

Agenda – Public Accounts and Public Administration Committee

Meeting Venue:	For further information contact:
Video Conference via Zoom	Fay Bowen
Meeting date: 26 January 2022	Committee Clerk
Meeting time: 09.00	0300 200 6565
	SeneddPAPA@senedd.wales

In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on www.senedd.tv

(Private pre-meeting)

(09.00 – 09.15)

1 Introductions, apologies and substitutions

(09.15)

2 Welsh Government Public Bodies Unit (PBU): Evidence Session with the Welsh Government

(09.15 – 10.45)

(Pages 1 – 36)

Dr Andrew Goodall – Permanent Secretary, Welsh Government

Peter Kennedy – HR Director, Welsh Government

David Richards – Director of Governance and Ethics, Welsh Government

3 Papers to note – Public Accounts and Public Administration Committee

(10.45)

3.1 Cardiff Airport: Committee Correspondence

(Pages 37 – 85)



4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

(11.00)

Items 5 & 6 and the meeting on 9 February 2022

5 Welsh Government Public Bodies Unit (PBU): Consideration of evidence received

(11.00 – 11.30)

6 Committee Timetable: Consideration of draft letter

(11.30 – 12.00)

(Pages 86 – 88)

Document is Restricted

Dr Andrew Goodall
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Mark Isherwood MS

Chair
Public Accounts and Public Administration Committee
Welsh Parliament
Cardiff Bay
CF99 1SN

11th January 2022

Dear Mr Isherwood

Please find attached as requested a paper on the work of the Public Bodies Unit, in advance of our discussion at Committee on 26 January.

The paper reflects the impact which the pandemic has had on the work of the Unit. The programme of work has had to be undertaken within the context of staff needing to be redeployed onto pandemic work and within the overall resource.

Despite this, I think that the Welsh Government has made considerable progress in this area. The cultural shift in our relationship with our Arms-length Bodies has begun to be established; the Public Leaders Forum has bedded-in and has quickly become an important forum for communication, shared experience and the dissemination of good practice; the volume of public appointments has been maintained; and the Welsh Government has begun to increase the diversity of appointees to Boards of public bodies in Wales.

There is still some way to go to complete this project, and we have not been able to proceed as quickly as we had hoped, for the reasons outlined above. But I think that we have made a good start and I look forward to discussing this with the Committee when we meet later this month.



BUDDSODDWYR | INVESTORS
MEWN POBL | IN PEOPLE

Parc Cathays • Cathays Park Ffôn • Tel 0300 025 3289
Caerdydd • Cardiff PS.PermanentSecretary@gov.wales
CF10 3NQ Gwefan • Website: www.gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi. Dilynwch y ddolen i gael arweiniad ar sut fyddwn yn trin a defnyddio'ch data, yn unol â'r Rheoliadau Diogelu Data Cyffredinol. <https://gov.wales/about/welsh-government-privacy-notice/?skip=1&lang=cy>

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding. Please follow the link for guidance on how we will handle & use your data, in accordance with the General Data Protection Regulations. <https://gov.wales/about/welsh-government-privacy-notice/?lang=en>

Yours,

Andrew Goodall

Dr Andrew Goodall
Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government



BUDDSODDWYR | INVESTORS
MEWN POBL | IN PEOPLE

Parc Cathays • Cathays Park Ffôn • Tel 0300 025 3289
Caerdydd • Cardiff PS.PermanentSecretary@gov.wales
CF10 3NQ Gwefan • Website: www.gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi. Dilynwch y ddolen i gael arweiniad ar sut fyddwn yn trin a defnyddio'ch data, yn unol â'r Rheoliadau Diogelu Data Cyffredinol. <https://gov.wales/about/welsh-government-privacy-notice/?skip=1&lang=cy>

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding. Please follow the link for guidance on how we will handle & use your data, in accordance with the General Data Protection Regulations. <https://gov.wales/about/welsh-government-privacy-notice/?lang=en>

THE WORK OF THE WELSH GOVERNMENT PUBLIC BODIES UNIT

Origin and Role of the Unit

1. In 2018 the Welsh Government (WG) completed a wide-ranging review of the relationship it had with its Arms-length Bodies (ALBs). As well as internal conversations with Ministers and key officials, the review involved conversations with Chief Executive Officers, Chairs, Sponsors, other Devolved Administrations, the Wales Audit Office and Whitehall Departments. The review made 37 recommendations under six themes, all based around focusing on moving away from the previous oversight sponsorship relationship, towards one which placed a greater emphasis upon partnership and mutual trust.

2. One of the main recommendations of the review was the creation of a Public Bodies Unit (PBU) which would take on responsibility for being the central focal point in the Welsh Government for generic issues in relation to ALBs. This would deliver efficiencies in the oversight of public bodies in Wales, and introduce a revised approach to oversight and delivery which would, in turn, enable Chairs and Accounting Officers of ALBs to be more responsible and accountable for the decisions they make. The role of PBU would ensure consistency of advice and more effective dissemination of that advice to all ALBs in Wales, and would have greater central capacity for dealing with generic ALB issues. It would also take over from individual policy areas some sponsorship functions which could be done “once and well” at the corporate level and would act as a centre of excellence, providing greater transparency and assurance to the Principal Accounting Officer.

3. The recommendations of the Review were accepted by the First Minister and the Cabinet. The PBU was established in 2018 to implement the recommendations and to act as the central point for generic issues in relation to ALBs. Responsibilities for public appointments, co-ordination of Honours and public service pay and pensions was brought under the responsibility of the PBU at the same time. The overall remit of the PBU is therefore:

- advice and support to ALBs and partnership teams on accountability and governance matters;
- Oversight of the programme of tailored reviews of ALBs;
- Secretariat to the Public Leaders Forum;
- public appointments across all public bodies and Health Boards/Trusts – using a Public Appointments Team working with Partnership Teams (sponsors) to deliver public appointments;
- Liaison with the Commissioner for Public Appointments
- development and delivery of a Ministerially-approved Diversity and Inclusion Strategy and action plan for public appointments;
- oversight of the Honours system in WG, with direct responsibility for the areas of health, social care and State;

- oversight of ALB pay and pensions matters, to support greater consistency and transparency.

Staffing of the Unit

4. During the pandemic the Unit has operated at about half its intended strength of 21 staff because many staff of the Unit, at all levels, were re-deployed for lengthy periods to help to work on the pandemic. This has had an inevitable effect on the ability of PBU to deliver its agenda to the timetable previously envisaged and has meant that some of the discretionary aspects of the work have been put back.

Remit of the Unit

5. A list of those bodies directly included in PBU's remit is attached. 'Public bodies' is a wide term which includes local authorities, NHS bodies, statutory organisations and others, while the public bodies which WG funds and directs, to a greater or lesser extent, are referred to as Arms-Length Bodies (ALBs) (previously referred to as Welsh Government Sponsored Bodies). PBU has an interest in, and some responsibility for, almost all Welsh public bodies, but not overall responsibility for them. PBU has no operational oversight over Local Authorities; Local Health Boards, NHS Trusts or Special Health Authorities; National Park Authorities; Fire and Rescue Authorities; Town and Community Councils Police Commissioners; or those organisations funded by the Senedd Commission from the Welsh Consolidated Fund.

6. PBU does, though, have some responsibility for supporting appointments to health bodies as part of its remit on appointments, and has overall responsibility for supporting the public service Honours system.

Implementation of the Main Recommendations in Relation to ALBs

7. A major innovation in Wales has been the creation, in collaboration with Public Leaders, of a **Public Leaders Forum** (Chairs and CEOs of ALBs and other public bodies) to facilitate improved communication and sharing of information which will lead to more efficient planning and better decision-making. Many consistent themes have emerged around accountability and respect for each organisation's 'independence' while recognising that we are also 'interdependent'. The format of, engagement with, and topics discussed by The Forum continue to evolve as it becomes more established, and relationships between Public Leaders and WG mature.

8. The Public Leaders Forum meets on a regular basis to discuss key issues of mutual interest. This network also provides Ministers and senior WG officials with access to meet together with influential public leaders in Wales on a regular basis, to listen to their views and to communicate messages both ways, directly and consistently.

During the pandemic the Forum met remotely to discuss issues of mutual interest, and the network was utilised by PBU (on behalf of WG) as the most effective communication tool for keeping public leaders in Wales in touch with WG (and UK Government as appropriate) policies and advice in relation to the pandemic. The Forum came into its own during this period as a mechanism for discussing and addressing key issues.

9. Another important outcome of the “Delivering Together” report was the **revision of the Calling-in Procedures**. This removed the requirement for ALBs to refer to WG certain decisions for approval, such as single tenders below a specified threshold, or other issues which are unlikely to be considered to be novel and contentious. This has lessened the administrative burdens upon both the WG and ALBs, and has led to efficiency savings to both parties. It enables Chief Executives to take decisions which are properly their responsibility as Accounting Officers and to account for them afterwards. It also allows Chairs to provide more effective challenge to their executives.

10. The previous requirement for each ALB Board to have a **WG Observer at their Board Meetings** has been discontinued, with the exception of where the ALB is a limited company and the WG official is attending as a representative of the shareholder i.e. Welsh Ministers. Feedback from the ALBs was that this practice inhibited frank discussion at Board meetings and the role of the observer was ambiguous and could cause difficulties in itself. Partnership Teams still receive Board Papers, and may still wish to attend particular meetings based on a review of those papers. The Board can also invite a WG representative to attend for a specific and clearly-defined purpose, but in these circumstances the Boards would still retain responsibility, and accountability for their decisions. The WG has no executive role, other than in the specific circumstances set out above.

11. Annual remit letters, budget awards and business plans to each ALB are being replaced by a **‘Term of Government’ approach** which will facilitate longer-term planning and provide greater stability, as well as improve efficiency and effectiveness of the oversight arrangements. This move to a more strategic relationship will link the activities of each individual body more clearly to the contribution it can make to the Government’s Programme and should facilitate more joined-up working.

Tailored Reviews

12. Another recommendation of “Delivering Together”, and one which the Committee specifically asked about, was the establishment of a programme of Tailored Reviews of ALBs to replace the previous five-yearly and three-yearly reviews. The aim was to achieve a more seamless approach in reviewing public bodies, in a way which provided constructive benefit and allows full participation of the ALBs themselves, and which ensures regular assurance and challenge to the continuing need, efficiency and good governance of those bodies. Tailoring the review to the relevant body

encourages a more proportionate, flexible and collaborative approach in reviewing public bodies, and disseminating best practice.

13. The necessary documentation, guidance and templates to ensure consistency, transparency, and consistent terms of reference for all Tailored Reviews in Wales have been developed with the close engagement with ALBs and their stakeholders. The first Tailored Review, in respect of the National Library of Wales, was completed last year. The Review was considered to be a success not least by the National Library itself. The use of an Independent Panel to conduct the work, the engagement with stakeholders, and the constructive involvement of the Body itself were all areas which worked particularly well. Another important issue identified was that the work took longer than originally envisaged and there was scope for streamlining the process.

14. In the light of the learning from that exercise a five-year rolling programme of Reviews is being developed. The programme will be based upon identified risks, significant changes in Ministerial priorities, or any other significant trigger events identified by stakeholders, the Board, Senior Executive Team, Partnership Team, or at the request of a Minister.

15. Independent Panel members will be agreed and appointed by PBU in consultation with the public body and the Partnership Team for each review. To retain the independence and impartiality of the Tailored Review process the Independent Panel itself will be the author of the Tailored Review Report and its recommendations. All Tailored Review reports will be published to ensure action is taken in response to recommendations, and to share good practice. A WG Challenge Panel will scrutinise the Tailored Review process and the draft report to ensure the Tailored Review process is consistent and effective.

Public Appointments

16. In 2020 – 21, over 100 public appointments and re-appointments were either managed directly or supported by PBU. The long-term intention is for delivery of corporately led public appointments across all public bodies and NHS organisations. PBU has developed close working relationships with WG Partnership Teams, public bodies and NHS organisations and is recognised as a crucial source of advice for ensuring the effective delivery of public appointments across government. In addition to its advisory role, since April 2018 PBU has taken responsibility for delivering public appointments to NHS organisations and has assumed responsibility for shaping the policy agenda as it relates to public appointments. This has included making changes to the appointment process, from introducing additional assessment stages to implementation of pre-appointment hearing arrangements.

17. Many public appointments to the boards of public bodies are made in accordance with the Governance Code on Public Appointments. The Code sets out a relatively stringent set of protocols and procedures to follow which are embedded by PBU in all

relevant public appointments. PBU has developed a productive and good working relationship with the Commissioner for Public Appointments which enables appointments across government to be made in accordance with the Code, and which offers pragmatic solutions and a focus on diversity and inclusion. The suspension of public appointments in April 2020, due to the pandemic, for six months is one such example of an approach which PBU brokered with the Commissioner for Public Appointments

Diversity and Inclusion Strategy for Public Appointments

18. Delivery of the Diversity and Inclusion Strategy for Public Appointments is a Ministerial priority. The Strategy sets out a vision and actions aimed at improving the diversity of leadership in public life, by improving the diversity of public appointees. It includes a range of actions touching on the appointment process, supporting individuals and driving cultural change. In early 2021, 13 Senior Independent Panel Members were recruited from across Wales to join recruitment panels for some of the most significant public appointments in Wales. Individuals have been drawn from all walks of life (and protected characteristics). Feedback to date has been very positive. Members have shared their knowledge and expertise, including lived experience, to enrich and add value to the recruitment process. Wales is the first UK nation to actively recruit Senior Independent Panel Members in this way.

19. Also last year, PBU procured a suite of training and development programmes which focus on diversity and inclusion, together with inclusive recruitment practices and induction. The development programmes will initially be aimed at individuals from ethnic minority communities and disabled people. A “near ready” leadership programme will aim to support individuals with previous experience of working or engaging in public life and a “leaders of the future” programme is intended to support individuals with less awareness or experience of public roles. PBU intends that these programmes should be rolled out in early 2022.

Honours

20. The Welsh Government continues to contribute to two Honours rounds each year, working closely with internal colleagues and UK Cabinet Office. Arrangements for Health and Social Care nominations, along with State Honours, have been centralised and are delivered by PBU. This has improved consistency, and facilitated development of a pipeline of possible nominees. Improved awareness campaigns have been run aimed at improving the volume and diversity of nominations received in Wales.

Pay, Pensions and Engagement Team

21. PBU oversees the remuneration arrangements for public appointees, and provides oversight and assurance on Arms-length Body pay and pension matters. The Unit has taken on the communication and discussion of a range of pay, pension and connected matters for employees and Board Members of public bodies across Wales.

22. It offers guidance on Board and other bodies' remuneration for non-executive directors or members, based on the size and responsibility of the body, but final decisions on pay lie with the responsible Ministers and the Partnership Teams. Similarly, the team issues pay remits to ALBs but does not set staff salaries for them, nor approve pay deals negotiated between each body and its staff.

23. Key tasks of the Pay, Pensions and Engagement team include:

- Creating and disseminating the annual pay remit for arms-length bodies, giving them the overall expectations (not instructions);
- Supporting the pay parity agenda across the arms-length bodies and promoting pay parity in other public bodies funded by WG;
- Providing guidance on remuneration for chairs, deputy chairs and board members of public bodies, including NHS bodies, and updating the matrix which sets out recommended levels of remuneration;
- Maintaining links with the UK Government, especially HM Treasury and Cabinet Office, and other devolved administrations on management of and changes to public sector pension schemes and approval of applications for early exit schemes;
- Acting as Secretariat to the Devolved Sector Group of Welsh public bodies, with specific focus on pay, conditions and portability of staff across the sector;
- Updating the Senior Salaries report every 3 to 4 years, setting out pay levels, gender differences and ratios between highest and median pay.

Working with Partnership Teams

24. PBU works closely with Partnership Teams across the Welsh Government in relation to the application of generic ALB issues. PBU has been actively involved in advising on the creation of the following new Public Bodies;

- The Centre for Digital Public Services;
- The Global Centre for Rail Excellence;
- The Citizen Voice Body;
- Cwmni Egin;
- The Commission for Tertiary Education and Research.

25. PBU has also been involved in discussions on the future of the Wool Marketing Board, and has also provided advice on issues related to a number of Ministerial Advisory Boards and Ad Hoc Bodies. PBU also works closely with the Corporate

Governance Centre of Excellence, particularly on the upkeep of the Public Bodies Register.

Evaluation

26. The Public Bodies Unit receives, and welcomes, regular ad hoc feedback from Ministers, other officials of the Welsh Government, and from Chairs and officers of the bodies with which it works. The consensus so far has been overwhelmingly that the creation of the Unit and implementation of the recommendations of the original review report have begun to result in a more unified, mature and cohesive relationship between the Welsh Government and its ALBs that is more effective, and more efficient, than the previous arrangements. Completion of the formal evaluation exercise has, along with other work of PBU, had to be delayed until this year as a result of the staff concerned being reallocated to working on the pandemic.

Welsh Government

January 2022

Annex – ALBs directly included in the remit of the Public Bodies Unit

- Arts Wales
- Careers Wales
- The Centre for Digital Public Services
- Design Commission Wales
- Development Bank for Wales
- Estyn
- Higher Education Funding Council for Wales
- Hybu Cig Cymru
- Industry Wales
- Local Democracy and Boundary Commission for Wales
- National Academy for Education Leadership
- National Library of Wales
- National Museum Wales
- Natural Resources Wales
- Planning Inspectorate Wales
- Qualifications Wales
- Royal Commission on Ancient and Historical Monuments of Wales
- Social Care Wales
- Sport Wales
- Student Loans Co
- Transport for Wales
- Life Sciences Hub
- Welsh Revenue Authority
- Welsh Development Management
- WGC Holdco
- Education Workforce Council
- Commissioners (Children's, Future Generations, Welsh Language, Older People's)

Cardiff Airport, Vale of Glamorgan, Wales CF62 3BD
Maes Awyr Caerdydd, Bro Morgannwg, Cymru CF62 3BD

Mark Isherwood MS
Committee Chair
Public Accounts and Public Administration Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

By email to SeneddPAPA@senedd.wales

December 14th 2021

Dear Chair,

I write in connection with the recent PAPAC meeting on November 3rd 2021 and subsequent questions raised directly to Welsh Government.

One of the questions raised was around bonuses for executives employed by the airport, as follows:

“whether, since the Welsh Government’s acquisition of Cardiff Airport in 2013, any bonuses or benefits have been paid to the organisation’s executives. If so, could you also please provide details of the bonuses or benefits paid and the role of Holdco and/or the Welsh Government in respect of them”.

Regarding benefits, the Member who raised this in Committee (extract from Record of Transcript below) was interested in whether any financial bonuses/benefits had been paid to any senior executive, past or present. I imagine she meant private healthcare, shares, company car etc .

Welsh Government officials have asked that we respond to you directly on this question.

We can confirm that there have not been any bonuses paid to airport employees or directors since the change of ownership in 2013.

Benefits paid to staff are in line with standard employment contracts and as they form part of personal employment contracts are confidential.

Yours sincerely



D M Walters
Company Secretary – Cardiff International Airport Limited

**Grwp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group**

Cyfarwyddwr Cyffredinol - Director General



**Llywodraeth Cymru
Welsh Government**

Mark Isherwood MS
Chair – Public Accounts and Public Administration Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

15 December 2021

Dear Chair

CARDIFF AIRPORT

During the evidence session on Cardiff Airport that I attended with Public Accounts and Public Administration Committee on 3 November, I undertook to write to provide you with further information in a number of areas. These actions were set out in your letter to me of 18 November. I have addressed each of these points below.

Since the Welsh Government's acquisition of Cardiff Airport in 2013, have any bonuses or benefits been paid to the organisation's executives? If so, could you also please provide details of the bonuses or benefits paid and the role of Holdco and/or the Welsh Government in respect of them?

Questions about staffing and remuneration matters are for Cardiff International Airport Limited ("CIAL") to consider and respond to, as it is a separate legal entity to the Welsh Government. I have therefore asked Spencer Birns, CEO of CIAL, to write to provide you with details of any bonuses or benefits paid. I can however provide you with some further details on the role of WG, Holdco and CIAL in this area. Holdco is a private limited company, wholly-owned by the Welsh Government and operated as a commercial business. The Welsh Government is responsible for the appointment of directors to the board of Holdco. Holdco is the sole shareholder in CIAL – this Holdco structure was adopted in order to allow CIAL to operate on a commercial basis at an arm's length from the Welsh Government (the structure having been subject to detailed legal and commercial advice at the time of acquisition). The relationship between Holdco and CIAL

Parc Cathays/Cathays Park
Caerdydd/Cardiff
CF10 3NQ

is governed by the memorandum and articles of CIAL, and also a Management Agreement entered into in 2013 between Holdco and CIAL. Under the Management Agreement, remuneration arrangements are covered in a number of ways:

- (i) the board of directors of CIAL is responsible for determining and setting the remuneration of the CIAL directors, subject to the prior written consent of Holdco; and
- (ii) Holdco is responsible for determining certain specific “Consent Matters” which are specified issues or decisions which should not be taken by CIAL or its board, without the specific consent of Holdco. Certain “Consent Matters” relate to remuneration, for example, Holdco’s consent is required prior to CIAL:

- entering/terminating any employment contract ... in respect of the services of any person where:
 - such person is, or is to be, an executive director of CIAL; or
 - where the annual benefits (including bonus and pension contributions) payable under such contract is or is to be in excess of £50,000 (index linked);

(unless such agreement has been approved by a Remuneration Committee of CIAL).

- any alteration, consent, approval or waiver under the terms of any employment contracts as described above, or any increase or variation in the basis of calculating the remuneration paid by CIAL (including any salary, fee, bonus or commission entitlement or arrangement or pension contribution) under any such contract/agreement (unless such increase or variation in remuneration has been approved by the Remuneration Committee of CIAL).

For completeness, we would note that the Memorandum and Articles of Association of CIAL deal with matters such as share capital, allotment etc., the number of directors, general meetings, directors’ powers, appointment/retirement of directors and so forth, and as is usual for a company’s constitutional documents. These documents contain limited provisions relating to directors’ expenses and gratuities and pensions, and these aspects are supplemented by the provisions of the Management Agreement.

The Committee ***requested more information on the alternative scenarios, including those that did not include supporting the Airport. This should include an explanation why sell-offs, the different interactions in relation to land values and potential for planning permission were not considered as the favoured option for moving forward.***

As described in the Evidence Session, had the Welsh Government chosen not to support CIAL, the Airport would have run out of funds in early April 2021; this would have meant it would not have been able to meet its liabilities as they fell due. CIAL’s directors would have had an obligation to its creditors to declare the business as insolvent unless there was confirmation of funds to cover the business’s liabilities for the next 12 months. Had

CIAL become insolvent, it would have been forced into administration which could have resulted in a voluntary liquidation as a way of closing Cardiff Airport (the "Airport") and clearing any outstanding debts.

In March 2021, independent advisers Duff & Phelps advised that the Welsh Government could be expected to recover in the region of £15m in a liquidation scenario, with CIAL's assets sold on a breakup basis. Furthermore, Duff & Phelps advised that the funding requirement facing the business would not fall away following the appointment of administrators as most of the liquidity needs were to fund future losses and critical capital expenditure needed to run the Airport. This funding requirement could have proven commercially prohibitive to any parties interested in acquiring the Airport for its existing use. This could have seen CIAL being wound up, and its assets sold on a break up basis via liquidation. This would have seen a full write off of the Welsh Government's equity interest and the majority of its commercial loans in the Airport with a modest recovery of c£15m against its funding commitment (which stood at c£130m in aggregate in March 2021).

A review was conducted by Duff & Phelps of future development opportunities for the land. The review concluded that residential development might be favoured for the land, albeit further feasibility due diligence would be required.

Consideration was given to providing temporary liquidity support to CIAL in the form of funding for 12 months to enable CIAL to recover from the pandemic as soon as travel restrictions were lifted. This option would have cost the WG a total c£10m over 12 months, and ultimately it was highly likely that CIAL would go into liquidation in 12 months' time regardless of passenger numbers picking back up to normality. Furthermore, Duff & Phelps considered the merits of a mothballing strategy for 12 months. Whilst they would have expected the funding requirements facing CIAL in this period to decrease, they believed this strategy would have risked the very viability of CIAL, as existing airlines would likely choose to exit. In many ways, with this proposal, the keystone to any successful turnaround strategy would potentially be irreversibly lost. Duff & Phelps considered this option to potentially be the riskiest, and it could lead to a liquidation outcome following the provision of additional WG support of c£10m. This option only provided for short term support, was at best uncertain in its likely outcome, and would fail to deliver on the objective of keeping the business open in the long term.

Subsequently, as part of the year end Holdco accounts preparation process, an updated full valuation of the assets of CIAL as at the financial year end was obtained by RICS Registered Valuers, Alder King. This provided a final valuation of £17.83m. The valuation assumed cessation of the business. The valuation was based on the Market Value / Fair Value of the land and buildings, on the assumption they are marketed for alternative use potential. The valuation considered all the existing planning permissions in place to arrive at this market value.

The relevant development plan which covers CIAL land, is the Vale of Glamorgan Local Development Plan (LDP) 2011 – 2026, which was adopted on 28 June 2017. CIAL is identified within the LDP at Policy MD16 (12) as an existing employment site. At existing employment sites, proposals for non B1, B2 and B8 uses will only be permitted where certain criteria can be met. Policy MD16 seeks to protect the loss of existing employment sites unless it can be clearly demonstrated that the site is no longer suitable or viable for

employment uses. CIAL is within the St Athan and Cardiff Airport Enterprise Zone. There are 77.4 hectares adjacent to CIAL and Port Road, which are allocated as strategic employment land.

The valuation considered that CIAL's property is strategically situated close to Cardiff city centre and the M4 motorway. The property would be viewed as a large scale brownfield redevelopment opportunity. Demand for the freehold interest would be forthcoming from owner-occupiers, investors and developers / speculators. An owner-occupier would purchase in order to obtain planning consent for a new bespoke facility for their own occupation. It also considered that any developer might consider the potential for higher value uses such as residential in the future and acquire planning consent for a residential-led mixed use development.

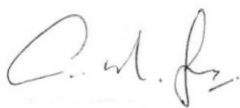
These alternative options presented to Welsh Ministers focused around future funding as only when CIAL had recovered to a sustainable business model could we consider any other potential solvent options such as a joint venture partner, third party sale to enable CIAL to continue to run the business but under new ownership, or a management contract whereby the private sector obtains a fee for the management of all or part of the business or certain key aeronautical activities. There were also potential insolvency options considered at the time, such as supporting a purchaser of the business and assets of the Company out of administration to incentivise them to continue to run it as a regional airport or considering providing a planning framework and funding support to assist one or more third parties to redevelop the area in a liquidation scenario. All these options would have come with significant risks and require furthered substantial independent specialist advice.

I trust the above information provides the clarity that the Committee is seeking, but please do let me know if you have any further questions.

I will also write to the Committee with the outcome of the review of Holdco governance for CIAL in due course.

With best wishes.

Yours sincerely



Andrew Slade
Director General
Economy, Skills and Natural Resources Group

Mark Isherwood MS
Committee Chair
Public Accounts and Public Administration Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

By email to SeneddPAPA@senedd.wales

5th January 2022

Dear Chair,

I write in connection with the recent PAPAC meeting on November 3rd 2021, and your subsequent letter dated 18th November 2021. We have responded to the questions raised below.

- *You agreed to check the Civil Aviation Authority (CAA) figures and clarify the correct freight tonnage figures from 2018 to the present day. It would be helpful if these could be provided for calendar years, rather than financial years.*

Please see attached a copy of the CAA published freight data for UK airports for the full calendar years 2010-2020. This clearly shows an increase in tonnage of 23% for 2019 compared to 2018. In 2019 we carried 1,803 tonnes whilst in 2018 it was 1,459 tonnes.

- *In June 2020, you told the Economy, Infrastructure and Skills Committee about the steps you were taking to reduce costs while the terminal was closed. You agreed to provide those figures to us in confidence outside of the public session.*

During the period of the first major lockdown from March – July 2020, we reduced operational activities in the terminal due to the pause in the passenger flight activities. This included closing access to the majority of the terminal facility, to reduce operating costs. Staff were furloughed where possible and we maintained a significantly reduced workforce available to handle flights that were using the rest of the airport facilities. We switched our Critical Part zones to enable the airport to facilitate alternative flight movements and parking for our airline partners that could still attract revenues as contributions to our operating costs whilst no passenger demand was taking place. As a result, the operating costs of the business reduced from £30,424,000 for the year ended 31st March 2020 to £20,942,000 for the year ended 31st March 2021, a reduction of £9,482,000. This can be seen on page 12 of the audited accounts for Cardiff International Airport Limited for the year ended 31st March 2021, which are attached for your information.

- *You agreed to advise in writing how the grant funding of £16 million for 2021-22 will be used, and to what extent will it cover lost revenues of 2021-22 as well as other activity costs*

The grant funding has been spent on operational and capital expenditure. As we signed a confidentiality agreement as part of the funding arrangements, the exact breakdown of the expenditure is deemed to be commercially sensitive and therefore cannot be divulged.

- *You also agreed to share information about the milestones and the performance indicators set for you to achieve over the five-year period to 2026, as detailed in the Rescue and Restructuring Plan.*

The milestones and performance indicators are also deemed to be commercially sensitive and cannot be divulged.

Yours sincerely



D M Walters
Company Secretary – Cardiff International Airport Limited

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Percentage change on past year
London Area Airports												
GATWICK	104 032	88 085	97 567	96 724	88 508	73 371	79 588	96 983	112 600	110 358	26 063	-76
HEATHROW	1 472 988	1 484 351	1 464 390	1 422 903	1 498 906	1 496 537	1 541 029	1 698 461	1 699 663	1 587 486	1 146 310	-28
LONDON CITY	-	-	-	-	28	24	69	65	7	4	-	-95
LUTON	28 743	27 905	29 635	29 074	27 414	28 008	25 426	21 027	26 193	35 761	31 155	-13
SOUTHEND	3	6	9	1	6	5	-	-	-	-	-	-
STANSTED	202 238	202 580	214 160	211 952	204 725	207 996	223 203	236 892	226 128	224 139	254 573	14
Total London Area Airports	1 808 005	1 802 926	1 805 761	1 760 654	1 819 587	1 805 941	1 869 314	2 053 427	2 064 592	1 957 749	1 458 101	-26
Other UK Airports												
ABERDEEN	4 211	5 311	6 166	7 102	6 278	6 545	5 731	5 870	5 706	5 986	5 434	-9
BARRO	29	28	26	22	20	15	15	14	13	12	8	-34
BELFAST CITY (GEORGE BEST)	155	457	581	527	491	551	476	317	227	196	49	-75
BELFAST INTERNATIONAL	29 716	31 062	29 095	29 288	30 073	30 389	7 597	12 308	27 672	25 095	27 946	11
BENBECULA	195	172	134	42	6	6	5	4	24	38	29	-24
BIRMINGHAM	21 605	16 626	19 088	21 067	5 119	7 164	30 010	41 803	33 709	29 866	18 548	-38
BLACKPOOL	41	3	-	-	-	-	-	-	-	-	-	-
BOURNEMOUTH	304	-	1 121	1 818	1 888	1 565	-	-	-	-	-	-
BRISTOL	-	-	-	-	-	-	-	10	7	11	16	50
CAMBRIDGE	11	-	-	-	-	-	-	-	-	-	-	-
CARDIFF WALES	28	377	66	48	36	26	5	4	1 459	1 803	317	-82
COVENTRY	-	564	2 500	2 355	2 303	2 259	2 032	-	-	-	-	-
DONCASTER SHEFFIELD	216	102	276	354	858	3 201	9 341	8 657	7 107	17 647	22 573	28
EAST MIDLANDS INTERNATIONAL	273 669	264 595	264 292	266 968	277 413	291 689	300 101	324 216	334 536	335 948	381 954	14
EDINBURGH	20 357	19 332	19 115	18 624	19 369	19 322	20 369	20 659	20 316	19 410	17 322	-11
EXETER	10	15	4	1	1	-	-	7	-	-	-	-

GLASGOW	2 914	2 430	9 497	11 837	15 411	13 193	12 952	15 935	15 466	12 822	6 601	-49
HUMBERSIDE	600	1 132	621	153	129	148	123	93	121	117	52	-56
INVERNESS	144	-	-	-	-	-	-	-	-	-	-	-
ISLAY	213	209	168	207	218	233	231	268	283	313	69	-78
ISLES OF SCILLY (ST.MARYS)	140	115	90	67	78	59	76	60	74	68	82	21
ISLES OF SCILLY (TRESKO)	30	24	18	-	-	-	-	-	-	-	-	-
KIRKWALL	84	58	33	38	36	38	35	35	38	33	21	-35
LANDS END (ST JUST)	22	12	16	61	57	69	71	70	65	71	83	17
LEEDS BRADFORD	235	194	282	324	68	8	22	15	3	-	-	-
LIVERPOOL (JOHN LENNON)	265	168	130	278	236	197	270	123	159	784	294	-63
LYDD	-	-	-	-	-	-	-	-	-	21	-	-
MANCHESTER	115 922	107 415	96 822	96 373	93 466	100 021	109 630	120 181	114 131	108 382	48 938	-55
MANCHESTER (KENT INT)	28 103	27 495	31 078	29 306	12 696	-	-	-	-	-	-	-
NEWCASTLE	3 650	3 059	2 956	3 701	4 450	3 717	4 574	5 482	5 524	4 745	1 039	-78
NEWQUAY	-	-	-	-	12	-	2	12	3	2	2	-33
NORWICH	266	330	213	160	247	346	407	332	220	257	178	-31
OXFORD (KIDLINGTON)	-	-	-	-	16	-	6	-	1	-	-	-
PENZANCE HELIPORT	159	135	95	-	-	-	-	-	-	-	-	-
PRESTWICK	12 163	11 846	10 314	9 526	12 540	11 242	10 822	11 393	13 003	13 054	12 049	-8
SCATSTA	765	808	873	849	788	702	456	490	449	275	96	-65
SOUTHAMPTON	116	132	359	133	133	185	173	200	233	203	69	-66
STORNOWAY	192	115	154	114	114	101	94	165	217	179	134	-25
SUMBURGH	268	315	362	329	335	382	306	329	333	322	169	-48
TEESSIDE INTERNATIONAL AIRPORT	-	3	-	-	2	-	8	4	1	-	8	-
TIREE	19	25	19	21	11	13	8	12	21	12	6	-50
WICK JOHN O GROATS	-	-	-	-	1	1	-	-	-	-	-	-

Total Other UK Airports	516 817	494 661	496 566	501 694	484 897	493 386	515 948	569 069	581 118	577 674	544 086	-6
Total All Reporting UK Airports	2 324 822	2 297 588	2 302 327	2 262 348	2 304 484	2 299 328	2 385 262	2 622 495	2 645 710	2 535 422	2 002 187	-21
Non UK Reporting Airports												
ALDERNEY	216	182	161	128	119	109	95	100	95	80	43	-46
GUERNSEY	2 132	2 194	1 940	2 026	2 027	1 911	1 865	1 223	937	979	828	-16
ISLE OF MAN	404	424	433	447	358	314	262	212	150	120	93	-23
JERSEY	3 027	2 634	2 478	2 823	2 876	2 667	1 895	1 304	1 041	785	676	-14
Total Non UK Reporting Airports	5 778	5 434	5 013	5 425	5 380	5 001	4 116	2 839	2 224	1 964	1 640	-17

Please note that figures may change overtime as each new version is produced. Information relating to an airport that has ceased to handle regular traffic/closed will be excluded from the table completely. For data concerning historical years it is recommended that you use earlier produced versions of this table.

CARDIFF INTERNATIONAL AIRPORT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

CARDIFF INTERNATIONAL AIRPORT LIMITED

COMPANY INFORMATION

Directors	Mr J G Davies Mr S D Birns Mr T D Morgan Ms F C Gunn Mr W H Harvey (appointed 1 June 2020) Mr D M Walters (appointed 17 August 2020)
Company secretary	Mr D M Walters
Registered number	02076096
Registered office	Cardiff Airport Vale of Glamorgan CF62 3BD
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 6th Floor 3 Callaghan Square Cardiff CF10 5BT

CARDIFF INTERNATIONAL AIRPORT LIMITED

CONTENTS

	Page
Statement from the Chair	1
Strategic report	2 - 3
Directors' report	4 - 6
Independent auditor's report	7 - 11
Statement of comprehensive income	12
Balance sheet	13
Statement of changes in equity	14
Notes to the financial statements	15 - 36

CARDIFF INTERNATIONAL AIRPORT LIMITED

**STATEMENT FROM THE CHAIR
FOR THE YEAR ENDED 31 MARCH 2021**

The chairman presents his statement for the period.

A challenging year for us all.

I am pleased to present the statement from the Chair.

The 2020/21 financial year was an extraordinarily challenging one for the airport. The impact of the Covid-19 pandemic had a catastrophic effect on the aviation sector. National and localised lockdowns together with the impact of travel restrictions grounded aircraft for long periods around the world. The demand and ability to fly was decimated which has directly impacted on the airport's ability to trade.

Regulations and restrictions surrounding travel continue to evolve, in order to react to developments with the pandemic, both within the UK and internationally. This continues to have an impact on passenger numbers and makes it difficult to predict when a recovery will happen.

The airport continues to face enormous challenges, both operationally and financially. The impact on the 2020/21 financial year was severe, and a similar impact will be suffered for the 2021/22 financial year.

We have maintained the airport's ability to operate at all times, and continue to do so. In addition, we have continued to diversify our business. We operate the Joint Venture Agreement with Welsh Government, providing operational management for St Athan airport located at Bro Tathan as well as providing a variety of office, hangar and warehouse space at the airport. We also have an important tenant with British Airways running their major Maintenance, Repair and Overhaul operations for their Boeing fleet from their BAMC centre located at the airport. This facility requires full operational capabilities and functionality of the airport facilities to remain open at all times, in order to facilitate their aircraft movements to and from the centre.

Looking to the future we are expecting demand for travel by air to restart in a meaningful way. We are very pleased to have agreed the creation of a new base for Wizz Air this year. This will be their fourth base in the UK and will offer year-round low fare flights to a wide range of destinations. We are working with all of our airline partners to encourage them to provide suitable capacity and widen the options from Cardiff to meet the expected increased demand in 2022.

In early March 2021 we were very pleased to secure a package of financial support from Welsh Government. This was in the form of a £42.6m grant in relation to rescue and re-structure aid under the UK-EU Trade and Co-operation Agreement. This will partially support the funding of the business for the next five years. One of the terms of the grant agreement was a £42.6m write down of the loan with Welsh Ministers. This write down is classified as an exceptional item in the accounts.

Before exceptional items the net loss for the business for the year ended 31st March 2021 was £12,771,551. As well as the loan write off referred to above, the other exceptional item was an impairment of our fixed assets of £12,211,618. This followed an external valuation of the assets. Both exceptional items can be seen in note 12 on page 27 of the accounts. After the net adjustment of £30,388,382 for exceptional items it resulted in a profit reported for the year of £17,616,831, as shown on page 12 of the accounts.

The challenges faced by every aspect of our business have been varied and extremely testing. Throughout all those difficulties the effort, dedication and professionalism of all of our staff has been unwavering. On behalf of the Board I would like to thank them all.

We look forward to more positive times ahead.

On behalf of the Board

Name Mr W H Harvey
Chairman



Date 9 December 2021

CARDIFF INTERNATIONAL AIRPORT LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2021**

The directors present the strategic report and financial statements of Cardiff International Airport Limited ("the Company") for the year ended 31 March 2021.

Review of business and future developments

Passenger numbers for the year to 31 March 2021 were 48,803, a 97% decrease on the year to 31 March 2020.

The pandemic has been catastrophic for the aviation industry impacting both airlines and airports significantly. Notably for Cardiff Airport the pandemic resulted in the collapse of Flybe in March 2020. Worldwide Government restrictions on travel together with reduced propensity to travel continued to significantly impact passenger numbers through 2020 and 2021. The Airport industry has seen passenger volumes decrease by in excess of 90% across all airports.

Cardiff Airport saw its passenger volumes decline by 97% for the year ended 31st March 2021. At the same time a significant proportion of the airport's costs are fixed, in particular for safety and security related activities, under stringent regulatory controls. This has added immense pressure on liquidity.

Looking ahead, there remains strong pent-up demand, in particular for travel to see friends and relatives and for leisure related travel purposes. Tui and Wizz Air remain committed to deploying based aircraft capacity at the airport which helps develop local talent and employment for the sector. As the Welsh Government recommendation against non-essential international travel and the related travel restrictions ease, we expect the correlating increase in flow of customers booking trips will follow.

Tui, KLM, Eastern Airways, Loganair, Vueling and Ryanair have started to step up their operations again at the airport. Prior to the Covid Crisis, there were 52 non-stop routes operated from the airport. So far, our airline partners have re-instated services to 16 of these routes. The initial phase has seen major city connections being restored to Amsterdam, Paris, Dublin, Edinburgh and Belfast. Whilst the rest of the routes have been predominantly to leisure markets in Spain, Portugal and Greece.

The airport expects to see continued facilitation of the Brisith Airways Maintenance Repair and Overhaul (MRO) activities for their Boeing fleet following significant consolidation into this major engineering centre at BAMC.

The airport also expects to see further growth in demand for the use of our Fixed Based Operators (FBO's) as they develop their respective offerings and utilization of the airport facilities through Signature, Dragonfly and Global Trek respectively.

As the industry recovers, demand for training will also increase. The airport currently has two flight training facilities on site run by CAERDAV and Aeros respectively, who are well placed to develop accordingly.

The Aviation industry continues to face significant challenges due to the COVID-19 Crisis. This has resulted in the Board deciding to further review the value of our Tangible assets. We have taken a prudent approach and written down the value of our tangible fixed assets to £31,598,768. This has resulted in an impairment recognised in the Income Statement, as an exceptional charge of £12,211,618.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

Principal risks and uncertainties
Financial Risk Management

The Company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company by monitoring levels of debt finance and related finance costs. The Company does not use derivative financial instruments to manage interest rate costs and as such no hedge accounting is applied.

The directors have delegated the responsibility of monitoring the financial risk management to a sub-committee of the Board, the Audit Committee. The policies set by the Audit Committee are implemented by the Company's Finance Department.

Credit Risk

The Company has implemented policies that require adequate credit checks on potential customers before sales are made.

Liquidity Risk

The Company uses appropriately termed debt finance that is designed to ensure that it has sufficient funds for operations.

In addition the company has access to funding in relation to rescue and restructure aid under the UK-EU Trade and Cooperative Agreement which is to be drawn in tranches through to December 2024.

Interest Rate Cash Flow Risk

The Company has interest bearing liabilities. The Company has a policy of maintaining debt at fixed and floating rates to manage certainty of future interest cash flows. The directors will revisit the appropriateness of this arrangement should the Company's operations change in size or nature.

Financial key performance indicators

The key performance indicators used by management to assess the performance of the business are passenger numbers and Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA").

	2021	2020
	'000	'000
Passenger Numbers	49	1,582
	£'000	£'000
EBITDA (before exceptional items)	(5,747)	(691)
Depreciation and amortisation	(10,044)	(20,576)

Dividends

No dividends will be distributed for the year ended 31 March 2021 (2020: £Nil).

This report was approved by the board on 9 December 2021 and signed on its behalf.

Mr S D Birns
Director

Spencer Birns

CARDIFF INTERNATIONAL AIRPORT LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2021**

The directors present their report and the financial statements for the year ended 31 March 2021.

Principal activity

The principal activity of the Company continued to be that of the operation, management and control of Cardiff Airport.

Results and dividends

The profit for the year, after taxation, amounted to £17,617 thousand (*2020 - loss £23,899 thousand*).

No dividends were declared or paid during the year (*2020: £Nil*).

Directors

The directors who served during the year were:

Mr R C Lewis (resigned 1 June 2020)
Mr J G Davies
Ms D Bowen Rees (resigned 30 September 2020)
Mr S D Birns
Mr H M Lewis (resigned 17 August 2020)
Mr T D Morgan
Ms F C Gunn
Mr W H Harvey (appointed 1 June 2020)
Mr D M Walters (appointed 17 August 2020)

CARDIFF INTERNATIONAL AIRPORT LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

Disclosure of information to auditor

The directors confirm that:

- so far as each director is 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 directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 9 December 2021 and signed on its behalf.

Spencer Birns

Mr S D Birns
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDIFF INTERNATIONAL AIRPORT LIMITED

Opinion

We have audited the financial statements of Cardiff International Airport Limited (the 'Company') for the year ended 31 March 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDIFF INTERNATIONAL AIRPORT LIMITED (CONTINUED)

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 Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDIFF INTERNATIONAL AIRPORT LIMITED (CONTINUED)

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDIFF INTERNATIONAL AIRPORT LIMITED (CONTINUED)

Explanation as to what extent 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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of how the Company is complying with significant legal and regulatory frameworks through inquiries of management;
- The Company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified Financial Reporting Standard 102 and the Companies Act 2006, along with legislation relating to employment, health & safety, data protection and environmental issues, as those most likely to have a material effect if non-compliance were to occur;
- We communicated relevant laws and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout the audit;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. We considered the opportunity and incentives for management to perpetrate fraud, and the potential impact on the financial statements;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Company's operations, including the nature of its revenue sources, products, and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the Company's control environment;
 - the Company's relevant controls over areas of significant risks; and
 - the Company's business processes in respect of classes of transactions that are significant to the financial statements.
- Audit procedures performed by the engagement team included:
 - identifying the significant risk of fraud within revenue recognition and undertaking substantive testing to obtain sufficient and appropriate audit evidence;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
 - identifying and testing related party transactions.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDIFF INTERNATIONAL AIRPORT LIMITED (CONTINUED)

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included:
 - consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity;
 - appropriate training, knowledge of the industry in which the Company operates; and
 - understanding of the legal and regulatory requirements specific to the Company.
- We did not identify any material matters relating to non-compliance with laws and regulations or relating to fraud.

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.

Grant Thornton UK LLP

Rhian Owen BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cardiff

9 December 2021

CARDIFF INTERNATIONAL AIRPORT LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 £000	2020 £000
Turnover	4	8,474	24,984
Cost of sales		(1,242)	(2,574)
Gross profit		<u>7,232</u>	<u>22,410</u>
Administrative expenses		(20,942)	(30,424)
Other operating income	5	4,263	-
Exceptional other operating income/(charges)	12	30,388	(13,253)
Operating profit/(loss)		<u>20,941</u>	<u>(21,267)</u>
Interest receivable and similar income	9	10	15
Interest payable and similar expenses	10	(3,331)	(2,645)
Profit/(loss) before tax		<u>17,620</u>	<u>(23,897)</u>
Tax on profit/(loss)	11	(3)	(2)
Profit/(loss) for the financial year		<u><u>17,617</u></u>	<u><u>(23,899)</u></u>
Other comprehensive income for the year			
Actuarial gains/(losses) on defined benefit pension scheme		352	1,340
Movement of deferred tax related to defined benefit pension scheme		(36)	38
De-recognition of pension surplus		(159)	(1,547)
Other comprehensive income for the year		<u>157</u>	<u>(169)</u>
Total comprehensive income for the year		<u><u>17,774</u></u>	<u><u>(24,068)</u></u>

The notes on pages 15 to 36 form part of these financial statements.

CARDIFF INTERNATIONAL AIRPORT LIMITED
REGISTERED NUMBER:02076096

BALANCE SHEET
AS AT 31 MARCH 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Tangible assets	14		31,597		53,407
			<u>31,597</u>		<u>53,407</u>
Current assets					
Stocks	16	140		132	
Debtors: amounts falling due within one year	17	2,742		2,829	
Cash at bank and in hand	18	11,350		2,380	
			<u>14,232</u>	<u>5,341</u>	
Creditors: amounts falling due within one year	19	(16,040)		(12,837)	
Net current liabilities			<u>(1,808)</u>		<u>(7,496)</u>
Total assets less current liabilities			<u>29,789</u>		<u>45,911</u>
Creditors: amounts falling due after more than one year	20		(27,208)		(54,607)
Pension asset	25		477		323
Net assets/(liabilities)			<u>3,058</u>		<u>(8,373)</u>
Capital and reserves					
Called up share capital	22		56,120		56,120
Revaluation reserve	23		-		6,525
Profit and loss account	23		(53,062)		(71,018)
			<u>3,058</u>		<u>(8,373)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 December 2021.

Spencer Birns

Mr S D Birns
Director

David Walters

Mr D M Walters
Director

The notes on pages 15 to 36 form part of these financial statements.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Called up share capital £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2019	56,120	6,705	(47,130)	15,695
Loss for the year	-	-	(23,899)	(23,899)
Actuarial gains on pension scheme	-	-	1,340	1,340
Deferred tax movements on defined benefit pension scheme	-	-	38	38
De-recognition of defined benefit pension surplus	-	-	(1,547)	(1,547)
Transfer to/from profit and loss account	-	-	180	180
Transfer between other reserves	-	(180)	-	(180)
At 1 April 2020	56,120	6,525	(71,018)	(8,373)
Profit for the year	-	-	17,617	17,617
Actuarial gains on pension scheme	-	-	352	352
Deferred tax movement on defined benefit pension scheme	-	-	(36)	(36)
De-recognition of defined benefit pension surplus	-	-	(159)	(159)
Transfer to/from profit and loss account	-	(6,343)	182	(6,161)
Transfer between other reserves	-	(182)	-	(182)
At 31 March 2021	56,120	-	(53,062)	3,058

The notes on pages 15 to 36 form part of these financial statements.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

1. General information

Cardiff International Airport Limited is a Company limited by shares and incorporated in England and Wales. The registered office is Cardiff Airport, Vale of Glamorgan, UK, CF62 3BD. The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The Company is exempt from the requirement to prepare group accounts under section 405 of the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report which forms part of the Directors' report. The Directors' report also describes the financial position of the Company, its cash flows, liquidity position and borrowing facilities as well as policies and processes for managing working capital requirements.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In forming this view, they have considered the current position of the Company, the forecast position and the continued support of Welsh Government.

In March 2021, Welsh Government announced a five year package of financial support. This was in the form of a £42.6m grant for rescue and restructure purposes under the UK-EU Trade and Cooperation Agreement. Based on their assessment, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.3 Cash flow statement

The Company has taken advantage of the disclosure exemptions allowed in Section 7 Statement of Cash Flows as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The information is included in the consolidated financial statements of Welsh Government.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)**2.4 Revenue**

Traffic income and Commercial income are earned from movements of aircraft and people, trading revenues and others, which are all recorded when the service is rendered. Tenant income is earned based on contractual agreed terms.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

the amount of revenue can be measured reliably;

it is probable that the Company will receive the consideration due under the contract;

the stage of completion of the contract at the end of the reporting period can be measured reliably; and

the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)**2.9 Retirement benefits**

The Company operates defined contribution and defined benefit pension schemes.

The pension costs in respect of the defined contribution pension schemes comprise contributions payable in respect of the period.

The assets of the defined benefit scheme are measured using bid market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the defined benefit scheme expected to arise from employee service in the period is charged to operating profit. Interest on the net pension liabilities (the difference between the scheme's assets and the present value of the scheme's liabilities), arising from the passage of time, is included in net interest payable.

Actuarial gains and losses are recognised in the statement of total comprehensive income.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

2.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)**2.11 Taxation**

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.12 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.13 Intangible assets

The intangible assets relate to contractual rights obtained by the Company for the provision of services. A contract related asset is recognised as an intangible asset when it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight line method.

The estimated useful lives range as follows:

Contract rights	-	10	years
-----------------	---	----	-------

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)**2.14 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	- Up to 50 years
Plant and machinery	- 3 - 20 years
Runways, taxiways and other similar structures	- 5 - 75 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.15 Impairment of fixed assets

At each reporting period end date, the Company 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset 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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)**2.16 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.17 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.18 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.19 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.20 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.21 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.22 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)**2.23 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small Company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation.

These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements. The key areas are summarised below:

Depreciation and amortisation

The Company exercises judgement to determine useful lives and residual values of tangible fixed assets and intangible assets. The assets are depreciated and amortised down to their residual values over their estimated useful lives.

Provisions for trade debtors

The Company exercises judgement to determine a provision for trade debtors which may not be collected. This provision is an estimate based on management's understanding, knowledge of customers and historic trends.

Accruals

The Company exercises judgement to determine the level of accruals required for expenditure incurred in the financial year for which payment remains outstanding at the year-end. At the end of each reporting period, management assesses the accruals that are required based upon their experience of prior periods and known items.

Impairment of tangible assets

The Company exercises judgement to determine any impairment of tangible assets. Management assess the recoverability of such assets based on the forecast economic benefit the asset will generate over its useful life or its fair value at the balance sheet date.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

4. Turnover

An analysis of turnover by class of business is as follows:

	2021	<i>2020</i>
	£000	<i>£000</i>
Traffic income	2,602	<i>10,750</i>
Commercial income	4,831	<i>12,979</i>
Tenant income	1,041	<i>1,255</i>
	8,474	<i>24,984</i>

Analysis of turnover by country of destination:

	2021	<i>2020</i>
	£000	<i>£000</i>
United Kingdom	8,175	<i>22,163</i>
Rest of Europe	146	<i>2,387</i>
Rest of the world	153	<i>434</i>
	8,474	<i>24,984</i>

5. Other operating income

	2021	<i>2020</i>
	£000	<i>£000</i>
Other operating income	248	<i>-</i>
Government grants released	2,515	<i>-</i>
Sundry income	1,500	<i>-</i>
	4,263	<i>-</i>

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

6. Auditor's remuneration

	2021	<i>2020</i>
	£000	<i>£000</i>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	22	<i>26</i>
	<u><u>22</u></u>	<u><u>26</u></u>
Fees payable to the Company's auditor and its associates in respect of:		
Non audit fees	1	<i>21</i>
	<u><u>1</u></u>	<u><u>21</u></u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2021	<i>2020</i>
	£000	<i>£000</i>
Wages and salaries	7,813	<i>9,282</i>
Social security costs	712	<i>867</i>
Pension costs	612	<i>625</i>
	<u><u>9,137</u></u>	<u><u>10,774</u></u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021	<i>2020</i>
	No.	<i>No.</i>
Operations	200	<i>219</i>
Management and support services	105	<i>101</i>
Directors	7	<i>7</i>
	<u><u>312</u></u>	<u><u>327</u></u>

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

8. Directors' remuneration

	2021	<i>2020</i>
	£000	<i>£000</i>
Directors' emoluments	344	<i>420</i>
Company contributions to defined contribution pension schemes	25	<i>31</i>
	369	<i>451</i>

The highest paid director received remuneration of £106,000 (*2020 - £116,000*).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,000 (*2020 - £13,000*).

9. Interest receivable

	2021	<i>2020</i>
	£000	<i>£000</i>
Net defined benefit pension interest	10	<i>15</i>

10. Interest payable and similar expenses

	2021	<i>2020</i>
	£000	<i>£000</i>
Loans from group undertakings	3,268	<i>2,473</i>
Other interest payable	63	<i>172</i>
	3,331	<i>2,645</i>

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

11. Taxation

	2021	<i>2020</i>
	£000	<i>£000</i>
Corporation tax		
Adjustments in respect of previous periods	-	(4)
Total current tax	-	(4)
Deferred tax		
Origination and reversal of timing differences	3	6
Total deferred tax	3	6
Taxation on profit/(loss) on ordinary activities	3	2

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2020 - *higher than*) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021	2020
	£000	£000
Profit/(loss) on ordinary activities before tax	17,620	(23,897)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	3,348	(4,541)
Effects of:		
Fixed asset differences	2,590	268
Adjustments to tax charge in respect of prior periods	-	(4)
Expenses not deductible	252	21
Other tax adjustments	39	(15)
Deferred tax not recognised	(6,226)	4,273
Total tax charge for the year	3	2

12. Exceptional items

	2021	2020
	£000	£000
Impairment of fixed assets	12,212	-
Impairment of intangible assets	-	13,253
Loan write off	(42,600)	-

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

13. Intangible assets

	Contract rights £000
Cost	
At 1 April 2020	32,921
At 31 March 2021	32,921
Amortisation	
At 1 April 2020	32,921
At 31 March 2021	32,921
Net book value	
At 31 March 2021	-
<i>At 31 March 2020</i>	-

Amortisation on intangible assets is charged to administration expenditure.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

14. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Runways, taxiways and other similar structures £000	Total £000
Cost or valuation				
At 1 April 2020	37,493	24,469	20,302	82,264
Additions	9	162	275	446
Disposals	-	(84)	-	(84)
At 31 March 2021	<u>37,502</u>	<u>24,547</u>	<u>20,577</u>	<u>82,626</u>
Depreciation				
At 1 April 2020	9,476	15,133	4,248	28,857
Charge for the year on owned assets	816	1,680	7,548	10,044
Disposals	-	(84)	-	(84)
Impairment charge	12,212	-	-	12,212
At 31 March 2021	<u>22,504</u>	<u>16,729</u>	<u>11,796</u>	<u>51,029</u>
Net book value				
At 31 March 2021	<u>14,998</u>	<u>7,818</u>	<u>8,781</u>	<u>31,597</u>
<i>At 31 March 2020</i>	<u>28,017</u>	<u>9,336</u>	<u>16,054</u>	<u>53,407</u>

£4,730,000 (2020: £4,730,000) of the above balance relates to land which is not depreciated.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

15. Fixed asset investments**Subsidiary undertaking**

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Cardiff Airport Services Limited	Cardiff Airport, Vale Of Glamorgan, CF62 3BD	Ordinary	100%

16. Stocks

	2021	<i>2020</i>
	£000	<i>£000</i>
Finished goods and goods for resale	140	<i>132</i>

17. Debtors

	2021	<i>2020</i>
	£000	<i>£000</i>
Trade debtors	1,228	<i>1,590</i>
Other debtors	921	<i>724</i>
Prepayments and accrued income	347	<i>445</i>
Tax recoverable	-	<i>70</i>
Grants receivable	246	<i>-</i>
	2,742	<i>2,829</i>

An impairment loss of £8,000 (*2020: £34,000*) was recognised against trade debtors.

18. Cash and cash equivalents

	2021	<i>2020</i>
	£000	<i>£000</i>
Cash at bank and in hand	11,350	<i>2,380</i>

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

19. Creditors: Amounts falling due within one year

	2021	<i>2020</i>
	£000	<i>£000</i>
Trade creditors	1,703	<i>1,502</i>
Other taxation and social security	410	<i>221</i>
Other creditors	68	<i>71</i>
Accruals and deferred income	3,859	<i>11,043</i>
Government grants	10,000	<i>-</i>
	16,040	<i>12,837</i>

20. Creditors: Amounts falling due after more than one year

	2021	<i>2020</i>
	£000	<i>£000</i>
Other loans	27,208	<i>54,607</i>

Other loans relate to amounts owed to Welsh Government. Repayments commence in 2031 via installments, and interest is charged at a rate of 4.5% per annum.

21. Loans

Analysis of the maturity of loans is given below:

	2021	<i>2020</i>
	£000	<i>£000</i>
Amounts falling due after more than 5 years		
Other loans	27,208	<i>54,607</i>

22. Share capital

	2021	<i>2020</i>
	£000	<i>£000</i>
Allotted, called up and fully paid		
56,119,861 (<i>2020 - 56,119,861</i>) Ordinary shares of £1 each	56,120	<i>56,120</i>

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

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

23. Reserves**Revaluation reserve**

The revaluation reserve includes historic gains and losses on the revaluation of tangible fixed assets.

Profit and loss account

The profit and loss account includes all current and prior period profits and losses.

24. Capital commitments

At 31 March 2021 the Company had capital commitments as follows:

	2021	<i>2020</i>
	£000	<i>£000</i>
Contracted for but not provided in these financial statements	-	519
	<u> </u>	<u> </u>

25. Retirement benefit schemes**Defined Contribution Scheme**

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The charge to the profit and loss account in respect of defined contribution schemes was £433,000 (*2020: £466,000*).

Defined Benefit Scheme

The Company participates in the Citrus Pension Scheme ("Citrus"). The Citrus scheme is a multi-employer pension scheme, with separate assets for each employer's section.

The last formal valuation of the Citrus scheme was carried out on 31 March 2020. The valuation as at 31 March 2021 has been projected by independent actuaries based on the last formal valuation. The roll-forward allows for:

- Changes in financial assumptions
- Additional benefit accrual
- Actual deferred pension revaluation and inflation since 31 March 2020
- Pension increases in line with the rules of the Section and reflecting actual inflation since 31 March 2020
- Benefits paid
- Data as summarised in the next section

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

25. Retirement benefit schemes (continued)

Reconciliation of present value of plan liabilities:

	2021	2020
	£000	£000
Reconciliation of present value of plan liabilities		
At the beginning of the year	10,644	11,505
Current service cost	123	173
Interest cost	239	263
Actuarial losses	(290)	(551)
Contributions	26	31
Benefits paid	(470)	(793)
Administration costs	59	53
Deferred tax on actuarial gain/loss	39	(37)
At the end of the year	10,370	10,644

Reconciliation of fair value of plan assets:

	2021	2020
	£000	£000
At the beginning of the year	10,967	11,957
Interest income	249	301
Contributions by Employer	172	247
Actuarial losses/gains	62	766
Contributions by Plan participants	26	31
Benefits paid	(470)	(793)
Movement/Derecognition of surplus	(159)	(1,542)
At the end of the year	10,847	10,967

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

25. Retirement benefit schemes (continued)

Composition of plan assets:

	2021	2020
	£000	£000
Equities	589	460
Multi Asset Credit funds	4,597	2,054
Diversified Growth Funds and Hedge Funds	2,049	2,180
Liability - driven Investments	3,327	4,292
Cash and cash equivalents	2,930	4,469
Total plan assets	13,492	13,455
	2021	2020
	£000	£000
Fair value of plan assets	10,847	10,967
Present value of plan liabilities	(10,370)	(10,644)
Net pension scheme asset	477	323

The amounts recognised in profit or loss are as follows:

	2021	2020
	£000	£000
Current service cost	123	173
Past service cost and administration costs	59	53
Net interest on net defined benefit surplus	(10)	(15)
Total	172	211

The Company expects to contribute £169,000 to its Defined benefit pension scheme in 2022.

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

25. Retirement benefit schemes (continued)

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2021	<i>2020</i>
	%	%
Discount rate	1.95	2.3
Future salary increases	1.5	1.5
Future pension increases (RPI capped at 5%)	3.3	2.8
Future pension increases (RPI capped at 2.5%)	2.25	2.05
Inflation assumption (CPI)	2.65	1.95
Inflation assumption (RPI)	3.4	2.85
Mortality rates		
- for a male aged 65 now	21	22.5
- at 65 for a male aged 45 now	23.8	25.3
- for a female aged 65 now	24.6	24.9
- at 65 for a female member aged 45 now	26.6	28

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2021	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>
	£000	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Defined benefit obligation	(10,258)	<i>(10,571)</i>	<i>(11,395)</i>	<i>(10,672)</i>	<i>(10,069)</i>
Related deferred tax asset/(liability)	(112)	<i>(73)</i>	<i>(110)</i>	<i>(81)</i>	<i>(196)</i>
Scheme assets	10,847	<i>10,967</i>	<i>11,957</i>	<i>11,118</i>	<i>11,222</i>
Surplus	477	<i>323</i>	<i>452</i>	<i>365</i>	<i>957</i>

CARDIFF INTERNATIONAL AIRPORT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

26. Commitments under operating leases

At 31 March 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021	<i>2020</i>
	£000	<i>£000</i>
Not later than 1 year	307	289
Later than 1 year and not later than 5 years	636	732
	943	<i>1,021</i>
	943	<i>1,021</i>

27. Related party transactions

Key management personnel are deemed to be statutory directors of the Company. Their remuneration is disclosed in note 8.

The Company has taken advantage of the exemption permitted under FRS 102, and not disclosed transactions between group entities that are wholly owned.

28. Controlling party

The immediate parent undertaking is WGC Holdco Limited, registered in England and Wales, which in turn is a wholly owned subsidiary of the Welsh Government.

Agenda Item 6

By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted