7,406**	5,399
Other	**2,291**	3,019
	193,316	63,944

3. Profit / (loss) on ordinary activities before taxation

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

	2022 £'000	2021 £'000
Staff costs (Note 4)	**37,573**	22,135
Depreciation of tangible fixed assets (Note 10)	**35,474**	32,687
Other operating leases	**3**	7

(a) Grant income

	2022 £'000	2021 £'000
Capital grant income (Note 16(b))	**(388)**	(388)
Coronavirus Job Retention Scheme government grant income	**-**	(2,670)
Other grant income	**(2,234)**	(197)
	(2,622)	(3,255)

(b) Auditor's remuneration

	2022 £'000	2021 £'000
Fees payable to the group's auditor for the audit of the group's annual financial statements	**150**	70
Fees payable to the group's auditor for the audit of the subsidiary's annual financial statements	**-**	9
	150	79
Non-audit fees payable to the group's auditor for other services		
Audit related assurance services	**5**	5
Tax advisory services	**-**	14
Tax compliance services	**-**	52
Total non-audit fees	**5**	71
Total fees	**155**	150

4. Employees

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

	2022	2021
	No.	No.
Office and management	**88**	71
Airside, security and operations	**593**	385
Retail and commercial	**38**	44
	719	500

Staff costs for the above employees

	2022	2021
	£'000	£'000
Wages and salaries	**29,795**	17,860
Social security	**3,139**	1,994
Defined contribution pension cost	**3,347**	1,660
Other employment costs	**1,292**	621
	37,573	22,135

Directors

In respect of the directors of Edinburgh Airport Limited:

	2022	2021
	£'000	£'000
Directors' remuneration		
Aggregate emoluments	**478**	430
Value of group pension contributions to defined contribution scheme	**-**	1
	478	431

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

Details of other transactions made with directors during the year are disclosed in note 23.

Key management personnel

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

Highest paid director's remuneration

	2022	2021
	£'000	£'000
Aggregate emoluments	**358**	319
Value of group pension contributions to defined contribution scheme	**-**	1
	358	320

An amount of £nil (2021: £597) was accrued in relation to the highest paid director's entitlements under the defined contribution pension scheme.

The highest paid director of the group held shares in a parent group, through a long-term incentive plan, throughout both 2022 and 2021.

Share based payments

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

The amount recognised in the income statement in respect of LTIPs amounted to £nil (2021: £nil).

In June 2014 13,200 shares options were issued at a fair value of £18.32 per share. At 31 December 2022, 9,150 share options had vested (31 December 2021 – 9,150) and 1,350 had been forfeited (31 December 2021 – 1,350).

In November 2019 14,800 shares options were issued at a fair value of £250.00 per share. At 31 December 2022, 4,060 share options had vested (31 December 2021 – 4,060).

Notes to the financial statements for the year ended 31 December 2022 (continued)

5. Operating costs – exceptional

	2022 £'000	2021 £'000
Restructuring and reorganisation costs [1]	-	269
Asset derecognition [2]	825	759
Flood prevention project costs [3]	123	56
Refinancing costs [4]	504	745
Total	**1,452**	1,829

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

[2] The Airport's capital expenditure plan was significantly scaled back as a result of the Covid-19 pandemic as part of a suite of cost reduction measures. A full review of assets under the course of construction was performed in both 2021 and 2022 and where projects had been halted and it was not clear when the projects would be restarted as a result of the Covid-19 pandemic or the project would no longer deliver the assets originally intended, the asset was derecognised.

[3] The Airport's Flood Prevention Strategy project looks at the causes of recent flooding events around the airport campus and the risk of potential future flooding. This project seeks to make recommendation and apply solutions to reduce the future risk of flooding and provide greater resilience against future flood events. This includes £nil (2021: £46,000) of de-recognised assets.

[4] Costs relate to the associated legal and professional fees for the ongoing refinancing within the group.

6. Fair value gains / (losses) on derivative financial instruments

	2022 £'000	2021 £'000
Gain / (loss) on swaps – non hedging relationship	39,608	(178)
Hedge effectiveness / (ineffectiveness)	2,779	(1,109)
	42,387	(1,287)

7. Interest receivable and similar income

	2022 £'000	2021 £'000
Interest receivable on bank deposits	678	19
Interest receivable from group companies	112	62
Other interest receivable	3	-
Net interest on the defined benefit pension asset	149	-
	942	81

8. Net interest payable and similar charges

	2022 £'000	2021 £'000
Interest on borrowings	42,523	37,976
Amortisation of debt costs	533	776
Facilities fees	187	13
Net interest on the defined benefit pension asset	-	64
	43,243	38,829

Notes to the financial statements for the year ended 31 December 2022 (continued)

9. Taxation on profit / (loss) on ordinary activities

	2022 £'000	2021 as restated £'000
Current tax (Group)		
UK corporation tax on profits / (losses) of the period	**11,334**	-
Adjustment in respect of previous periods:		
- UK corporation tax	**-**	226
Total current tax (Group)	**11,334**	226
Deferred tax (Group)		
Origination and reversal of timing differences	**12,960**	(5,328)
Adjustment in respect of previous periods	**829**	(240)
Effect of changes in tax rates	**3,143**	9,472
Total deferred tax (Group)	**16,932**	3,904
Taxation charge on profit / (loss) on ordinary activities (Group)	**28,266**	4,130

Reconciliation of taxation charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2021: 19%). Upcoming changes in tax rates are set out in the Provisions for Liabilities note on page 54. The actual tax charge for the current and prior years differs from the standard rate for the reasons set out in the following reconciliation:

Group	**2022** **£'000**	2021 as restated £'000
Profit / (loss) before taxation	**106,094**	(42,001)
Profit / (loss) multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	**20,158**	(7,979)
Effect of:		
Expenses not deductible for tax purposes	**4,217**	2,726
Income not taxable	**(75)**	(74)
Effects of other loss reliefs	**(6)**	-
Deferred tax not provided	**-**	-
Adjustment in respect of previous periods	**828**	(15)
Tax rate changes (see note 18)	**3,144**	9,472
Taxation charge for the year	**28,266**	4,130

In addition to the amount charged to profit or loss, a charge of £5,416,000 (2021: £6,333,000 charge as restated) has been recognised in other comprehensive income. 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 2022 (continued)

10. Tangible fixed assets

Group	Terminal complexes £'000	Airfield £'000	Other land and buildings £'000	Plant, equipment & other assets £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation						
1 January 2022	365,094	214,689	94,495	71,396	16,743	762,417
Additions	-	-	-	12	17,662	17,674
Transfers to/(from) assets in course of construction	534	1,738	4,408	8,792	(15,472)	-
Derecognition	-	-	-	-	(952)	(952)
31 December 2022	**365,628**	**216,427**	**98,903**	**80,200**	**17,981**	**779,139**
Depreciation						
1 January 2022	(90,321)	(56,819)	(46,633)	(41,937)	-	(235,710)
Charge for the year	(14,236)	(9,421)	(5,836)	(5,981)	-	(35,474)
Impairment	(198)	-	-	-	-	(198)
31 December 2022	**(104,755)**	**(66,240)**	**(52,469)**	**(47,918)**	**-**	**(271,382)**
Net book value 31 December 2022	**260,873**	**150,187**	**46,434**	**32,282**	**17,981**	**507,757**
Net book value 31 December 2021	274,773	157,870	47,862	29,459	16,743	526,707

Group
Assets in the course of construction comprise capital expenditure on on-going capital projects under the group's capital investment programme. A full review of assets under the course of construction was performed during the year and for some capital projects where work had been halted, if was not clear when the projects would be restarted as a result of the Covid-19 pandemic, the asset was de-recognised. These assets, amounting to £952,000 (2021: £805,000), were derecognised in the year (see note 5).

The impairment loss recognised on tangible fixed assets in the period was £198,000 (2021: £nil) and is included in exceptional operating costs in the consolidated income statement.

The group has entered into a power purchase agreement for an onsite solar farm that was under construction at year end. Once operational in 2023, the group will recognise a right of use asset of £2,914,000 and a lease liability of £2,914,000.

Notes to the financial statements for the year ended 31 December 2022 (continued)

10. Tangible fixed assets (continued)

Company	**Terminal complexes £'000**	**Airfield £'000**	**Other land and buildings £'000**	**Plant, equipment & other assets £'000**	**Assets in the course of construction £'000**	**Total £'000**
Cost or valuation						
1 January 2022	365,094	214,689	94,495	71,176	16,743	762,197
Additions	-	-	-	-	17,662	17,662
Transfers to/(from) assets in course of construction	534	1,738	4,408	8,792	(15,472)	-
Derecognition	-	-	-	-	(952)	(952)
31 December 2022	**365,628**	**216,427**	**98,903**	**79,968**	**17,981**	**778,907**
Depreciation						
1 January 2022	(90,321)	(56,819)	(46,633)	(41,823)	-	(235,596)
Charge for the year	(14,236)	(9,421)	(5,836)	(5,949)	-	(35,442)
Impairment	(198)	-	-	-	-	(198)
31 December 2022	**(104,755)**	**(66,240)**	**(52,469)**	**(47,772)**	**-**	**(271,236)**
Net book value 31 December 2022	**260,873**	**150,187**	**46,434**	**32,196**	**17,981**	**507,671**
Net book value 31 December 2021	274,773	157,870	47,862	29,353	16,743	526,601

Company
Assets in the course of construction comprise capital expenditure on on-going capital projects under the group's capital investment programme. A full review of assets under the course of construction was performed during the year and for some capital projects where work had been halted, if was not clear when the projects would be restarted as a result of the Covid-19 pandemic, the asset was de-recognised. These assets, amounting to £952,000 (2021: £805,000), were derecognised in the year (see note 5).

The impairment loss recognised on tangible fixed assets in the period was £198,000 (2021: £nil) and is included in exceptional operating costs in the consolidated income statement.

The Airport has entered into a power purchase agreement for an onsite solar farm that was under construction at year end. Once operational in 2023, the Airport will recognise a right of use asset of £2,914,000 and a lease liability of £2,914,000.

11. Investment properties (Group and Company)

	2022	2021 as restated
	£'000	£'000
At 1 January as restated	**204,626**	193,634
Fair value gains	**24,493**	10,992
At 31 December	**229,119**	204,626

Investment property includes land held for development. The fair value of the group's investment property and land held for development at 31 December 2022 has been arrived at on the basis of a valuation carried out by Ryden, Chartered Surveyors, on an open market value basis (2021: Ryden, Chartered Surveyors). Ryden is not connected with the group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties, or where not available, to market yields.

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

	2022	2021
	£'000	£'000
Cost	**52,436**	52,436

As noted in note 2, rental income earned during the year was £7,406,000 (2021: £5,399,000). At the balance sheet date, the group had contracted with tenants for the following future minimum lease receipts:

Amounts receivable in	**2022**	2021
	£'000	£'000
Less than 1 year	**4,230**	2,944
More than 1 year but less than 5 years	**7,364**	5,373
More than 5 years	**1,214**	1,954
Total amounts receivable under non-cancellable operating leases	**12,808**	10,271

12. Investments (Company)

On 13 November 2019, Edinburgh Airport Limited paid £100 to acquire 100 ordinary shares of £1 each on incorporation of Edinburgh Airport Services Limited (SC647041), amounting to 100% of the issued ordinary share capital. The registered office of Edinburgh Airport Services Limited is Edinburgh Airport, Edinburgh, Scotland, EH12 9DN. The principal activity of Edinburgh Airport Services Limited is the provision of airport operational services. Edinburgh Airport Services Limited have claimed exemption from audit of their individual accounts under section 479 of the Companies Act 2006.

13. Stocks

Group

	2022	2021
	£'000	£'000
Raw materials and consumables	**1,021**	1,046

Company

	2022	2021
	£'000	£'000
Raw materials and consumables	**1,016**	1,039

Group and Company
The replacement cost of raw materials and consumables at 31 December 2022 and 31 December 2021 was not materially different from the amount at which they are included in the Statement of financial position.

14. Debtors

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade debtors	**7,692**	3,669	**7,686**	3,658
Accrued income	**7,332**	3,920	**7,332**	3,643
Prepayments	**2,416**	1,494	**2,280**	1,485
Corporation tax receivable	**-**	291	**-**	291
Amounts receivable from subsidiary	**-**	-	**797**	593
Amounts receivable from other group undertakings	**252**	141	**252**	141
Other debtors	**128**	128	**128**	128
Total	**17,820**	9,643	**18,475**	9,939

	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Amounts falling due after more than one year:				
Fair value of floating to fixed interest rate swaps (note 17)	**51,458**	-	**51,458**	-
-Amounts receivable from other group undertakings – non-interest bearing[1]	**376,465**	376,465	**376,465**	376,465
Amounts receivable from other group undertakings – interest bearing[2]	**2,731**	1,619	**2,731**	1,619
Total	**430,654**	378,084	**430,654**	378,084
Total debtors	**448,474**	387,727	**449,129**	388,023

[1] Non-interest bearing amounts receivable from other group undertakings due after more than one year relate to amounts owed by the immediate parent group, Green Bidco Limited. Included within this balance is accrued interest of £2,863,000 (2021: £2,863,000) which is payable on full settlement of the outstanding balance. Following the refinancing in May 2014, interest ceased to be charged on the loan. The loan is not repayable for at least 5 years.

[2] Interest-bearing amounts receivable from other group undertakings due after more than one year relate to a £2,500,000 (2021: £1,500,000) loan amount owed by another group company, Crosswind Developments Limited. Interest is accrued on the loan at Bank of England Base Rate plus a fixed margin. Total interest accrued as at 31 December 2022 was £231,000 (2021: £119,000). The loan is repayable in 2024.

15. Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Trade creditors	**5,746**	2,451	**5,585**	2,450
Capital creditors	**5,829**	3,957	**5,829**	3,957
Deferred finance charges	**(479)**	(479)	**(479)**	(479)
Accruals	**32,697**	23,836	**32,478**	23,526
Deferred income	**4,233**	2,622	**4,233**	2,622
Other creditors	**1,316**	630	**1,316**	630
Corporation tax payable	**11,304**	-	**11,300**	-
Other taxes and social security costs	**4,116**	1,868	**3,658**	1,694
Total	**64,762**	34,885	**63,920**	34,400

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

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Financing liabilities				
External borrowings (a)	**1,055,300**	1,113,300	**1,055,300**	1,113,300
Deferred finance charges	**(123)**	(568)	**(123)**	(568)
Fair value of floating to fixed interest rate swaps (note 17)	**-**	10,731	**-**	10,731
Total financing liabilities	**1,055,177**	1,123,463	**1,055,177**	1,123,463
Amounts payable to other group undertakings	**1,300**	1,300	**1,300**	1,300
Deferred income (b)	**1,113**	1,501	**1,113**	1,501
Total	**1,057,590**	1,126,264	**1,057,590**	1,126,264

(a) External borrowings

Borrowings are repayable in instalments as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Between one and two years	**350,300**	-	**350,300**	-
Between two and five years	**225,000**	488,300	**225,000**	488,300
Between five and ten years	**420,000**	565,000	**420,000**	565,000
Greater than ten years	**60,000**	60,000	**60,000**	60,000
Total due in more than one year	**1,055,300**	1,113,300	**1,055,300**	1,113,300
Total	**1,055,300**	1,113,300	**1,055,300**	1,113,300

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

At 31 December 2022 the average interest rate payable on borrowings was 3.40% p.a. (2021: 3.44%), inclusive of the effect of interest rate swaps used to hedge floating interest rates on the underlying debt.

At 31 December 2022 the group had £60.0 million undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date (2021 - £2.0 million).

(b) Deferred income

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

Analysis of capital grants within deferred income is as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Balance brought forward at 1 January	**1,889**	2,277	**1,889**	2,277
Amortised in the year	**(388)**	(388)	**(388)**	(388)
31 December	**1,501**	1,889	**1,501**	1,889
Represented by:				
Due within one year	**388**	388	**388**	388
Due after more than one year	**1,113**	1,501	**1,113**	1,501
Total capital grants	**1,501**	1,889	**1,501**	1,889

Notes to the financial statements for the year ended 31 December 2022 (continued)

17. Financial Instruments (Group and Company)

The group and company use interest rate swaps to manage exposure to interest rate movements on its bank and institutional borrowings. Contracts with nominal values of £547.5 million (2021: £352.5 million) fix interest on variable rate debts at an average rate of 2.06% (2021: 2.18%) for periods up until 2034.

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

Interest rate swaps with nominal values of £250.0m (2021: £250.0m) meet the conditions for hedge accounting, as set out in the accounting policies.

During the year, the group and company acquired additional interest rate swaps with a total nominal value of £195.0m (2021: £102.5m).

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

	2022		2021	
	Nominal value	**Fair value**	Nominal value	Fair value
Maturity date	**£'000**	**£'000**	£'000	£'000
Two to five years	**295,000**	**13,551**	160,000	(5,944)
Over five years	**252,500**	**37,907**	192,500	(4,787)
	547,500	**51,458**	352,500	(10,731)

The interest rate swaps settle on a semi-annual basis. The floating rate on the interest rate swaps is now linked to SONIA. The group will settle the difference between the fixed and floating interest rate on a net basis.

In respect of the interest rate swaps which meet the conditions for hedge accounting, a gain of £20,919,000 (2021: £15,905,000 gain) was recognised in other comprehensive income. A gain of £2,779,000 (2021: £1,109,000 loss) was recognised in profit and loss in relation to hedge effectiveness.

18. Provisions for liabilities – deferred tax

	Group		**Company**	
	2022	2021 as restated	**2022**	2021 as restated
	£'000	£'000	**£'000**	£'000
Provision at start of the year	**38,689**	28,451	**38,842**	28,553
Adjustment in respect of prior years	**928**	(240)	**928**	(240)
Charged to income statement	**16,102**	4,145	**16,100**	4,196
Credited to other comprehensive income	**5,317**	6,333	**5,317**	6,333
Provision at end of the year	**61,036**	38,689	**61,187**	38,842

Deferred tax is provided as follows:	**2022**	2021 as restated	**2022**	2021 as restated
	£'000	£'000	**£'000**	£'000
Fixed asset timing differences	**56,532**	48,654	**56,532**	48,653
Short term timing differences	**12,878**	(2,515)	**12,894**	(2,507)
Losses	**(8,374)**	(7,450)	**(8,239)**	(7,304)
Total	**61,036**	38,689	**61,187**	38,842

Deferred tax assets:	**2022**	2021 as restated	**2022**	2021 as restated
	£'000	£'000	**£'000**	£'000
Recoverable after 12 months	**8,374**	9,965	**8,239**	9,811
Total	**8,374**	9,965	**8,239**	9,811

Deferred tax liabilities:	**2022**	2021 as restated	**2022**	2021 as restated
	£'000	£'000	**£'000**	£'000
Payable after 12 months	**69,410**	48,654	**69,426**	48,653
Total	**69,410**	48,654	**69,426**	48,653

18. Provisions for liabilities – deferred tax (continued)

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

The UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This will increase the company's future tax charge accordingly. The rate change was substantively enacted on 24 May 2021 and has therefore been applied when calculating the company's deferred tax balances at the balance sheet date. Therefore, the deferred tax assets and liabilities as at 31 December 2022 have been measured using the rates that would be expected to apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind.

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

Fixed asset timing differences – Land & investment properties	**25%**
Fixed asset timing differences – assets qualifying for capital allowances	**25%**
Short term timing differences	**23.5%**

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

19. Called-up share capital

	Group and Company	
	2022	2021
Called up, allotted and fully paid:	**£'000**	£'000
At 1 January and 31 December	**6,500**	6,500

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

20. Dividends paid (Group and Company)

	2022	2021
	£'000	£'000
Dividend for the year:		
£nil (2021: £nil) per ordinary share	**-**	-

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

Commitments for capital expenditure
Contracted capital expenditure commitments amount to £5,389,000 (2021: £4,772,000).

Commitments under operating leases
There are no future minimum lease payments due under non-cancellable operating leases as at 31 December 2022 (2021: none).

22. Retirement benefit schemes (Group and Company)

Defined contribution scheme

The group operates a defined contribution pension scheme for all qualifying employees. The total cost charged to profit and loss in the year of £3,347,000 (2021: £1,660,000) represents contributions payable to this scheme by the group at rates specified in the rules of the plan. As at 31 December 2022, £328,000 (2021: £154,000) was due in respect of the current period and remained unpaid to the scheme. Such amounts were paid in January 2023 when they fell due for payment.

Defined benefit scheme

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

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

Following consultation with its members and trustees, the defined benefit pension scheme was closed to future accrual with effect from midnight on 30 April 2016. The members of the scheme were thereafter entitled to participate in the group's defined contribution scheme, details of which are noted above. The estimated amount of total employer contributions expected to be paid to the plan during 2023 is £nil (2022: £nil).

The valuation used has been based on the most recent full actuarial valuation at 31 March 2019 and was updated by Spence & Partners for full member data as at 31 December 2022 to calculate the fair value of the scheme assets and the present value of the defined benefit obligation at 31 December 2022.

The current surplus in relation to this scheme is estimated to be £8,553,000 (2021: £7,856,000 surplus).

Key assumptions used	**2022**	2021
Discount rate	**4.8% pa**	1.9% pa
Inflation measured by:		
Retail Prices Index (RPI)	**3.2% pa**	3.2% pa
Consumer Prices Index (CPI)	**2.5% pa**	2.5% pa
Pension increases[1]	**3.0% pa**	3.0% pa
Life expectancy of male aged 60	**26.0 years**	26.0 years
Life expectancy of female aged 60	**28.3 years**	28.3 years
Life expectancy of male aged 60 in 2042	**27.7 years**	27.7 years
Life expectancy of female aged 60 in 2042	**30.3 years**	30.0 years

[1]Based on the most common category of pension scheme members

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

	Change in assumption	**31 December 2022 £'000**	31 December 2021 £'000
Discount rate	+ 0.1%	**(1,000)**	(2,000)
Inflation assumptions	+ 0.1%	**700**	1,500
Life expectancy	+ 1 year	**1,200**	3,200

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

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

	2022 £'000	2021 £'000
Opening net defined benefit asset/(liability)	**7,856**	(4,778)
Credit/(cost) in statement of financial position	**149**	(64)
Amounts recognised in other comprehensive income	**548**	12,698
Closing net defined benefit asset	**8,553**	7,856

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

	2022 £'000	2021 £'000
Interest (income)/expense	**(149)**	64
Actuarial gains on defined benefit pension scheme	**(548)**	(12,698)
Total gain recognised in Statement of comprehensive income	**(697)**	(12,634)

Of the gain for the year, £149,000 (2021: £nil) has been included within finance income in note 7, £nil (2021: £64,000) has been included within interest payable in note 8 and a gain of £548,000 (2021: £12,698,000) has been included in other comprehensive income.

The actual return on scheme assets was a loss of £34,087,000 (2021: gain of £9,149,000).

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

	2022 £'000	2021 £'000
Present value of defined benefit obligation	**(55,580)**	(92,519)
Fair value of scheme assets	**64,133**	100,375
Net asset recognised within the statement of financial position	**8,553**	7,856

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

	2022 £'000	2021 £'000
Opening defined benefit obligation	**92,519**	96,853
Interest expense	**1,728**	1,292
Actuarial gains	**(36,512)**	(4,777)
Benefits paid	**(2,155)**	(849)
Closing defined benefit obligation	**55,580**	92,519

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

	2022 £'000	2021 £'000
Opening fair value of scheme assets	**100,375**	92,075
Interest income	**1,877**	1,228
Actual return on plan assets less interest income	**(35,964)**	7,921
Benefits paid	**(2,155)**	(849)
Closing fair value of scheme assets	**64,133**	100,375

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

	2022 £'000	2021 £'000
Equity instruments	**4,327**	24,101
Multi-asset credit	**7,368**	22,556
Diversified growth funds (DGF)	**6,496**	18,885
Property	**4,703**	5,252
Liability driven investment	**16,693**	18,396
UK Corporate bonds	**5,327**	5,438
Government bonds	**9,638**	-
Forestland	**4,723**	-
Cash	**4,858**	5,747
Closing fair value of scheme assets	**64,133**	100,375

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

23. Related party transactions (Group and Company)

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

At 31 December 2022 there is a loan to one of the directors of £82,000 (2021: £82,000). The balance is included in the other debtors balance in Note 14. £22,000 of this loan balance was granted in relation to the tax costs associated with the Long Term Incentive Plan (LTIP).

24. Notes to the Group Statement of cash flows

Net cash flows from operating activities:

	2022	2021 as restated
	£'000	£'000
Profit / (loss) for the financial year per Statement of comprehensive income	**77,828**	(46,131)
Depreciation charge	**35,474**	32,687
Taxation	**28,266**	4,130
Interest payable	**43,243**	38,829
Interest receivable	**(942)**	(81)
Fair value (gain)/loss on derivative financial instruments	**(42,387)**	1,287
Fair value gain on investment property	**(24,493)**	(10,992)
Derecognition of fixed assets	**1,150**	805
Amortisation of capital grants	**(388)**	(388)
Decrease/(increase) in stock	**25**	(55)
Increase in debtors	**(8,357)**	(2,990)
Increase in creditors	**16,700**	135
Cash inflow from operations	**126,119**	17,236
Income taxes refunded	**261**	2,920
Net cash generated from operating activities	**126,380**	20,156

Components of cash and cash equivalents:

	2022	2021
	£'000	£'000
Cash	**60,705**	50,238
	60,705	50,238

25. Post balance sheet event

On 5 April 2023, the group refinanced the debt facilities which were to fall due in March 2024 and May 2024, amounting to £175.3 million and £235.0 million respectively, by agreeing a £450.0 million 5-year bank debt facility with a number of banks. The funding package includes a £350.0 million Term Loan and a £100.0 million Revolving Credit Facility. The proceeds have been applied to the full prepayment of the debt facilities which fall due in March 2024 and May 2024. The group's next scheduled debt maturity is in October 2026 when £80.0 million of long-term institutional debt is due for repayment.