FARNBOROUGH AIRPORT

ANNUAL REPORT 2021

Group Strategic Report, Directors' Report and Consolidated Financial Statements
for the Year Ended 31 December 2021 for Farnborough Airport Company Limited
(formerly Farnborough Airport Bidco Limited)

Farnborough Airport Company Limited (formerly Farnborough Airport Bidco Limited)
Company Information

Directors:
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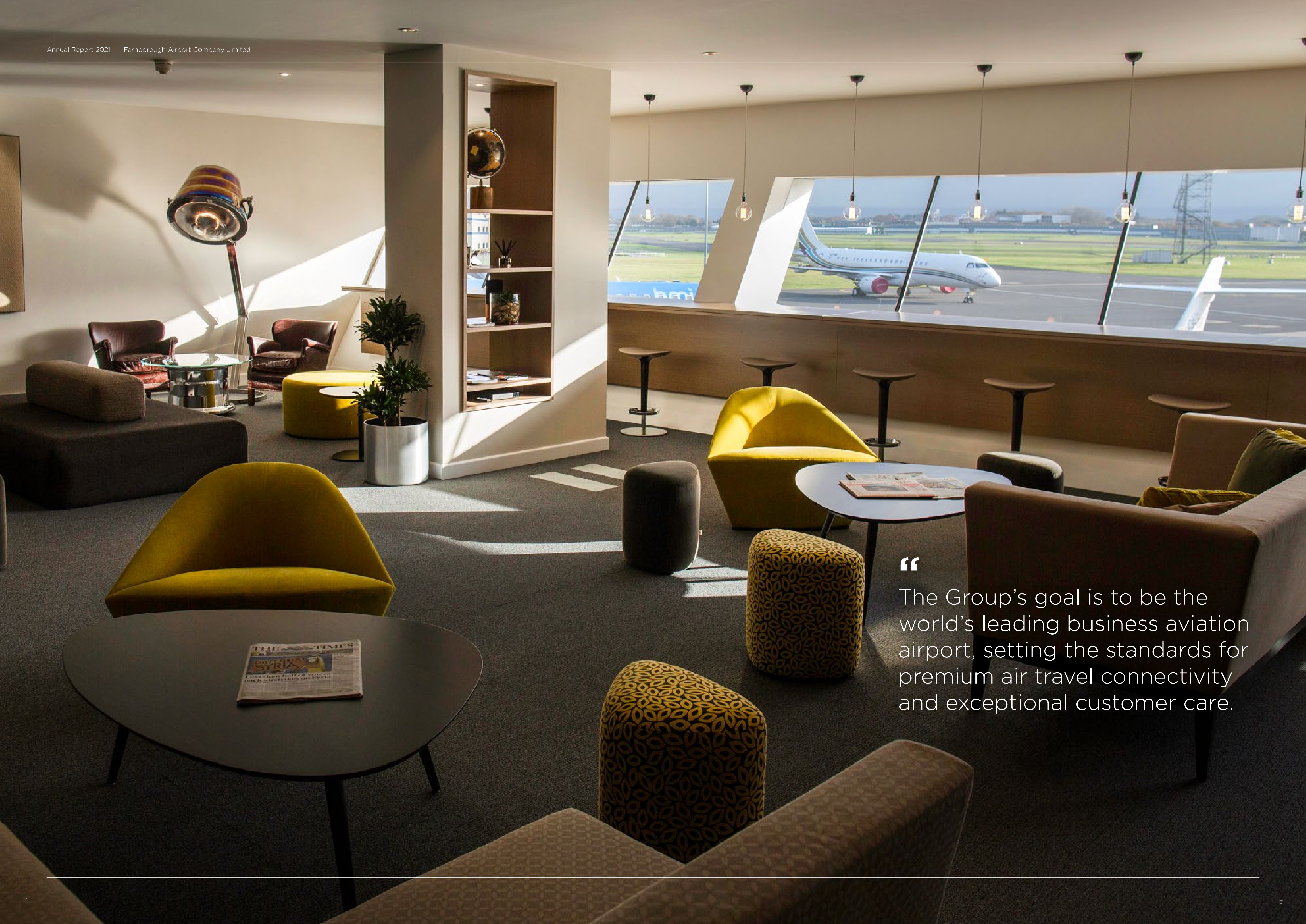
FARNBOROUGH
AIRPORT

REPORT

FINANCIAL



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> The Group’s goal is to be the world’s leading business aviation airport, setting the standards for premium air travel connectivity and exceptional customer care.

GROUP STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2021. This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Farnborough Airport Company Limited (FACL) and its subsidiary undertakings (the "Group") when viewed as a whole. The Directors in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

PURPOSE AND STRATEGY

“The passion, capability and expertise of the Group’s employees is central to the delivery of our strategy.

The Group’s principal activities are the operation of Farnborough Airport, a full-service business aviation airport located on the M3 motorway corridor southwest of London.

Activities include airfield operations, passenger and aircraft handling services, hangarage for contract and transient aircraft parking, as well as real estate facilities including an on-airport hotel - the Aviator Hampshire.

The Group’s goal is to be the world’s leading business aviation airport, setting the standards for premium air travel connectivity and exceptional customer care.

Farnborough Airport is the most modern airport of its kind, offering a fully dedicated and integrated product to its customers. The airport only serves business aviation, with all core activities undertaken by the Group and without unnecessary reliance on third-party service providers.

This enables the Group to provide a complete portfolio of business aviation services, dedicated solely to delivering a peerless and truly exceptional customer service experience. From the award-winning terminal building design, to the iconic curves of the state-of-the-art aircraft hangars, each facility has been meticulously designed with the customer in mind.

The Group’s employees are at the heart of everything it does. The passion, capability, and expertise of its employees is fundamental to the delivery of the Group’s strategy. The Group looks to recruit from the local community where possible, in turn supporting regional employment and apprenticeship opportunities.

Attracting, developing and retaining its people is a core focus for the Group, as it progresses towards its goal of being “an employer of choice and responsibility”, both within the local region and across the broader business aviation sector. More detail on the Group’s activities as a responsible employer can be found on page 29.

In 2018, Farnborough Airport became the first business aviation airport in the world to achieve Airport Carbon Accreditation, recognising its carbon neutral status. The Group has retained this carbon neutral status annually since 2018. Sustainable Aviation Fuel (“SAF”) has been available at Farnborough Airport since July 2021 and significant progress was made in 2021 in transitioning to vehicle fleet electrification with nine new electric vehicles entering service during the year. Since 2020, Farnborough Airport has participated in the annual Global Real Estate Sustainability Benchmark (GRESB) programme and will continue to participate going forward.

The Group has a dedicated Sustainability Team and Farnborough Airport’s Environmental Management System has been ISO 14001 certified since 2015. Looking forward, a key focus for the Group remains the delivery of sustainable investment opportunities and technologies across its infrastructure and facilities.

Understanding that its business activities have the potential to impact the environment, the Group is committed to ensuring the highest standards of environmental performance and has a goal to be “a global sustainability showcase for airports.”

BUSINESS MODEL

The Group provides business aviation services to a broad customer base including charter and fractional operators, managed operators and corporate/private owners.

The primary benefits for users of Farnborough Airport are connectivity, convenience and complete travel assurance. Where the aviation services include airfield operations, passenger and security processing, aircraft handling and fuelling, parking and hangarage, and other ancillary services.

The Group's on-site luxury hotel complements the extensive crew facilities, which include a gym and snooze rooms. The product offering is significantly differentiated from potential competitors as the Group has a fully integrated operation between the airport and its passenger and aircraft handling activities. Further, the product is solely dedicated and tailored to the needs of business aviation.

The Group is used by all major business aviation operators and has a well-established leading position in the London and southeast of England business aviation market. Typically, more than 800 international connections are served from Farnborough Airport, with no significant concentration or dependency on any customer market or destination. Around 90% of the airport's activity relates to short-haul destinations.

The Company's ultimate parent and controlling party is Macquarie European Infrastructure Fund 6 SCSp which is a long-term infrastructure fund managed by Macquarie Asset Management (MAM).

MAM is the asset management arm of the Macquarie Group. MAM is a top 50 global asset manager, investing to deliver a positive impact for everyone. MAM provides investment solutions to clients across a range of capabilities in Private Markets and Public Investments, including infrastructure, green investments, agriculture and natural assets, real estate, private credit, asset finance, equities, fixed income and multi-asset solutions. As at 31 March 2022, MAM had €523 billion of assets under management.

MAM is a global leader in the infrastructure sector. Demonstrating its knowledge and expertise in the core infrastructure sector, MAM currently manages 157 infrastructure assets located in 26 countries with €133 billion of assets under management for investment in infrastructure.

Typically, more than **800** international connections are served from Farnborough Airport.

The Group's unique competitive strengths can be summarised as:

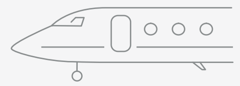
Totally dedicated and tailored to the needs of business aviation

Iconic architecture & design, ultra-modern look, feel and ambience

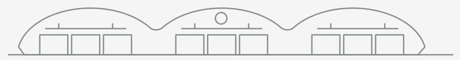
Uniquely integrated operations delivering exceptional levels of efficiency

Extensive crew facilities complemented by an on-site luxury hotel

Luxury concierge service providing an award-winning customer experience



Full-service aircraft support including Gulfstream's European Maintenance Repairs Overhaul (MRO) facility



State-of-the-art hangarage offering 22,000 m^2 of temperature-controlled parking facilities

STRATEGIC FOCUS AREAS

- **Investment and development in our product and facilities**
- **Continued delivery of exceptional customer care**
- **Expanding our Corporate Responsibility activities**
- **Putting sustainability at the heart of everything we do**
- **Being an employer of choice and responsibility**
- **Positively developing our brand and values**

FUTURE DEVELOPMENT AND TRENDS

The business aviation sector has made a swift and pronounced recovery from the Covid-19 pandemic.

The Group has seen a strong recovery in traffic since August 2021 as Covid-19 related restrictions were eased in the UK. This recovery has been sustained into Q1 2022 with the Group's traffic levels 15% higher than pre-pandemic levels.

The Directors anticipate that activity levels will remain robust in the medium term as business aviation benefits from a combination of pent-up demand and a growing number of first-time users to business aviation who are increasingly appreciating the ease, convenience and assurance of premium air travel through Farnborough Airport. The sanctions in place against Russia resulting from their military action in Ukraine has not, and is not expected to have, a significant impact on the business. This again reflects the lack of dependency and exposure of the Group to any one geographical market.

Over the longer term the Directors anticipate that demand for business aviation services at Farnborough Airport will grow as a consequence of overall market growth.

There remains significant potential to increase the airport's customer base through actively marketing the key connectivity and time benefits of Farnborough Airport.

The Group's strategy is to continue to invest in its infrastructure and facilities to further improve its market leading position.

The Group took a major step forward on delivering this strategy in April 2022 when the Board approved investment in a third hangar, additional aircraft stands and an expansion of taxiways. Construction will commence in the summer of 2022 with full completion anticipated in the first half of 2024. Once complete, hangar capacity at the airport will be increased by more than 70%. The Directors believe this development is an important part of Farnborough Airport's growth strategy.

Sustainability will continue to be a key focus for the aviation sector. The industry anticipates that the use of SAF will significantly increase over time supported by investment in the supply chain to boost production which will increase physical availability and reduce the current price differential between Jet A1 and SAF.

Artist's impression of the third hangar

Key Performance Indicators

KPI		2021	2020	Movement
ATMs	1	26,007	19,952	2021 volumes were up 30% from 2020 as the Airport recovered strongly from the pandemic, posting new traffic records for each particular calendar month from August to December 2021.
Turnover	2	£70.0m	£53.6m	£16.4m increase primarily due to ATM growth.
Normalised EBITDA	3	£28.4m	£25.0m	2021 EBITDA was materially higher driven by the recovery of traffic volumes as Covid-19 related travel restrictions were lifted.
Normalised EBITDA margin	4	56.4%	58.1%	Slight reduction due to additional £3m turnover recognised in 2020 (£2.5m of Business interruption insurance and £0.5m of Coronavirus Job Retention Scheme).
Loss before taxation		(£28.7m)	(£30.7m)	Improved performance delivered through ATM growth and cost control.

1. ATMs: Air Traffic Movements drive landing & handling fees, fuel sales and parking revenues
2. Turnover: Income generated from the Airport and the Hotel
3. Normalised EBITDA: EBITDA drives operating cashflow facilitating distributions to shareholders, this measure removes exceptional and non-underlying items.
4. Normalised EBITDA margin: The ratio of normalised EBITDA to turnover from airport operations (note 3) less fuel purchase costs (2021: £12.3m, 2020: £5.2m).

	2021 £m	2020 £m
Operating Loss	(3.4)	(7.1)
Depreciation and amortisation	31.3	31.5
Business interruption insurance	(0.9)	-
UK Government Coronavirus Job Retention Scheme repayment	1.4	-
Change of ownership costs	-	0.6
Normalised EBITDA	**28.4**	25.0

OPERATIONAL REVIEW

Traffic volumes were clearly impacted by UK national lockdowns with a rapid and strong recovery following the easing of restrictions.

Whilst during the first lockdown activity dropped sharply, in the second and third lockdowns where travel was permitted, but for essential reasons, Farnborough Airport handled (c.60%) of its normalised traffic. As illustrated in the following chart the business has recovered strongly since August 2021. September 2021 witnessed the highest ever monthly ATM movements. From August 2021 to May 2022 the Airport has consistently recorded new “monthly” record ATMs. Throughout the pandemic the Group performed considerably better than commercial airports, as evidenced by the chart opposite (source data: Airports Council International and Civil Aviation Authority).

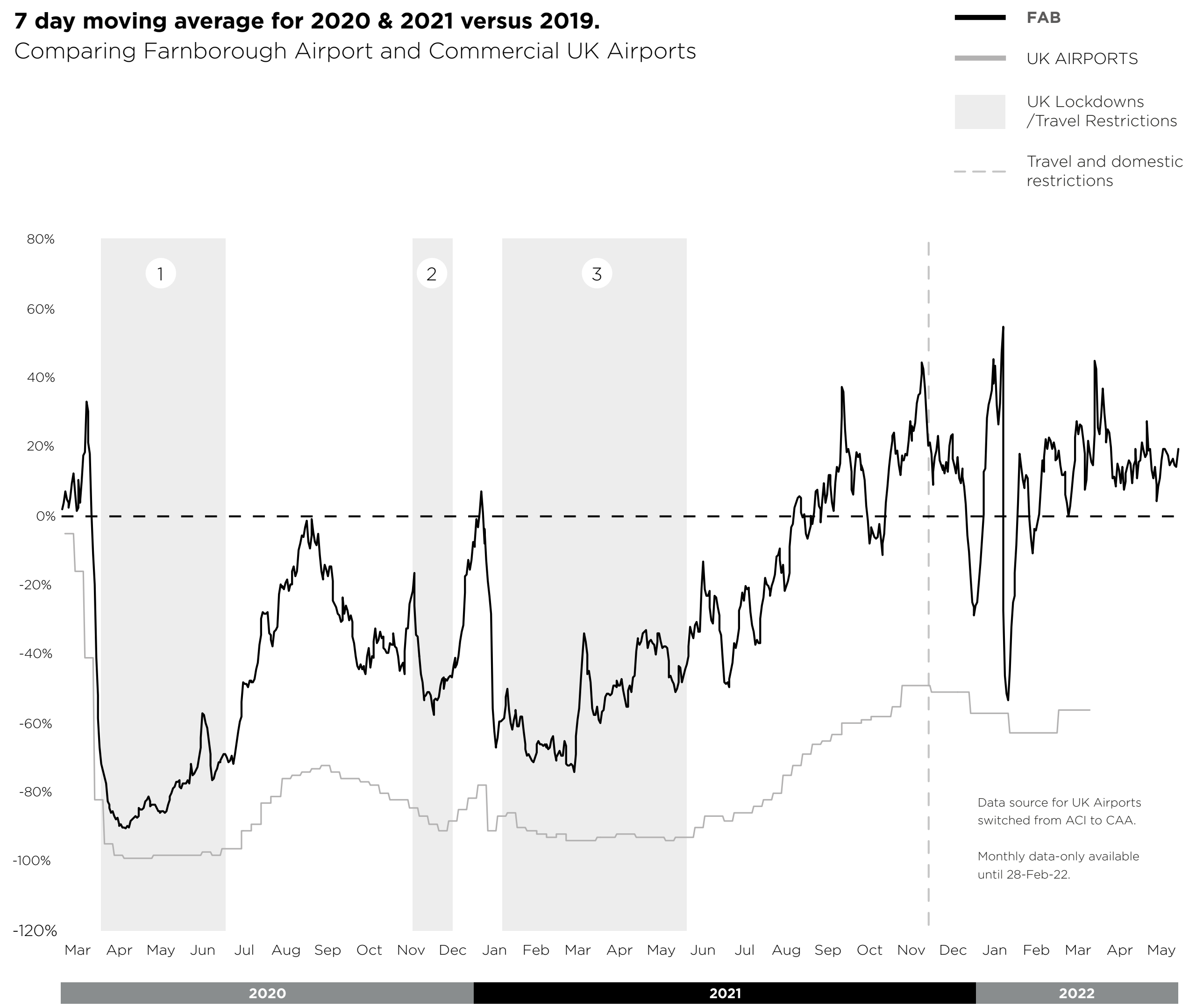
In February 2021 Farnborough Airport was designated as one of five “red list” entry ports to the UK. The Group was proud to play a key role in supporting the UK Government’s response to the Covid-19 pandemic.

From 29 March to 16 May 2021 there was a ban on international travel to and from England which meant that only flights meeting an essential reasons test were allowed to operate from England to anywhere beyond the common travel area.

During this period the Airport remained fully operational and facilitated 4,436 ATM flights, all of which were processed by UK border force in accordance with government restrictions. Throughout the Covid-19 pandemic the Group has played a key role in providing essential international connectivity, emphasising the critical nature of much of Farnborough Airport’s underlying business.

The Hotel continued to operate in line with government guidelines and continues to move to pre-pandemic occupancy levels.

7 day moving average for 2020 & 2021 versus 2019.
Comparing Farnborough Airport and Commercial UK Airports



Q1 2022 Group’s traffic levels **15% higher** than in 2019

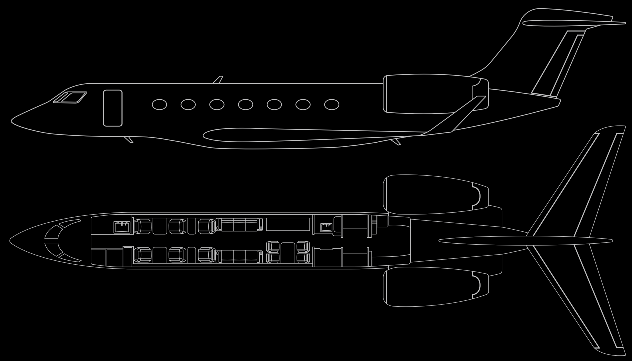
During the Covid-19 pandemic the Group was focussed on ensuring appropriate processes and controls were in place to ensure the continued safety of its staff, business partners and customers. Specific Covid-19 risk assessments were applied to manage risk and embed appropriate effective control measures. These control measures included, but were not limited to, the installation of protective screens in key areas, clear guidance on mask wearing requirements, availability of on-site testing for all staff, provision of hand sanitiser units and enhanced cleaning regimes.

The cost control programme introduced at the outset of the pandemic, which enabled the business to protect the jobs of its highly skilled and dedicated workforce, was continued during the first half of 2021. Measures included the review of contracts with key suppliers, strict controls of non-contracted costs and the deferral of non-essential capital expenditure.

As a result of these measures the Group was able to navigate the pandemic without making any redundancies across its business, a testament to the resilient nature of its revenue streams and the high-quality employment opportunities this enables it to support.

Given the strong and sustained recovery experienced by the Group in the second half of the year, the Directors took the decision in September 2021 to voluntarily repay in full and immediately the £2.1m received under the UK Government Coronavirus Job Retention Scheme. This scheme played a key role in supporting the Group to protect all jobs within both the airport and hospitality businesses during a period of significant uncertainty. Increased confidence about the future, combined with a strong balance sheet, enabled the Group to repay the support aligned with the Group's broader social and Corporate Responsibility goals.

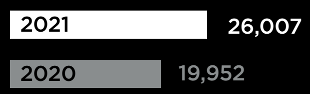
Looking forward, the Group is positive about performance in 2022. The successful roll out of vaccines and associated easing of restrictions drives an expectation that traffic volumes and hotel activity in 2022 will recover to 2019 levels and could possibly even exceed them.



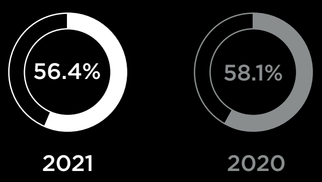
HIGHLIGHTS

Group normalised EBITDA (£000s)

ATMs



Group normalised EBITDA margin



Group Turnover (£000s)

		H1	H2	Total
ATMS	2021	8,317	17,690	**26,007**
	2020	8,340	11,612	**19,952**
Group Turnover (£000s)	2021	23,611	46,341	**69,952**
	2020	24,335	29,292	**53,627**
Group normalised EBITDA (£000s)	2021	8,217	20,244	**28,460**
	2020	7,980	16,978	**24,958**
Group normalised EBITDA margin	2021	45.2%	62.7%	**56.4%**
	2020	45.4%	66.8%	**58.1%**
Loss before taxation (£000s)	2021	19,944	8,725	**28,669**
	2020	19,046	11,659	**30,705**

FINANCIAL REVIEW

The Group's operating loss for the year ending 31 December 2021 was £3.4m (2020: £7.1m), with cashflows generated from operating activities at £19.0m (2020: £18.0).

As per the table opposite the Covid-19 pandemic had a material impact on the Group normalised EBITDA during H1 but both Farnborough Airport ("Airport") and The Aviator Hampshire ("Hotel") remained operational throughout. Since August 2021 traffic levels have demonstrated the resilience the Airport has within the aviation sector which directly correlated to improved H2 results.

Aeronautical revenue per ATM (includes landing and handling, transient parking, fuel margin, disbursements and sundry income) was £1,826 up 4% from £1,756 in 2020.

Normalised operating costs (exclude exceptional, non-underlying and fuel costs) of £29.2m were £4.6m higher than 2020 reflecting increased activity levels across the Group. Please refer back to page 15 for removed items.

The Group recognised £0.9m of income relating to the successful claim under the Group's business interruption insurance policies related to Covid-19. This is in addition to the £4.1m recognised in 2020.

The Group maintained a strong liquidity position and headroom under all external debt facilities covenants throughout the year.

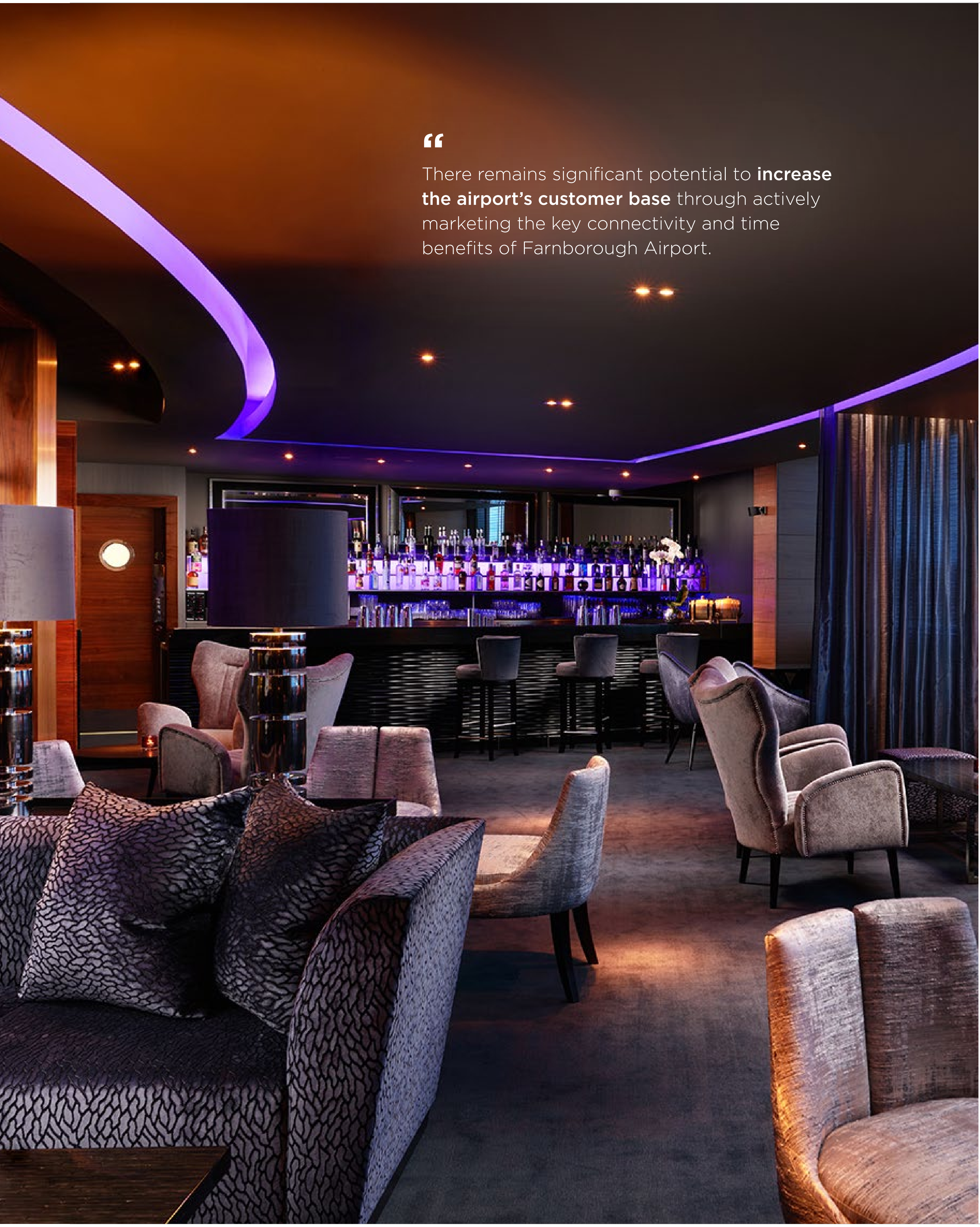
At 31 December 2021 the Group had £9.8m cash in hand, net current assets of £12.3m and drawn down external bank facilities of £160.1m.

Interest under these facilities is payable each quarter; the loan matures in September 2024. The facilities include covenants on interest rate coverage (available cashflow to senior net debt service costs) and leverage (senior net debt to EBITDA). The Group reports backward performance and forward projected performance against these ratios quarterly.

As at 31 December 2021 the Group has a loan of £306.7m from its parent company, Farnborough Airport Midco Limited. Under the terms of this loan agreement any unpaid interest is added to the outstanding principal. The loan is repayable in September 2035.

£8.6m of the principal loan was repaid (2020: £nil) and £26.1m of interest was paid (2020: £nil) during the 12 months to 31 December 2021.

As a result of the recovery from the global Covid-19 pandemic the directors recommended and paid dividends during the 12 months ended 31 December 2021 of £11.15m (2020: £nil).



PRINCIPAL RISKS, UNCERTAINTIES AND RISK MANAGEMENT

The Group actively manages key risks through formal processes. The major risks for the Group, details of key mitigants and the risk profile are detailed below.

Safety risks
Health, Safety and wellbeing is a core value for the business. The Airport has an established Safety Management System which includes formal risk assessment process for all key activities.

The Group operates under the supervision of a Health, Safety, Security, Environment and Risk Committee (“HSSER”) which is a sub-committee of the Board and is chaired by the Group CEO. The main purpose of the HSSER is to provide the Board with assurance as to the adequacy and effectiveness of the Group’s HSSER management systems and their application. During 2021 the Airport achieved ISO 45001 certification for its Safety Management System.

Regulatory risks
Civil Aviation Authority (CAA) and Department for Transport (DfT) regulations
The Airport is required to hold licences and certificates to operate including EASA, Health & Safety and Fire Safety in order to operate. To maintain this certification the Airport applies certification to EASA and ISO standards with robust systems and process to ensure compliance including; suitably trained and qualified staff, robust compliance procedures, audit programme and a focus on developing a “just” safety culture.

Environmental risks
Environmental risks are managed throughout the Group to ensure effective Corporate Responsibility and to be compliant with its prevailing licences/certification and relevant planning conditions. Farnborough Airport manages and monitors these risks through an Environmental Management System which is certified to ISO 14001. The Group liaises with a range of external stakeholders supported with regular external reporting.

Cyber risk – information security
The Group collects, processes, stores and handles non-public data from customers and suppliers, and therefore must comply with all applicable data protection laws (including GDPR).

The Group operates extensive IT controls and cyber-attack testing is routinely completed. This is supplemented by the use of external IT specialists for specific risk evaluation and mitigation and a comprehensive on-line training programme is mandatory for all employees. Further, the Group is insured against cyber incidents, including 24-7 access to specialist support if required. The Group has established data management and compliance procedures in place and has a dedicated Data Protection Officer.

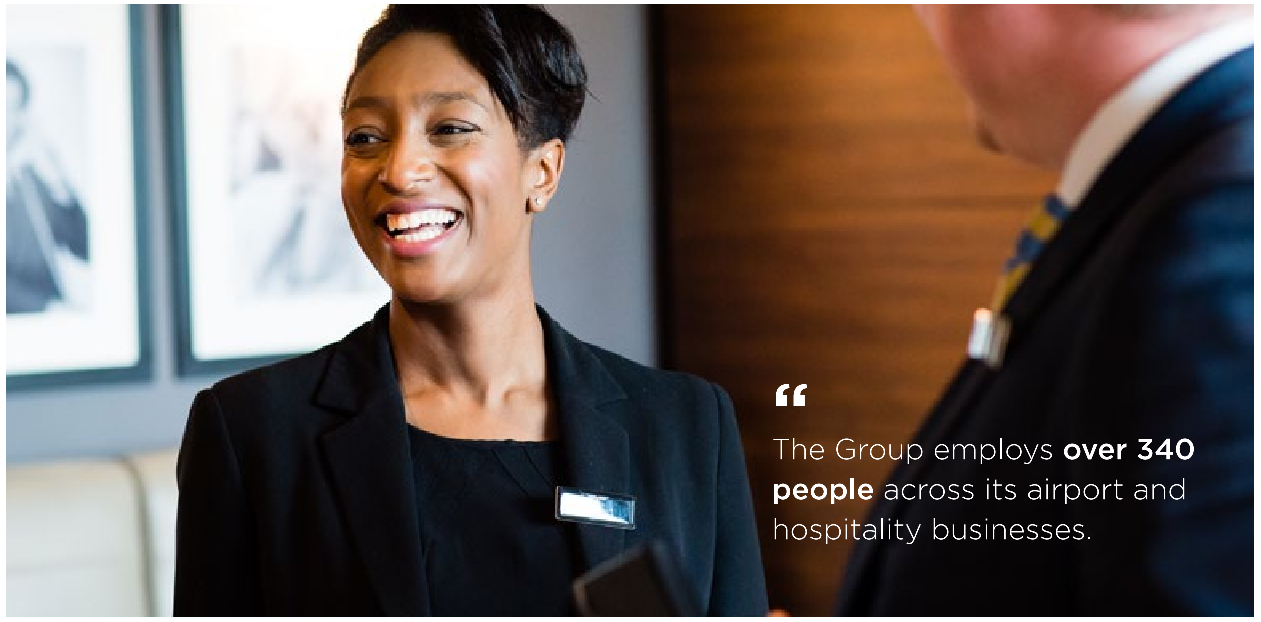
Resourcing
The Group employs over 340 people across its airport and hospitality businesses. The delivery of the Group's objectives is reliant upon attracting and retaining a skilled and motivated workforce. If the Group is not able to attract and retain the required talent this would have a detrimental impact on delivery of operational and strategic objectives. Unlike most of its peers, the Group was able to navigate the Covid-19 pandemic without making any redundancies.

However, the current employment market is challenged from both a supply and demand perspective. The risk is managed through employee engagement, development, and appropriate remuneration which together is monitored through several channels including an annual employee survey and a newly formed Employee Ambassador Forum. The Group's Remuneration Committee ensures salaries are assessed annually to support the Group's objectives in this regard.

Slavery and human trafficking risks
The Group is committed to ensuring that there is no modern-day slavery or human trafficking in its supply chains or in any part of its business. The Group's supply chain is mainly UK based and processes are in place for the Group to seek assurance that suppliers do not have human trafficking or slavery in their own supply chains. There have been no incidents or necessary actions to report in this regard and as such the Board do not consider this to be a material issue for the Group.

Commercial risk
Reduction in demand
Reduction in demand can be caused by a global economic recession resulting from economic, social, or political change. This can lead to a significant downturn on the primary revenue streams of the business. The impact of the global Covid-19 pandemic and economic impact of the current conflict in Ukraine has increased such risk. The risk for the Group is partly mitigated by ensuring depth and breadth amongst the customer base and by maintaining good communication and relationships with key customers.

Covid-19
New Covid-19 variants causing restrictions on international travel which could lead to a significant downturn on traffic and therefore affect the primary revenue streams for the Group. Further Covid-19 variants represent a risk to the Group's operational integrity. The impact of vaccination programmes across the UK, Europe and other key global destinations has significantly reduced this risk. Vaccination uptake and the advances in medicine to treat Covid-19 has allowed many countries to remove any testing before travel. Mitigation within the Group is limited to implementing best practice procedures to minimise the risk of infection to our staff and customers. Given the sustained nature of traffic recovery combined with the current and anticipated level of Covid-19 related travel restrictions this risk has reduced significantly.



"The Group employs **over 340 people** across its airport and hospitality businesses.

Financial Risk Management
The Board approves and reviews annually the Group's Treasury and Cash Management Policy. This policy sets a clear framework for efficient and effective cash management setting mandated minimum cash liquidity requirements and clearly details the responsibilities and authority limits across the Group.

Cashflow and liquidity risk
The Group maintains appropriate cash reserves to manage fluctuations in working capital. Regular reforecasting of business performance and associated cashflows is undertaken. There is limited exposure to interest rate fluctuations as the exposure is largely hedged over the medium term. A £10m working capital facility is in place.

The Group is funded through drawn bank facilities of £160.1m (2020: £155.6m) and a shareholder loan of £306.7m (2020: £304.7m). At the 31 December 2021 the Group had £9.8m in cash and equivalents (2020: £35.7m), £34.9m undrawn under its capex loan facility and an undrawn working capital facility of £10m.

The bank facilities include covenants on interest rate coverage (available cashflow to senior net debt service costs) and leverage (senior net debt to EBITDA). The Group reports backward performance and forward projected performance against these ratios quarterly. This ratio analysis is reviewed by the Board ahead of any distributions being approved.

The 31 December 2021 the interest rate coverage had 501%/619% headroom to default on a backward and forward looking basis; the leverage ratio had 68%/60% headroom to default on a backward and forward looking basis respectively.

Credit risk
The Group operates controls and procedures around new and existing customers which include setting and reviewing credit limits and monthly reporting and analysis of debt ageing. Unless a customer is based at the airport, credit terms are not available and invoices are settled on departure of an aircraft. Since the start of the Covid-19 pandemic less than £10k has been written off as bad debt. This illustrates both the effectiveness of internal processes and the resilience of the Group's customer base.

AN ENVIRONMENTALLY RESPONSIBLE BUSINESS

“In 2018, the airport became the first business aviation airport in the world to achieve **carbon neutral status** under the programme run by the Airports Council International.

Global warming and climate change are the biggest and most pressing challenges facing our generation. The number one COP26 objective is clear; “Secure global net zero by mid-century and keep 1.5 degrees within reach.”

The Group understands that its business activities have the potential to impact the environment and is committed to ensuring the highest standards of environmental performance and strives to be a global sustainability showcase for airports.

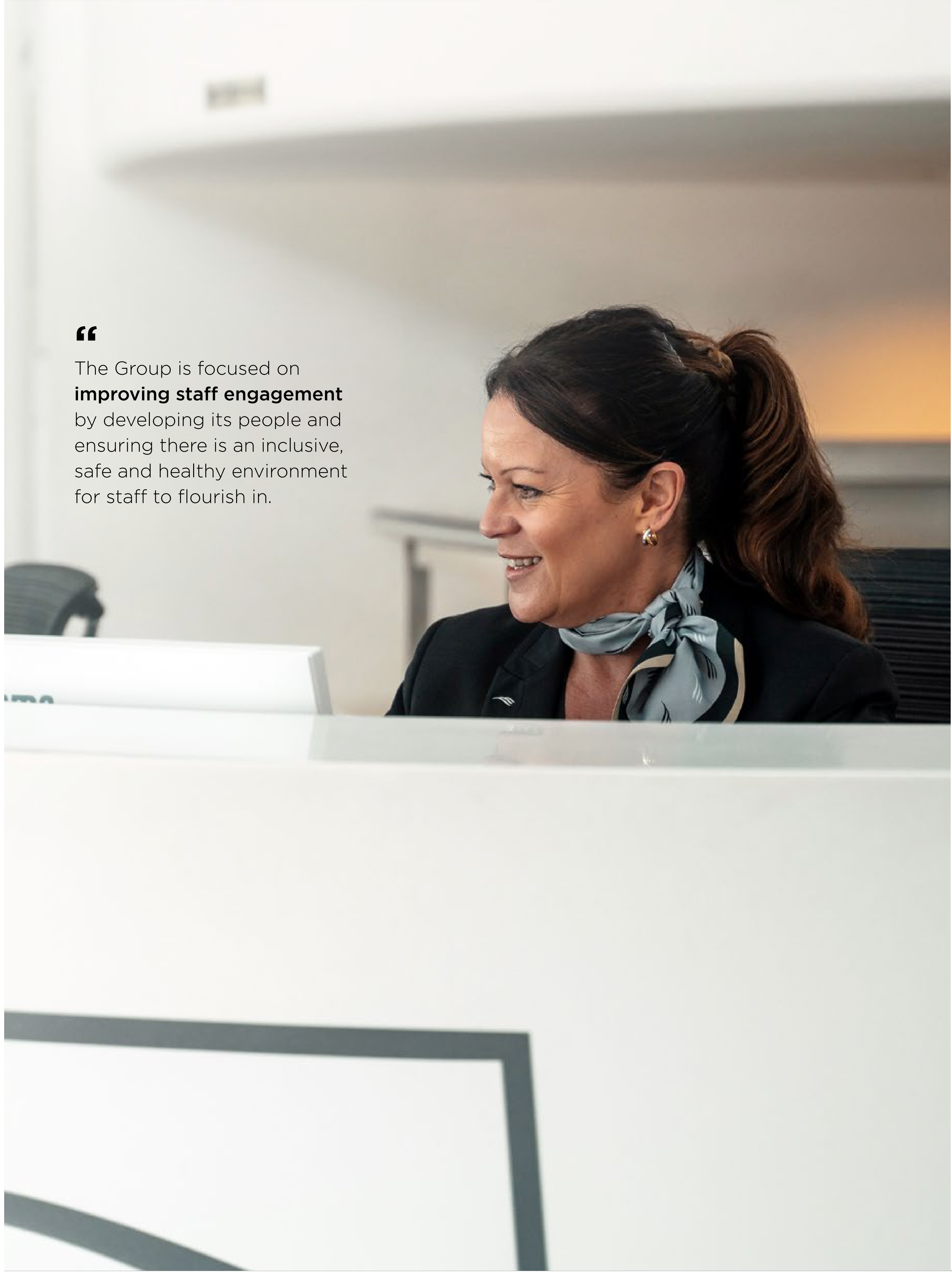
In 2018, the airport became the first business aviation airport in the world to achieve carbon neutral status under the programme run by the Airports Council International. It has retained this status annually since 2018. The Group has already reduced its carbon emissions by upgrading the airport’s lighting to LED and replacing nine on-site diesel vehicles to fully electric models. A new scheme to enable employees to purchase electric vehicles via salary sacrifice was also implemented and the Group has 22 EV charging stations available across the site.

All electricity purchased by the Group continues to be fully Renewable Energy Guarantees of Origin (REGO) certificated. While in July 2021, Farnborough Airport made SAF available to all its operators.

The Group’s ambition goes much further and we are committed to the continual improvement of environmental performance throughout all of our operations. To underpin this critical journey, the airport’s Road Map to Net Zero is currently being developed with the objective to reduce scope 1 and 2 carbon emissions to as close as zero as possible. See further details on page 41 - Streamlined Energy and Carbon Reporting.

The airport has a dedicated Sustainability Team and operates an ISO 14001 certified Environmental Management System (EMS). This ensures the airport’s environmental interactions and impacts are identified and managed within a structured, accountable, and transparent system. Through a commitment to enhance environmental performance, the Group aims to provide the necessary resources to achieve continual improvement in this area.

Through the implementation of its EMS, Farnborough Airport commits to actively manage pollution and maintain the highest levels of environmental protection.



> “The Group is focused on **improving staff engagement** by developing its people and ensuring there is an inclusive, safe and healthy environment for staff to flourish in.

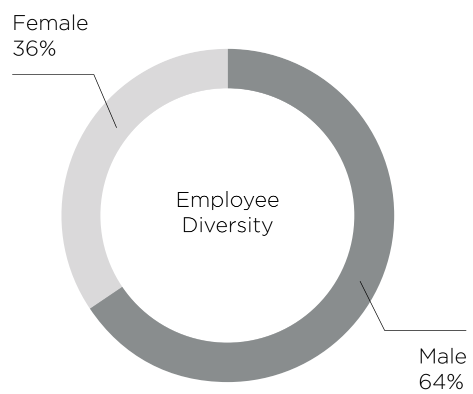
AN EMPLOYER OF CHOICE AND RESPONSIBILITY

The Group recognises that a motivated and engaged workforce drives a better experience for its customers and drives overall business performance.

The Group is focused on improving staff engagement by developing its people and ensuring there is an inclusive, safe and healthy environment for staff to flourish in. The Group ensures policies are in place to promote this culture, with some of the key polices being; Occupational Health, Safety & Wellbeing, Equal Opportunities, Appropriate Workplace Behaviour, and Whistleblowing.

The Group strives to foster a working environment where colleagues feel valued and respected, which includes zero-tolerance to all forms of discrimination and bullying.

The Group is fully committed to recruiting, developing, and rewarding employees regardless of race, gender, religion, belief, age, culture, orientation, disability, or background.



Diversity Gender	Employees	Management	Directors
Male	64%	61.8%	100%
Female	36%	38.2%	
Diversity Age			
Under 30	31.0%	26.5%	
30 - 39	19.2%	35.3%	
40 - 49	23.0%	29.4%	
Over 50	26.8%	8.8%	

“

Its people is a core focus for the Group, as it progresses towards its goal of being **“an employer of choice and responsibility”**

Economic responsibility is enshrined in the Group's purpose, its values, and its business processes. Procurement processes are in place to ensure the Group works with partners who share common approaches to health, safety and sustainability. Where possible the Group looks to support local businesses and prioritises local recruitment. Approximately 80% of the Group's employees live within a 10-mile radius of the airport and hotel. In 2022 the Group is actively consulting with local educational colleges about starting its own Apprenticeship Scheme. The Group also recognises the important societal role it must play and that is why in September 2021 it returned all the Furlough support it had received from the UK Government during 2020 and 2021.

The Group's charity and volunteering activities remain an important part of its culture and reflects a strong desire among its workforce to take part in activities and actions that contribute towards the needs of the wider community. The Group is a founding member of CMPP (Community Matters Partnership Project), and actively encourages staff to take part in local charity and volunteering initiatives. To support this the Group has a volunteering policy allowing employees to take paid time off for volunteering.

During 2021 the Group's employees took part in a number of community initiatives. This included tree planting at Runways End in May and Southwood Park in December. The Group's staff were also active in litter picking outside the perimeter of the Airport, donating food to the Farnborough foodbank and cleaning garden spaces with Festive Frimhurst. The Group is also proud to donate and to support local community events. In March 2022 the Group also made a donation to the Disaster Emergency Committee (DEC) to support the humanitarian crisis in Ukraine.

BOARD COMPOSITION

Simon Geere
Chief Executive Officer

Appointed to the
Board July 2019

Simon is CEO of the Group, having been appointed on 1 July 2020. Simon has over 30 years of experience working in both the airport and transport sectors. Prior to his current position, Simon was a Managing Director in Macquarie Asset Management (MAM), London.

For MAM, Simon was a senior executive responsible for asset management and investment performance within MAM's European transport team. Simon had particular focus on the overall management and strategic direction of some of MAM's major airport and rail related assets.

Simon joined Macquarie in 2002 having held senior positions with UK airport operators, TBI plc and BAA plc. At TBI plc he was Business Development Director and Executive Director at Luton Airport and was responsible for commercial operations and aviation development activities.

Previously, he has also been a Director of Bristol Airport (and Chairman), Birmingham Airport, Brussels Airport, Copenhagen Airport (and Deputy Chairman) and Newcastle Airport and is currently a Director of Aberdeen, Glasgow, and Southampton ("AGS") Airports.

John Bruen
Director

Appointed to the
Board July 2019

John leads the transport sector team for MAM in Europe. In this capacity he leads major transport transactions and the management of the growing portfolio of transport assets in the investment portfolio. John is currently a director of AGS Airports, Farnborough Airport and HES International.

John joined MAM in 2013. Prior to joining, John spent seven years at Ferrovial, one of the world's leading infrastructure investors, as Corporate Development Director.

Brandon O'Reilly
Director

Appointed to the
Board September 2020

Brandon was the Chief Executive Officer of the Group from 2006 until retiring in July 2020.

Brandon has 40 years of experience in the aviation industry and has previously held senior positions with British Airways, American Airlines and United Airlines. Brandon is a Fellow of the Royal Aeronautical Society.

Robert Watt
Director

Appointed to the
Board September 2021

Robert is a Managing Director within MAM and currently focuses on the origination, execution and asset management of transport infrastructure investments.

Robert joined MAM in 2008 and has been an investment professional within the transport infrastructure sector for the majority of his career. Robert holds an MA in Physics from the University of Oxford and a Master of Finance from INSEAD.

SECTION 172 OF THE COMPANIES ACT 2006

Section 172 of the Companies Act 2006 ("s.172") imposes a general duty on Directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders.

The Board believes that balancing the interest of all stakeholders is paramount to its corporate purpose and is resolute in its desire to maintain the highest standards of ethical conduct.

The Group's goal is to be the world's leading business aviation airport, setting the standards for premium air travel connectivity and exceptional customer care. The Group exists for the benefit of its customers, employees, shareholders, and community stakeholders.

The Board delegates day-to-day management and decision-making to its senior management team, but it maintains oversight of the Group's performance, and reserves to itself specific matters for approval. Then, by receiving regular updates on business performance, activities and objectives, the Board monitors that management is acting in accordance with agreed strategy. Processes are in place to ensure that the Board receives all relevant information to enable it to make well-judged decisions in support of the Group's long-term success.

Achieving long-term value for shareholders
The Board engages directly with the shareholders through quarterly reporting and uses this engagement to ensure that the Strategy of the Group is aligned with that of the shareholders. The Group produced a board-approved five year business plan, with the financial projections shared with the shareholders.

Investing in people
By investing in the development of its people the Group's employees are the driving force behind its continued success. The Directors regularly visit the airport and hotel, and feedback is encouraged through various channels. A roadshow was held in September 2021 with the CEO presenting an update on the Group's performance and strategy to employees followed by a Q&A session. The first Group wide employee survey was completed in December 2021 and will be completed annually with the results reported to the Board. This information is used by the Board to ensure the Group has an engaged, motivated, and appropriately trained workforce.

Health and safety of all people connected or interacting with the business is the Group's top priority. A Health, Safety, Security, Environment and Risk Committee ("HSSER") meets regularly and is attended by Directors and Senior Management. The aim of the Committee is to ensure that Group's policies, systems and their application are adequate and effective. Each Board meeting includes a formal update from the Chair of the HSSER on key issues discussed at the most recent meeting. The Board use this information to ensure that compony policies are appropriate and effectively implemented.

Our clients
The Board has a keen interest in client feedback and encourages the business to maintain multiple channels and methods of communication to support a useful dialogue. These include formal annual feedback from key clients, participation in industry surveys and routine weekly feedback across the business. Senior Management attended Board meetings in 2021 to provide insight on client relationships and market expectations. The Board uses this feedback together with insight from industry awards and surveys to ensure the Group continues to provide best in class products and services.

The environment and our communities
The Group is committed to minimising environmental risk and continual improvement of environmental performance throughout the Group's operations. A formal Environmental Policy is in place for the airport which is published on the Group's website. The airport operates a dedicated reporting line and email address so as to manage and respond to any questions or concerns local residents or other interested parties may have.

The Group is a responsible member of the local community. Community engagement is an important aspect of its operation which the Group is committed to continue and grow. The Group is a significant local employer both directly and indirectly and invests in local community projects.

The Board is updated regularly through routine formal and informal reporting. The Board considers the long-term impact of its operations as part of its Sustainability Policy which is reviewed and published annually. The Board recognises the importance of contributing to the local community and considers it a vital part of its Corporate Responsibility agenda.

Our suppliers
The Group aims to build strong collaborative relationships with its key suppliers through regular dialogue and communication, sourcing the best value goods and services for the benefit of its clients. The Board is committed to high standards of ethical business behaviour. The policies and procedures relevant to business conduct with suppliers are available to all employees. The Board takes a zero-tolerance approach to bribery and corruption. In 2021 the Board satisfied itself that suppliers' due diligence checks procedures were sufficiently robust.

Lending banks
Regular and clear reporting is in place that demonstrates Group performance is meeting agreed covenant reporting and providing all required quarterly information submissions. Management and the Directors are in regular communication with the lenders' agent. Management delivered a presentation to lenders in March 2021 detailing performance over the previous twelve months and expectations for 2021.

The Directors review and approve all formal reporting to the lenders. Financial plans including scenarios and impacts on banking covenants are reported to and discussed at Board meetings. The Board's annual going concern and viability assessment is performed with specific reference to the impact of different operating scenarios on banking covenants.

Approved by the Board of Directors and signed on their behalf by:

John Bruen

J K Bruen – Director
Date: June 17 2022

3 Bunhill Row, London England EC1Y 8YZ

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A growing number of first time users to business aviation who are increasingly appreciating the **ease, convenience and assurance of premium air travel** through Farnborough Airport

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and Auditor's Report, for the year ended 31 December 2021.

Strategic matters such as business overview, financial risk management objectives and policies and future business developments have been disclosed in the Strategic Report on pages 8-37 and form part of this report by cross reference.

DIRECTORS' REPORT

Principal Activity
The Group's principal activities are the operation of Farnborough Airport, offering a full-service business aviation airport for passengers, crew and aircraft, business aviation services, and the Aviator Hotel.

Results and Dividends
Turnover for the year was £70.0m (2020: £53.6m) which resulted in a loss for the year after taxation and finance costs of £51.5m (2020: £27.2m). This included £0.9m of business interruption insurance income, £0.6m of fair value gain on derivatives offset by £1.4m of exceptional costs related to the repayment of the furlough support received from the UK Government in 2020. The loss for the financial year also includes the movement in deferred tax caused by the future change in corporation tax rate. The Directors recommended and made payment of a £11.15m dividend (2020: £nil).

Directors
The Directors who have held office during the period 1 January 2021 to the date of this report are as follows:

J K Bruen
S B Geere
B O'Reilly
R EWD Watt (appointed 28th September 2021)

Directors' Indemnities
The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the financial period and remain in force at the date of this report.

Going Concern
In assessing the going concern position of the Company for the Financial Statements for the year ended 31 December 2021, the Directors have considered the cashflows, liquidity and banking ratios within the Group. Based on the forecasts for the Group the Directors have adopted the going concern basis in preparing the Financial Statements.

The Group has external financing in place consisting of a fully drawn down £150.0m term loan, a £45.0m capital financing facility and a £10.0m working capital financing facility. There are banking covenant restrictions associated with these debt facilities.

At 31 December 2021, the Group had cash balances of £9.8m, has drawn down £10.1m of the capital expenditure finance facility, and has not made use of the working capital financing facility.

In making this assessment the Directors have made a current consideration of the cashflows, liquidity and banking ratios of the Group. Even under reasonably possible downside scenarios, no breach of banking covenants is forecast. The Group has material cash balances, significant headroom under all banking covenants and the Group has demonstrated a strong and sustained recovery from the impact of the Covid-19 pandemic. For these reasons they continue to adopt a going concern basis for the preparation of the Financial Statements.

Charitable Donations
During the year the Group made charitable donations totaling £5,894 (2020: £30,659).

STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

Scope
This report was undertaken in accordance with the Streamlined Energy and Carbon Reporting (SECR) requirements, outlined in the Companies Act (2006) for large quoted and unlisted companies which requires Farnborough Airport Company Limited to report on its Greenhouse Gas (GHG) emissions. This report contains details on energy consumption and GHG emissions for the Group covering the reporting period together with energy efficiency actions implemented. Where incomplete data for electricity consumption, gas consumption or transport fuel consumption exists, estimation of consumption based on the pro-rated average of previous energy consumption is made. Where such techniques have been applied, this is documented in the report. Where assumptions are made in lieu of available data, they are stated in this report. This report fulfils the SECR disclosure for Farnborough Airport Company Limited for the 2021 financial year.

Analysis and data collection
Primary data has been collected for all Group operated buildings and infrastructure (passenger terminal, control tower, other ancillary buildings, and lighting systems, Aviator hotel and Swan pub), including electricity consumption (kWh), gas consumption (kWh). Data on fuel usage across the airport site has been compiled from fuel management systems (fuel cards) and invoicing records, this includes those used for on-airport transport and fire training (red / white diesel, unleaded petrol, LPG and Jet A1). All primary data used within this report covers 1 January 2021 to 31 December 2021 in accordance with the financial year. The scope of the GHG emissions calculation encompasses all Group operations under Scope 1 and 2 together with Scope 3 emissions related to business travel in privately owned vehicles (grey fleet).

- Scope 1 emissions are direct emissions from owned or controlled sources.
- Scope 2 emissions are indirect emissions from the generation of purchased energy.
- Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organisation, but that the organisation indirectly impacts in its value chain.

Calculation Methodology
The BEIS and Greenhouse Gas Protocol Corporate Reporting Standard (GHG Protocol) methodology has been used to compile this GHG data with calculations for CO_2, N_2O and CH_4, undertaken using the UK Government GHG Conversion Factors for Company Reporting (2021). To ensure consistency all GHG emissions are reported as in units of CO_2e (carbon dioxide equivalent).

Energy Consumption

The table below displays annual energy consumption for electricity, natural gas, company vehicles and plant, and grey fleet business travel for the reporting period, presented in kilowatt hours (kWh).

Emissions Source	GHG Scope (protocol)	Reporting Units	2021	2020
Natural Gas	Scope 1	kWh	3,509,299	4,056,374
Owned vehicles & plant	Scope 1	kWh	924,786	924,595
Fire Training	Scope 1	kWh	118,081	48,630
Electricity[1]	Scope 2	kWh	6,643,173	6,557,002
Grey fleet business travel[2]	Scope 3	kWh	844	9,167
Total Energy Consumption	All	kWh	**11,196,183**	**11,595,768**

[1] Includes electricity purchased and generated on-site. [2] Based on travel in an average car and unknown fuel type.

GHG Emissions Reporting

In accordance with the SECR requirements outlined in the Companies Act for large companies, the Farnborough Airport Company Limited GHG disclosure for the 2021 financial year is presented below.

Results have been split by Scope as outlined by the GHG Protocol calculation methodology. The emissions intensity is measured in tonnes of carbon dioxide equivalent (tCO_2e) per flown MTOW kilotonne.

This metric is considered to be the most relevant metric for managing performance improvement over time, as it will appropriately reflect performance improvements in aircraft and fuel technology over time, as well as enhancements resulting from air space optimization and efficiency initiatives in airfield ground operations.

GHG Emissions Scope	Units	2021	% of GHG Emissions	2020	% of GHG Emissions
Scope 1	tCO_2e	887	87.3%	979	87.7%
Scope 2	tCO_2e	4	0.4%	4	0.4%
Scope 3[3]	tCO_2e	125	12.3%	133	11.9%
Total GHG Emissions	**tCO_2e**	**1,016**	**100.0%**	**1,116**	**100.0%**
GHG Emissions intensity	tCO_2e / MTOW[4] kilotonne	1.9		2.7	

[3] Includes emissions from purchased electricity (zero airport emissions related to purchased electricity due to REGO contract) and generated electricity (for which carbon benefit has already been realised through FiTs payments).

[4] Maximum Take Off Weight.

Principal Energy Efficiency Actions

Farnborough Airport continues to progress with its LED lighting upgrade programme across the airport site. Nine new fully electric vehicles have entered operation at the airport and a new salary sacrifice scheme enabling employees to purchase electric vehicles at more affordable cost whilst lowering their commuting carbon footprint was launched.

Farnborough Airport has maintained Airport Carbon Accreditation (ACA) Level 3+ certification since 2018. This has required an annual offset of residual GHG emissions (Scope 1, 2 & 3) to maintain its carbon neutral status. In addition to offsetting through credible Verified Carbon Standard projects, Farnborough Airport has undertaken local tree planting projects in December 2021 at Southwood Park, with a view to providing environmental benefit to the local community.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 28 to the financial statements.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues, and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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 and the Company. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Auditor

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

→ So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and

→ the Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on their behalf by:

John Bruen

J K Bruen – Director
Date: June 17 2022

3 Bunhill Row, London, England EC1Y 8YZ

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

FARNBOROUGH AIRPORT

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of The Farnborough Airport Company Limited
Report on the audit of the financial statements

Independent Auditor's Report

Opinion
In our opinion the financial statements of Farnborough Airport Company Ltd (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the consolidated profit and loss account;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 28.

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

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

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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

We have nothing to report in this regard.

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

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

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

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

This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included civil aviation regulations, UK immigration law, employment law, health and safety regulations, the Bribery Act and the General Data Protection Regulation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud the following areas, and our specific procedures performed to address them are described below:

- **Revenue from transient parking and hangarage is inaccurate or did not occur:** We have understood the controls over revenue recognition, tested a sample of parking and hangarage invoices, recalculated the expected charge to customers and verified the location of planes based on third party data.
- **Valuation of assets is inappropriate due to unrecognised impairments:** We have obtained management's impairment calculation, assessed controls over the review of the calculation and challenged the assumptions regarding future cashflow, long term growth and discount rate used by management in the forecasts, and considered whether contradictory evidence exists. We have also reviewed the related disclosures to ensure that they meet the requirements of FRS102.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Steven Ringham,
ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Statutory Auditor,
Reading, United Kingdom
Date: June 17 2022

FARNBOROUGH AIRPORT

FINANCIAL RESULTS

Consolidated Profit and Loss Account

for the Year Ended 31 December 2021

	Note	2021 £	2020 £
TURNOVER	3	69,952,353	53,627,180
Cost of sales		(37,310,525)	(29,886,230)
GROSS PROFIT		32,641,828	23,740,950
Administrative expenses		(35,566,019)	(35,746,891)
Exceptional items	5	(1,399,623)	(563,121)
Other operating income	6	940,000	5,459,624
OPERATING LOSS		(3,383,816)	(7,109,438)
Finance costs (net)	7	(25,285,058)	(23,595,963)
LOSS BEFORE TAXATION	8	(28,668,874)	(30,705,401)
Tax on loss	9	(22,842,446)	3,524,914
LOSS FOR THE FINANCIAL YEAR		(51,511,320)	(27,180,487)

Loss for the financial year is attributable to the equity shareholders.

There are no items of other comprehensive income in the current or prior year and therefore no Statement of Comprehensive Income has been prepared.

All amounts relate to continuing operations.

Consolidated Balance Sheet

for the Year Ended 31 December 2021

	Note	2021 £	2020 £
FIXED ASSETS			
Intangible assets	11	540,955,652	567,006,951
Tangible assets	12	165,866,874	167,470,713
		706,822,526	734,477,664
CURRENT ASSETS			
Stocks	14	601,647	377,084
Debtors: amounts falling due within one year	15	12,836,852	10,349,941
Cash at bank and in hand		9,777,455	35,689,511
		23,215,954	46,416,536
CREDITORS			
Amounts falling due within one year	16	(10,956,221)	(28,234,731)
NET CURRENT ASSETS		12,259,733	18,181,805
TOTAL ASSETS LESS CURRENT LIABILITIES		719,082,259	752,659,469
CREDITORS			
Amounts falling due after more than one year	17	(464,672,214)	(455,608,329)
Provision for liabilities	18	(134,976,539)	(114,956,313)
NET ASSETS		119,433,506	182,094,826
CAPITAL AND RESERVES			
Called up share capital	19	500	500
Share premium	19	-	214,514,712
Retained earnings		119,433,006	(32,420,386)
SHAREHOLDERS' FUNDS		119,433,506	182,094,826

The Financial Statements of Farnborough Airport Company Limited (registered number: 12123129) were approved by the Board of Directors and authorised for issue on June 17 2022 and were signed on its behalf by:

John Bruen

J K Bruen - Director.

Company Balance Sheet

for the Year Ended 31 December 2021

	Note	2021 £	2020 £
FIXED ASSETS			
Investments	13	618,159,569	618,153,781
		618,159,569	618,153,781
CURRENT ASSETS			
Debtors: amounts falling due within one year	15	1,264,174	2,995,142
Debtors: amounts falling due after more than one year	15	10,124,546	39,535,374
Cash at bank and in hand		1,867,661	1,527,225
		13,256,381	44,057,741
CREDITORS			
Amounts falling due within one year	16	(2,951,762)	(19,023,051)
NET CURRENT ASSETS		10,304,619	25,034,690
TOTAL ASSETS LESS CURRENT LIABILITIES		628,464,188	643,188,471
CREDITORS			
Amounts falling due after more than one year	17	(463,384,263)	(455,608,329)
Provision for liabilities	18	5,176,309	2,212,121
NET ASSETS		170,256,234	189,792,263
CAPITAL AND RESERVES			
Called up share capital	19	500	500
Share premium	19	-	214,514,712
Retained earnings		170,255,734	(24,722,949)
SHAREHOLDERS' FUNDS		170,256,234	189,792,263

The loss for the financial year recorded within the Financial Statements of the parent Company was £20,536,029 (2020: £19,787,028).

The Financial Statements of Farnborough Airport Company Limited (registered number: 12123129) were approved by the Board of Directors and authorised for issue on June 17 2022 and were signed on its behalf by:

John Bruen

J K Bruen - Director

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2021

	Note	Called up share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 1 January 2020		500	214,514,712	(5,239,899)	209,275,313
Total comprehensive expense		-	-	(27,180,487)	(27,180,487)
Balance at 31 December 2020		500	214,514,712	(32,420,386)	182,094,826
Total comprehensive expense		-	-	(51,511,320)	(51,511,320)
Share capital reduction	19		(214,514,712)	214,514,712	-
Dividends paid	10		-	(11,150,000)	(11,150,000)
Balance at 31 December 2021		500	-	119,433,006	119,433,506

Company Statement of Changes in Equity

for the Year Ended 31 December 2021

	Note	Called up share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 1 January 2020		500	214,514,712	(4,935,921)	209,579,291
Total comprehensive expense		-	-	(19,787,028)	(19,787,028)
Balance at 31 December 2020		500	214,514,712	(24,722,949)	189.792,263
Total comprehensive expense		-	-	(8,386,029)	(8,386,029)
Share capital reduction	19	-	(214,514,712)	214,514,712	-
Dividends paid	10	-	-	(11,150,000)	(11,150,000)
Balance at 31 December 2021		500	-	170,255,734	170,256,234

Consolidated Cash Flow Statement

for the Year Ended 31 December 2021

	Note	2021 £	2020 £
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES	20	19,041,613	17,992,400
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	13	(5,788)	(19,608)
Purchases of tangible fixed assets	12	(3,662,069)	(4,098,141)
Interest received	7	2,182	45,005
Net cash used in investing activities		(3,665,675)	(4,072,744)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(34,637,994)	-
Dividends paid	10	(11,150,000)	-
New bank loans raised		4,500,000	4,000,000
Net cash flows (used in) / generated from financing activities		(41,287,994)	4,000,000
Net (decrease) / increase in cash and cash equivalents		(25,912,056)	17,919,656
Cash and cash equivalents at beginning of year		35,689,511	17,769,855
Cash and cash equivalents at end of year		9,777,455	35,689,511

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2021

1. Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding period.

General information and basis of accounting

The Farnborough Airport Company Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 2.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Directors' Report on page 39.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of The Farnborough Airport Company Limited is considered to be pounds sterling, because that is the currency of the primary economic environment in which the Company operates.

The Farnborough Airport Company Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to company only statements of profit and losses, financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

Basis of consolidation

The Group financial statements consolidate the Financial Statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the year from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Going concern

In assessing the going concern position of the Company for the Financial Statements for the year ended 31 December 2021, the Directors have considered the cashflows, liquidity and banking ratios within the Group. Based on the forecasts for FACL the Directors have adopted the going concern basis in preparing the Financial Statements.

The Group has external financing in place consisting of a fully drawn down £150.0m term loan, a £45.0m capital financing facility and a £10.0m working capital financing facility. There are banking covenant restrictions associated with these debt facilities. At 31 December 2021, the Group had cash balances of £9.8m, has drawn down £10.1m of the capital expenditure finance facility, and has not made use of the working capital financing facility.

In making this assessment the Directors have made a current consideration of the cashflows, liquidity and banking ratios of the Group. Even under reasonably possible downside scenarios, no breach of banking covenants is forecast. The Group has material cash balances, significant headroom under all banking covenants and the Group has demonstrated a strong and sustained recovery from the impact of the Covid-19 pandemic. For these reasons they continue to adopt a going concern basis for the preparation of the Financial Statements.

Intangible assets

Management has identified through the fair value exercise performed for the acquisition in 2019, that the only intangible asset that meets the recognition criteria of FRS102 is the licence to operate the Farnborough Airport. The licence is recognised at fair value using a Multi-year Excess Earnings Methodology. The licence to operate is being amortised over a 25 year period.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a reducing balance basis over its expected useful life as follows:

Freehold buildings	Over 15-40 years depending on building type
Airfields	1% to 11% reducing balance
Fixtures, fittings, tools and equipment	12% to 33% reducing balance
Motor vehicles	20% to 25% reducing balance
Hotel buildings	2.5% straight line

No depreciation is provided until the assets are brought into use.

Fixed asset investments

The investments are unlisted and are stated at cost less any provision for impairment in value.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises materials. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. There is no difference between replacement value and book value of stocks.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date.

Timing differences are differences between the Group's taxable profits and its results as stated the financial statements that arise from the inclusion of gains and losses in tax assessments in year different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference.

Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Turnover/Other income

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer.

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

Exceptional items

Items which are material either because of their size or their nature and which are outside of business as usual activity, are presented separately in the Profit and Loss Account. The separate reporting of exceptional items helps provide a better picture of the Group's underlying performance.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling at the end of the month in which the transaction took place. Foreign currency assets and liabilities are translated into sterling at the year end rates. All foreign currency differences are dealt with through the profit and loss account.

Leases

Rentals paid under operating leases are charged to the Profit and Loss Account in equal amounts over the term of the lease. Assets held under finance leases are capitalised as tangible fixed assets and are depreciated over the lease term.

The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the Profit and Loss Account over the period of the leases to produce a constant rate of charge on the balance of the capital repayments outstanding.

Pensions

The Group operates a defined contribution plan for all staff, the costs of which are recognised as they fall due for payment.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified 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 of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Balance Sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a)Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.

(b)There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current year or prior periods.

(c)Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in

(d)There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss. Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset, to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Impairment of assets

At each Balance Sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, The Group estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher value of fair value less costs to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Profit and Loss Account.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date. Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal.

An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised in income in the period in which it becomes receivable.

Dividends

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Dividends payable are recognised at the point that they are declared by the Board.

2. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The Directors are of the opinion that there are no critical accounting judgments in the period.

Key sources of estimation uncertainty

Indicator of impairment

The Covid-19 pandemic has had a material impact on the financial performance of the airport and hospitality businesses since from Q1 2020 to Q3 2021 (the two cash generating units ("CGU") of the business).

Whilst the recovery has already commenced, and results have been strong since August 2021, the medium term impact of the Covid-19 pandemic is an external market indicator of possible impairment. As a result a formal impairment review has been performed.

Assumptions on discounted cash flow

In assessing value in use of tangible and intangible assets, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Several key estimates have been made to determine discounted cashflows:

CGUs

- it has been determined that the Group has two, the airport and the hospitality businesses.

Discount rate

- a discount rate of 5.9% been applied to the airport and hospitality CGUs respectively, calculated using market data and capital asset pricing methodology.

Cashflows for 2022 to 2025

- Cashflows for 2022 are based on the Board approved 2022 Budget and cashflows for 2023 to 2025 are based on the Board approved 5-year Business Plan. The 2022 Budget assumes no further travel restrictions imposed as a result of the Covid-19 pandemic, and forecasts ATMs to return to 2019 levels. The Business Plan then assumes steady ATM growth over the remaining period. This together with pricing assumptions delivers year on year cashflow growth over the period. The hospitality 2022 Budget and Business Plan also assumes no further restrictions as a result of Covid-19.

Terminal Growth factors

– the airport CGU assumes a terminal growth factor of 3%. This reflects both the anticipated ATM growth over time and the impact of pricing decisions. The hospitality CGU assumes a terminal growth factor of 2%.

Based on these assumptions the value in use analysis supports the carrying value of tangible and intangible assets across the Group. To reflect the estimation uncertainty sensitivity analysis on discount rates and cashflows was completed. These sensitivities calculated the discount rate required to eliminate all headroom to impairment under the cashflow assumptions detailed above and calculated the headroom to impairment when cashflows over the 2022 to 2025 period were reduced by 15% each year.

Under the base case cashflow assumptions the discount rate for the airport CGU would need to be increased to 10.19% to eliminate all headroom to impairment. Under a possible downside scenario where cashflows over the 2022 to 2025 period were reduced by 15% each year the airport CGU maintained headroom to impairment.

Under the base case cashflow assumptions the discount rate for the hospitality CGU would need to be increased to 12.82% to eliminate all headroom to impairment. Under a possible downside scenario where cashflows over the 2022 to 2025 period were reduced by 15% each year the hospitality CGU maintained headroom to impairment.

3. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the Group's activities after deduction of value added tax. All group companies operate in the United Kingdom. In the opinion of the Directors, the Group operates the following classes of business, as disclosed in the Directors' Report, which are all based in the UK.

An analysis of the Group's revenue (including turnover) by category is as follows:

	2021 £	2020 £
Airport operations	62,743,497	48,151,253
Hotel operations	7,208,856	5,475,927
	69,952,353	53,627,180

An analysis of the Group's revenue (including turnover) by category is as follows:

	2021 £	2020 £
Rendering of services	43,464,300	35,903,031
Sale of goods	26,488,053	17,724,149
	69,952,353	53,627,180

4. Employees and Directors

	2021 £	2020 £
Wages and salaries	10,909,478	9,928,864
Social security costs	912,935	933,132
Other pension costs	303,255	310,373
	12,125,668	11,172,369

The average monthly number of employees (including executive Directors) during the year was as follows:

	2021 No.	2020 No.
Production and distribution	302	313
Sales and administration	41	41
	343	354

The Company had no staff (2020: nil) and no staff costs (2020: nil)

The Directors received remuneration of £666,853 from the Group for their services during the year (2020: £390,927). There were no pension contributions for these Directors. The highest paid director's remuneration was £591,853 (2020: £323,427)

5. Exceptional Items

	2021 £	2020 £
Repayment of Coronavirus Job Retention Scheme income	1,399,623	-
Change of ownership costs	-	563,121
	1,399,623	563,121

6. Other Operating Income

	2021 £	2020 £
UK Government's Coronavirus Job Retention Scheme Grants (Airport)	-	418,577
UK Government's Coronavirus Job Retention Scheme Grants (Hotel)	-	981,047
Business Interruption Insurance Claim	940,000	4,060,000
	940,000	5,459,624

There are no conditions or contingencies attached to this income.

7. Finance Costs (NET)

	2021 £	2020 £
Interest payable and similar expenses	25,922,650	23,640,968
Bank interest receivable	(2,182)	(45,005)
Fair value gain on derivative	(635,410)	-
Finance costs (net)	25,285,058	23,595,963
INTEREST PAYABLE AND SIMILAR EXPENSES		
Bank loans and overdrafts	5,569,094	3,213,032
Shareholders loan	18,533,556	20,427,936
Debt syndication fee	1,820,000	-
TOTAL	25,922,650	23,640,968

8. Loss Before Taxation

	2021 £	2020 £
THIS IS STATED AFTER CHARGING/(CREDITING):		
AUDITOR'S REMUNERATION:		
- audit of the Company	13,135	12,510
- audit of the subsidiaries of the Company	166,865	98,790
- other services	-	68,000
- taxation compliance services	61,110	58,610
- other taxation advisory services	30,000	-
Depreciation of tangible fixed assets (note 9)	5,265,907	5,447,547
Amortisation of intangible fixed assets (note 8)	26,051,299	26,037,479
Amortisation of debt issue costs (note 21)	1,234,431	1,234,431
(Profit) / loss on disposal of fixed assets	(82,786)	27,455
(Gains) / losses on fair value movement of derivatives	(635,410)	-

9. Taxation

Analysis of the tax credit
The tax credit on the loss for the year was as follows:

	2021 £	2020 £
CURRENT TAX:		
UK corporation tax	2,850,868	2,430,137
Adjustment in respect of previous periods	(28,648)	318,823
TOTAL CURRENT TAX	2,822,220	2,748,960
DEFERRED TAX:		
Origination and reversal of timing differences	(6,352,642)	(6,545,877)
Adjustments in respect of previous periods	(166,176)	(188,187)
Effect of changes in tax rates	26,539,044	460,190
Total deferred tax	20,020,226	(6,273,874)
TAX ON LOSS	22,842,446	(3,524,914)

Reconciliation of total tax credit included in profit and loss
The tax assessed for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK. The difference is explained overleaf:

	2021 £	2020 £
LOSS BEFORE TAX	(28,668,873)	(30,705,401)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(5,447,086)	(5,834,026)
EFFECTS OF:		
Expenses not deductible for tax purposes	2,046,712	1,718,475
Income not taxable	(101,400)	-
Adjustments to tax charge in respect of previous periods	(194,824)	130,636
Effect of changes in tax rates	26,539,044	460,190
Transfer pricing adjustments	-	(190)
Effects of group relief	(1)	1
TOTAL TAX CREDIT	22,842,446	(3,524,914)

The enactment of the Finance Act 2021 on 10 June 2021 confirmed the main rate of corporation tax would increase from 19% to 25% from April 2023.

Since deferred tax balances are not expected to be realised before April 2023, deferred tax balances as at 31 December 2021 have been measured at 25%.

10. Dividends

	GROUP 2021 £	GROUP 2020 £	COMPANY 2021 £	COMPANY 2020 £
Dividends received from Subsidiaries	-	-	12,150,000	-
Dividends declared to Parent	(11,150,000)	-	(11,150,000)	-
	(11,150,000)	-	1,000,000	-

A dividend was declared on 21 December 2021 for £22,300 per share, this was paid to the parent; Farnborough Airport Midco Limited in relation to the 2021 financial year.

11. Intangbile Fixed Assets

GROUP

	Licenses £
VALUATION	
At 1 January 2021 and 31 December 2021	599,558, 702
AMORTISATION	
At 1 January 2021	32,551,751
Charge for the year	26,051,299
At December 2021	58,603,050
NET BOOK VALUE	
At 31 December 2021	540,955,652
At 31 December 2020	567,006,951

Management has identified that the only intangible asset that meets the recognition criteria of FRS102 is the licence to operate the Farnborough Airport that arose on acquisition in 2019. The licence to operate is being amortised over a 25 year period. The Group is the freehold owner of Farnborough Airport.

12. Tangible Fixed Assets

GROUP

	Land and buildings £	Airfields £	Fixtures & fittings tools and equipment £
VALUATION			
At 1 January 2021	101,583,997	107,927,823	18,019,376
Additions	-	1,777,817	410,646
Transfers	-	248,669	113,327
Disposals	(32,051)	(229,098)	-
At 31 December 2021	101,551,946	109,725,211	18,543,349
DEPRECIATION			
At 1 January 2021	10,548,869	42,092,950	9,511,201
Charge for year	1,381,918	2,796,315	904,413
Eliminated on disposals	(32,051)	(229,098)	-
At 31 December 2021	11,898,736	44,660,168	10,415,614
NET BOOK VALUE			
At 31 December 2021	89,653,210	65,065,043	8,127,735
At 31 December 2020	91,035,128	65,834,872	8,508,175

Tangible Fixed Assets cont.

GROUP

	Motor vehicles £	Assets under construction £	Total £
COST			
At 1 January 2021	2,732,957	772,372	231,036,525
Additions	-	1,473,606	3,662,069
Transfers	-	(361,996)	-
Disposals	(54,022)	-	(315,171)
At 31 December 2021	2,678,936	1,883,982	234,383,423
DEPRECIATION			
At 1 January 2021	1,412,792	-	63,565,812
Charge for year	183,261	-	5,265,907
Eliminated on disposals	(54,022)	-	(315,171)
At 31 December 2021	1,542,031	-	68,516,549
NET BOOK VALUE			
At 31 December 2021	1,136,904	1,883,982	165,866,874
At 31 December 2020	1,320,165	772,372	167,470,712

Tangible fixed assets were revalued to fair value at the time of acquisition in 2019. Were these assets to be included at historic cost, their carrying value would be £153.4m.

The lenders under the external financing set out in note 17 have fixed and floating charges over all assets of the Company.

13. Investments

COMPANY

	Shares in Group undertakings £
COST	
At 1 January 2021	618,153,781
Additions	5,788
At 31 December 2021	618,159,569
NET BOOK VALUE	
At 31 December 2021	618,159,569
At 31 December 2020	618,139,962

The parent Company and the Group have direct investments in the following subsidiary undertakings, associates and other significant investments. Additions relate to residual legal fees that were under accrued in respect of the initial acquisition.

Subsidiary undertakings	**Principal activity**	**Holding**	**%**
Farnborough Airport (Holdings) Limited	Managing the activities of head offices	Ordinary	100
Farnborough Airport Limited	Operation of airport	Ordinary	100
Farnborough Airport Freehold Limited	Property owner	Ordinary	100
Farnborough Airport Freehold No.2 Limited	Dormant	Ordinary	100
Farnborough Enterprises No.2 Limited	General administration	Ordinary	100
Farnborough Enterprises Limited	General administration	Ordinary	100
Farnborough Hotel Limited	Property owner	Ordinary	100
Farnborough Airport Freehold No.3 Limited	Dormant	Ordinary	100
Aviator Hotel (Farnborough) Limited	Operation of hotel	Ordinary	100

The investment in Farnborough Airport (Holdings) Limited is held directly, all other investments are held indirectly.

Investments cont.

The registered address of the UK subsidiaries are:

Subsidiary undertakings	Registered office address
Farnborough Airport (Holdings) Limited Farnborough Airport Limited Farnborough Airport Freehold Limited Farnborough Airport Freehold No.2 Limited Farnborough Enterprises No.2 Limited Farnborough Enterprises Limited Farnborough Hotel Limited Farnborough Airport Freehold No.3 Limited Aviator Hotel (Farnborough) Limited	3 Bunhill Row, London, England, EC1Y 8YZ

14. Stocks

	GROUP	
	2021 £	2020 £
Raw materials and consumables	601,647	377,084

There are no material differences between the replacement cost of stock and the Balance Sheet amounts.

15. Debtors

	GROUP		COMPANY	
	2021 £	2020 £	2021 £	2020 £
Amounts falling due within one year:				
Trade debtors	7,286,194	4,144,716	-	-
Amounts owed by intermediate parent	77,840	-	-	-
Other debtors	3,233,965	3,804,291	732,210	-
Other taxation	24,717	-	-	-
Prepayments and accrued income	2,214,136	2,400,934	531,964	2,995,142
	12,836,852	10,349,941	1,264,174	2,995,142
Amounts falling due after more than one year:				
Amounts owed by Group undertakings	-	-	10,124,546	39,535,374
Aggregate amounts	12,836,852	10,349,941	11,388,720	42,530,516

Amounts owed by Group undertakings is held with Farnborough Enterprises Limited, is non-interest bearing, repayable on demand and will not be called due by the Company for 12 months from the date of signing the Financial Statements.

Included within other debtors is an amount of £1,150,000 (2020: £3,560,000) relating to a business interruption insurance claim recoverable.

16. Creditors: Amounts Falling Due Within One Year

	GROUP		COMPANY	
	2021 £	2020 £	2021 £	2020 £
Trade creditors	2,293,280	3,389,034	-	346,283
Corporation tax	432,492	1,566,569	-	-
Other creditors including taxation and social security	3,000,507	275,692	1,820,000	-
VAT creditor	-	224,089	-	-
Accruals and deferred income	5,229,943	22,779,347	6,890	18,049,317
Amounts owed to Parent	-	-	482,841	-
Amounts owed to Group subsidiary	-	-	642,028	627,451
	10,956,221	28,234,731	2,951,760	19,023,051

Amounts owed to the parent and subsidiaries are repayable on demand and do not bear interest.

17. Creditors: Amounts Falling Due After More Than One Year

	GROUP		COMPANY	
	2021 £	2020 £	2021 £	2020 £
Bank loan	156,705,315	150,970,882	156,705,315	150,970,882
Shareholders loan	306,678,948	304,734,247	306,678,948	304,734,247
Other	1,287,951	(96,800)	-	(96,800)
	464,672,214	455,608,329	463,384,263	455,608,329

The bank loan has interest payable at 3 month SONIA + 1.75% for year 1 and 2 and increases from 2% to 3% between years 3 and 5. The loan matures 27 September 2024.

The shareholders loan has interest payable at 6% with a maturity date of 7 September 2035.

Borrowings are repayable as follows:

	BANK LOAN	SHAREHOLDERS LOAN
	2021 £	2020 £
Between one and five years	156,705,315	-
After five years	-	306,678,948
TOTAL	156,705,315	306,678,948

18. Provisions for Liabilities

	2021 £	2020 £
Provision at start of year	114,956,313	121,230,187
Credited to Profit and Loss Account	20,020,226	(6,273,874)
Provision for deferred tax at the end of the year	134,976,539	114,956,313
Accelerated capital allowances	7,214,276	5,038,645
Corporate interest restriction	(5,176,308)	(2,212,121)
Deferred tax on fair value adjustments on acquisitions	133,266,742	112,134,217
Other timing differences	(328,171)	(4,428)
Provision for deferred tax at the end of the year	134,976,539	114,956,313

COMPANY	2021 £	2020 £
Provision at start of year	(2,212,121)	(378,270)
Charged to the Profit and Loss Account	(2,964,188)	(1,833,851)
Provision for deferred tax at the end of the year	(5,176,309)	(2,212,121)
Corporate interest restriction	(5,176,309)	(2,212,121)
Provision for deferred tax at the end of the year	(5,176,309)	(2,212,121)

Provision for deferred tax at the end of the year

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

19. Called Up Share Capital

ALLOTTED, ISSUED AND FULLY PAID:

Number:	Class	Nominal Value	2021 £	2020 £
500	Ordinary shares	£1 each	500	500
Share premium	-	-	-	214,514,712

On 14 December 2021, the Company enacted a share capital reduction supported by a solvency statement which resulted in a transfer of £214,514,712 from share premium to the profit and loss account.

The profit and loss account reserve represents cumulative profits and losses, net of dividends paid and other adjustments.

20. Reconciliation of Profit Before Taxation To Cash Generated From Operations

	2021 £	2020 £
Operating loss	(3,383,816)	(7,109,438)
Adjustments to cash flows from non-cash items:		
Depreciation and amortisation	32,551,637	31,485,026
Fair value gain on derivative	635,410	-
(Profit) / loss on sale of tangible fixed assets	(82,786)	27,455
Operating cash flow before fixed assets	29,720,445	24,403,043
(Increase) / decrease in stocks	(224,563)	146,695
(Increase) / decrease in trade and other debtors	(2,379,523)	1,106,324
Increase / (decrease) in trade and other creditors	270,895	(2,099,167)
Cash generated from operations	27,387,254	23,556,895
Income taxes paid	(4,025,738)	(1,278,439)
Interest paid	(4,319,903)	(4,286,056)
Net cash flows generated from operating activities	19,041,613	17,992,400

Net debt reconciliation	2020 £	Movement	2021 £
Cash at bank and in hand	35,689,511	(25,912,056)	9,777,455
	35,689,511	(25,912,056)	9,777,455
Bank loans	(150,970,882)	(5,734,433)	(156,705,315)
Shareholder loans	(304,734,247)	(1,944,701)	(306,678,948)
Net debt	(420,015,618)	(33,591,191)	(453,606,809)

21. Financial Instruments

The carrying values of the Group's financial assets and liabilities are summarised by category below:

	Note	GROUP 2021 £	2020 £
Financial assets	15		
Measured at amortised cost (trade and other receivables)		9,787,949	7,852,207
Measured at fair value (derivative finanical asset)		732,210	96,800
		9,787,949	7,949,007
Financial liabilities	16		
Measured at amortised cost (trade and other creditors)		5,293,787	3,664,726
		5,293,787	3,664,726

22. Derivative Financial Instruments

The hedged cash flows are expected to occur and to affect profit or loss over the year to maturity of the interest rate swaps. Gains of £635,410 (2020: £nil) were recognised in the Profit and Loss Account, the Group has not applied hedge accounting.Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curved derived from quoted interest rates.

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months' SONIA. The Group will settle the difference between the fixed and floating interest rate on a net basis. Losses of £1,020,358 (2020: Losses of £556,902) were recognised in the Profit and Loss Account during the year.

	Average contract fixed interest rate		**Notional principal value**	
	2021 %	2020 %	2021 £	2020 £
Less than 1 year	-	-	-	-
1-2 years	0.77%	-	150	-
2-5 years	-	0.77%	-	150
More than 5 years	-	-	-	-

23. Lessors Operating Leases

The Group leases land and buildings, the majority of leases contain break clauses and are cancellable within 90 days. There are a small number of un-cancellable operating leases; the minimum lease payments are disclosed as follows:

	2021 £	2020 £
Not later than one year	2,320,080	1,693,188
One to five years	7,905,195	6,388,164
Later than five years	21,596,376	23,034,950

24. Employee Benefits

Defined contribution schemes
The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2021 was £303,255 (2020: £310,373). As at 31 December 2021 there remained £47,391 unpaid (2020: £45,917).

Long term incentive plan
The Group has long term incentive plans in place for the leadership team to reward performance and assist in retaining talent. The level of remuneration payable under these schemes is directly linked to the long term financial performance of the Group with payments due in 2024 and 2025 depending on performance.

As at 31 December 2021 a total of £1,287,951 has been accrued for these schemes (2020: £48,000).

25. Related Party Transactions

Farnborough Airport MidCo Limited ("MidCo"), a Company incorporated in the United Kingdom which holds 100% of the equity in the Company entered into a loan agreement with the Company in September 2019. Under the terms of the loan MidCo loaned £300,000,000 at an interest rate of 6% per annum to the Company. Any unpaid interest is added to the outstanding principal. The loan is repayable in September 2035.

26. Profit Attributable to the Company

As permitted by Section 408 of the Companies Act 2006, no separate Profit and Loss Account or Statement of Comprehensive, Income is presented in respect of the parent Company. The profit attributable to the Company is disclosed in the footnote to the Company's Balance Sheet.

27. Ultimate Parent Company and Controlling Party

The Company's ultimate parent company and controlling party at the Balance Sheet date is Macquarie European Infrastructure Fund 6 SCSp, a company incorporated in Luxembourg. This is also the parent undertaking of the largest Group which includes the Company for which Group accounts are prepared. The Group accounts are available from Level 4, 20 Boulevard Royal, L- 2449, Luxembourg.

The parent undertaking of the smallest such group is Farnborough Airport HoldCo Limited (formerly MEIF 6 Parker Holdings Limited), a company registered at 3 Bunhill Row, London, EC1Y 8YZ. The Group accounts are available from Companies House, Crown Way, Cardiff CF14 3UZ.

The Company's immediate controlling party is Farnborough Airport MidCo Limited (formerly MEIF 6 Parker Investments Limited) by virtue of their shareholding.

28. Subsequent Events

The sanctions in place against Russia as a result of their military action in Ukraine has not and is not expected to have a significant impact on the business. The Group took a major step forwards on delivering this strategy in April 2022 when the Board approved investment in a third hangar, additional aircraft stands and an expansion of taxiways. Construction will commence in the summer of 2022 with full completion anticipated in the first half of 2024. Once complete hangar capacity as the airport will be increased by more than 70%.

FARNBOROUGH
AIRPORT

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