

COMPANY NUMBER:-  
2078273

# Birmingham Airport Limited

Directors' Report and Financial Statements  
for the Year Ended 31 March 2013

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## **Birmingham Airport Limited**

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**Birmingham Airport Limited**  
**Company Information**

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<b>Registration number</b>	02078273
<b>Chairman</b>	J Hudson
<b>Chief executive</b>	P Kehoe
<b>Directors</b>	Sir A Bore D C Cooper M J Kelly G E Richards
<b>Company secretary</b>	M J Kelly
<b>Registered office</b>	Diamond House Birmingham Airport Birmingham West Midlands B26 3QJ
<b>Solicitors</b>	Eversheds LLP 115 Colmore Row Birmingham West Midlands B3 3AL
<b>Bankers</b>	National Westminster Bank plc 2 St Philips Place Birmingham West Midlands B3 3RB
<b>Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Cornwall Court 19 Cornwall Street Birmingham West Midlands B3 2DT

## **Birmingham Airport Limited**

### **Directors' Report for the Year Ended 31 March 2013**

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The directors present their report and the audited financial statements for the year ended 31 March 2013

#### **Principal activity**

The principal activity of the company is the operation and management of Birmingham Airport and the provision of facilities and services associated to those operations

#### **Business review**

##### **Fair review of the business**

As the company is a wholly owned subsidiary of Birmingham Airport Holdings Limited a review of the business can be found within those accounts including a performance review, key performance indicators and information on financial risk management

##### **Future developments**

The company will continue to operate Birmingham Airport, providing additional facilities and infrastructure as required to maintain the successful operation of the airport

##### **Results and dividends**

The profit for the year after taxation amounted to £10,302,706 (2012 £7,473,373) A dividend of 18 40p (2012 11 36p) per ordinary share, amounting to £6,870,000 (2012 £4,239,611) was paid during the year An interim dividend of 10 04p (2012 nil) per ordinary share, amounting to £3,748,631 (2012 nil) was also paid during the year

The directors recommend a final dividend payment of 13 95p per share, equating to £5,207,000 to be made in respect of the financial year ended 31 March 2013 This dividend has not been recognised as a liability in the financial statements

We continue to make progress in addressing the Group's pension liabilities In March 2013, we and the trustees of our Birmingham Airport Ltd Pension Scheme agreed a funding plan with a present value of £25 3m, in the form of an asset-backed funding arrangement for the next circa 15 years

##### **Directors of the company**

The directors who held office during the year were as follows

Sir A Bore (appointed 5 July 2012)

R A M Brew (resigned 13 June 2012)

D C Cooper

J Hudson - Chairman

P Kehoe - Chief executive

M J Kelly - Company secretary and director

G E Richards

##### **Employee involvement**

Employee contribution to our business is key to our success The Company commits to meet the Investors in People Standard, ensuring the skills and knowledge of all our employees are updated to meet changes in our Industry It is the Company policy to regularly exchange information concerning the operation with its employees The high level of employee take up of the Holding Company's All Employee Share Ownership Plan has continued this year enabling all employees to have the opportunity to share in the success of the Group

##### **Employment of disabled persons**

The Company is committed to ensuring that all members of the community have the opportunity to apply for vacancies as they arise within the Company, also, to ensure that applications receive fair treatment We continue to meet the Two Ticks Positive about Disabled People Standard and all applications for employment from disabled people are considered within this framework

## Birmingham Airport Limited

### Directors' Report for the Year Ended 31 March 2013 (*continued*)

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#### Statement of directors' responsibilities

The directors are responsible for preparing 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to


- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

#### Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Approved by the Board on 4/7/13 and signed on its behalf by

  
M J Kelly  
Company secretary and director

## Independent Auditor's Report to the Members of Birmingham Airport Limited

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We have audited the financial statements of Birmingham Airport Limited for the year ended 31 March 2013, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 3), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 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.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Stephen Snook (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered accountants and statutory auditors  
Birmingham  
Date 6/7/13

**Birmingham Airport Limited****Profit and Loss Account for the Year Ended 31 March 2013**

	<b>Note</b>	<b>2013 £ 000</b>	<b>2012 £ 000</b>
Turnover	2	107,368	103,853
Administrative expenses		<u>(83,025)</u>	<u>(81,063)</u>
Operating profit before exceptionals	3	24,343	22,790
Exceptional items	4	<u>(539)</u>	<u>(682)</u>
Operating profit		23,804	22,108
Other interest receivable and similar income	7	1,541	987
Interest payable and similar charges	8	<u>(10,002)</u>	<u>(9,676)</u>
Profit on ordinary activities before taxation		15,343	13,419
Tax on profit on ordinary activities	9	<u>(5,040)</u>	<u>(5,946)</u>
Profit for the financial year	20	<u>10,303</u>	<u>7,473</u>

Turnover and operating profit derive wholly from continuing operations

**Statement of Total Recognised Gains and Losses**

	<b>Note</b>	<b>2013 £ 000</b>	<b>2012 £ 000</b>
Profit for the financial year	20	10,303	7,473
P&L reserve - Actuarial (loss)/gain recognised in pension	24	(8,402)	(9,026)
Movement on current tax relating to pension scheme contributions	9	2,016	918
Change in taxation rate	9	(76)	(394)
Deferred tax on actuarial gain/loss recognised on defined benefit pension scheme	9	-	1,429
Total recognised gains and losses relating to the year		<u>3,841</u>	<u>400</u>

**Note of historical cost profits and losses**

	<b>2013 £ 000</b>	<b>2012 £ 000</b>
Reported profit on ordinary activities before taxation	15,343	13,419
Difference between historical cost depreciation charge and actual depreciation charge on revalued amount	<u>3,978</u>	<u>4,008</u>
Historical cost profit on ordinary activities before taxation	<u>19,321</u>	<u>17,427</u>
Historical cost profit for the year retained after taxation	<u>14,281</u>	<u>11,481</u>

The notes on pages 7 to 26 form an integral part of these financial statements

**Birmingham Airport Limited**  
**Balance Sheet at 31 March 2013**

	Note	2013 £ 000	2012 £ 000
<b>Fixed assets</b>			
Tangible fixed assets	11	405,255	419,949
Investments	12	19,481	12,004
		<u>424,736</u>	<u>431,953</u>
<b>Current assets</b>			
Stocks	13	416	483
Debtors	14	16,579	13,461
Cash at bank and in hand		29,033	18,001
		<u>46,028</u>	<u>31,945</u>
Creditors Amounts falling due within one year	15	(33,164)	(32,805)
Net current assets/(liabilities)		<u>12,864</u>	<u>(860)</u>
Total assets less current liabilities		437,600	431,093
Creditors Amounts falling due after more than one year	16	(179,635)	(144,453)
Provisions for liabilities	18	(4,009)	(10,567)
Net assets excluding pension liability		253,956	276,073
Net pension liability	24	(9,943)	(25,282)
Net assets		<u>244,013</u>	<u>250,791</u>
<b>Capital and reserves</b>			
Called up share capital	19	37,337	37,337
Share premium account	20	27,522	27,522
Capital redemption reserve	20	28,193	28,193
Revaluation reserve	20	107,404	111,382
Profit and loss account	20	43,557	46,357
Total shareholders' funds	21	<u>244,013</u>	<u>250,791</u>

Approved by the Board on

and signed on its behalf by

J Hudson  
Chairman

P Kehoe  
Chief executive

The notes on pages 7 to 26 form an integral part of these financial statements  
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## **Birmingham Airport Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2013**

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#### **1 Accounting policies**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of certain assets in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The financial statements contain information about Birmingham Airport Limited as an individual company and do not contain consolidated financial information as the parent of the group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Birmingham Airport Holdings Limited.

##### **Going concern**

These accounts have been prepared on the going concern concept as the directors believe that continuing finance will be available from the parent undertaking for the company to meet its liabilities as they fall due and to continue without the immediate realisation of its assets.

##### **Cash flow**

The company is a wholly owned subsidiary company of Birmingham Airport Holdings Limited and is included in the consolidated financial statements of Birmingham Airports Holdings Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

##### **Turnover**

Turnover represents the amounts derived from the provision of goods and services which fall within the group's principal activity of the operation and management of Birmingham Airport and its related activities. All are generated in the United Kingdom. Turnover comprises:

**Aeronautical income** – sales relate to aeronautical activities net of rebates, incentives and value added tax and is recognised at the point of passenger and aircraft departure.

**Concession and property income** – concession rentals net of value added tax relating to retail activities on the site and revenues relating to property lettings, service charges, utility recharges and usage charges for operational systems. Concessions income for car parking is recognised at the end of the parking stay and income from all other activities is recognised in the period to which it relates on an accruals basis.

##### **Tangible fixed assets and accumulated depreciation**

Depreciation is provided on all tangible fixed assets, other than land and assets in the course of construction, at rates calculated to write off the cost or valuation, less estimated residual value of each asset evenly over its expected useful life. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The principal useful lives are as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Buildings	between 5 and 50 years
Runways, taxiways and infrastructure	between 10 and 50 years
Plant and equipment	between 4 and 30 years
Motor vehicles	between 4 and 15 years

## **Birmingham Airport Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

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#### **Accounting policies (continued)**

##### **Capitalised interest**

Interest on loans obtained to finance capital projects is capitalised subject to valuation exceeding cost. Once projects have been commissioned no further interest is capitalised.

##### **Capital grants and contributions**

European Regional Development Fund (ERDF) grants, Trans European Networks (TENS) grants and Local Transport Plan (LTP) grants in respect of capital expenditure, along with a capital contribution received from Travelodge are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

##### **Fixed asset revaluations**

The company revalues certain categories of assets in accordance with Financial Reporting Standard 15 (FRS15) 'Tangible Fixed Assets'. Independent valuations are undertaken every five years with the last such valuation being undertaken at 31 March 2011 (note 11). The valuations are internally reviewed for continued applicability on an annual basis in between these independent valuations.

##### **Hire purchase and leasing**

Rentals paid under operating leases are charged to income on a straight line basis over the lease period. Payments under contract hire agreements are charged to the profit and loss account as incurred.

Assets obtained under finance lease contracts which are those where substantially all the risks and rewards of ownership of the asset have passed to the company are capitalised in the balance sheet and are depreciated over the shorter of the primary lease period or their useful lives. The interest element of such contracts is charged to the profit and loss account over the period of the lease in proportion to the outstanding balance of repayments.

Rents receivable under operating leases are included in turnover on an accrual basis.

##### **Stock**

Stores of consumable items are valued at the lower of purchase cost and estimated realisable value.

##### **Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated at the balance sheet date but not reversed except for the following:

Deferred tax assets are only recognised where on the basis of all available evidence it is more likely than not that there will be suitable taxable profits from which they can be recovered.

In respect of fixed asset revaluations deferred tax is not provided unless there is a binding agreement to sell the asset at the balance sheet date. However, no provision is made if any gain is to be rolled over into replacement assets.

The company has elected not to discount the deferred tax assets and liabilities. Deferred tax is measured at the tax rates and laws enacted or substantively enacted at the balance sheet date.

##### **Impairment and provisions**

Provisions will be recognised relating to any present obligation in respect of the development of the airport site where it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the expected value can be made. Where the effect of the time value of money is not material provisions are not discounted.

## Birmingham Airport Limited

### Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)

#### Accounting policies (continued)

##### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

##### Pensions

The company operates a defined benefit pension scheme that requires contributions to be made to a separately administered fund. The accounting for the pension scheme is in accordance with Financial Reporting Standard 17 ('FRS 17'), 'Retirement Benefits'.

The pension cost is determined by an independent qualified actuary on the basis of a triennial valuation using the projected unit method using assumptions agreed between the Trustees and the company. Actuarial gains and losses are recognised in full on the Balance Sheet. Actuarial gains and losses are also recognised through the Statement of Total Recognised Gains and Losses as incurred. Payments to the defined contribution scheme are charged against profits as incurred.

The most recent full actuarial valuation was at 31 October 2012, the company currently pays contributions of 14.5% and additional contributions of £232,200 per month during the year. These payments ceased as at 28 March 2013 as the scheme was fully funded by the introduction of the asset backed funding arrangement removing the deficit.

## 2 Turnover

An analysis of turnover by class of business is given below

	2013 £ 000	2012 £ 000
Aeronautical Income	47,191	47,593
Concessions, property income and recharges	60,177	56,260
	<u>107,368</u>	<u>103,853</u>

## 3 Operating profit

Operating profit is stated after charging/(crediting)

	2013 £ 000	2012 £ 000
Operating leases - plant and machinery	88	83
Operating leases - other assets	450	450
Loss/(profit) on sale of tangible fixed assets	377	(14)
Depreciation of owned assets	22,789	22,818
Amortisation - Capital Grants	(179)	(176)
Auditor's remuneration (note 3.1)	<u>65</u>	<u>64</u>

**Birmingham Airport Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****3.1 Auditors' remuneration**

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Audit of the financial statements	58	46
<b>Other fees to auditors</b>		
Other services	7	18
	<u>65</u>	<u>64</u>

**4 Exceptional items**

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Reorganisation or restructuring	161	682
Other exceptional	378	-
	<u>539</u>	<u>682</u>

During the year restructuring costs (being mostly severance pay and related costs of £0 161 million (2012 £0 682 million) were incurred. Other exceptional costs relate to the set up costs associated with the Asset Backed Pension funding arrangement (2012 £nil)

**5 Directors' emoluments**

The directors' emoluments for the year were as follows

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Aggregate emoluments (excluding pension contributions)	<u>658</u>	<u>663</u>

During the year the number of directors who were receiving benefits and share incentives was as follows

	<b>2013</b> <b>No</b>	<b>2012</b> <b>No</b>
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Salary	210	210
Benefits in kind	23	22
Bonus	95	100
Long-term incentive plan	57	76
Total emoluments	<u>385</u>	<u>408</u>
Company contributions to money purchase pension schemes	<u>42</u>	<u>25</u>

**Birmingham Airport Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****6 Particulars of employees**

The aggregate payroll costs were as follows

	<b>2013 £ 000</b>	<b>2012 £ 000</b>
Wages and salaries	18,330	17,575
Social security costs	1,465	1,403
Staff pensions	1,268	879
	<u>21,063</u>	<u>19,857</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows

	<b>2013 No</b>	<b>2012 No.</b>
Administration and support services	103	100
Engineering	54	62
Terminal services	48	49
Security and operations	269	261
	<u>474</u>	<u>472</u>

**7 Other interest receivable and similar income**

	<b>2013 £ 000</b>	<b>2012 £ 000</b>
Bank interest receivable	381	200
Other interest receivable	98	45
Pension scheme other finance income	373	51
Dividends from shares in group undertakings	430	430
Interest from group companies	259	261
	<u>1,541</u>	<u>987</u>

**8 Interest payable and similar charges**

	<b>2013 £ 000</b>	<b>2012 £ 000</b>
Interest on loans from group undertakings	9,295	9,361
Other interest payable	707	682
Capitalised Interest	-	(367)
	<u>10,002</u>	<u>9,676</u>

**Birmingham Airport Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****9 Taxation****Tax on profit on ordinary activities**

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current tax</b>		
Corporation tax charge	6,851	7,476
Adjustments in respect of previous years	(758)	(720)
UK Corporation tax	<u>6,093</u>	<u>6,756</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,028)	(707)
Deferred tax adjustment relating to previous years	9	290
Effect of changes in tax rates	(34)	(393)
Total deferred tax	<u>(1,053)</u>	<u>(810)</u>
Total tax on profit on ordinary activities	<u>5,040</u>	<u>5,946</u>

Current tax credited to statement of total recognised gains and losses	(2,016)	(918)
Deferred tax credited to statement of total recognised gains and losses	-	(1,429)
Deferred tax - change in rate	76	394
Total tax charged in financial statements	<u>3,100</u>	<u>3,993</u>

**Deferred tax credited to provisions for liabilities and charges**

Origination and reversal of timing differences	(1,028)	(707)
Deferred tax adjustment relating to previous years	9	290
Effect of changes in tax rates	(86)	(664)
	<u>(1,105)</u>	<u>(1,081)</u>

**Deferred tax credited to pension liability**

Deferred tax charged to statement of total recognised gains and losses	-	(1,429)
Deferred tax - change in rate	128	665
	<u>128</u>	<u>(764)</u>

**Birmingham Airport Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****Taxation (continued)**

The Company is a member of a Group and as such has taken account of available relief for which full payment is made

The deferred tax charges arise in respect of the origination and reversal of timing differences

**Factors affecting current tax charge for the year**

Tax on profit on ordinary activities for the year is higher than (2012 - higher than) the standard rate of corporation tax in the UK of 24% (2012 - 26%)

The differences are reconciled below

	2013 £ 000	2012 £ 000
Profit on ordinary activities before taxation	15,343	13,419
Corporation tax at standard rate	3,682	3,489
Depreciation in excess of Capital Allowances	1,394	726
Movement on pension liability	(322)	-
Short term timing differences	(44)	(18)
Disallowed expenses	2,141	3,279
Adjustments in respect of prior years	(758)	(720)
Total current tax	6,093	6,756

**Factors that may affect future tax charges**

In his recent budgets the Chancellor of the Exchequer proposed a decrease in the rate of UK corporation tax from 26% to 20% falling by 2% in 2012, a further 1% in 2013, 2% in 2014 and 1% in 2015. The 1% reduction to 23% for 2013 was enacted on 3 July 2012 and, in accordance with accounting standards, has been reflected in the Company's financial statements. The reductions for 2014 and 2015 were substantively enacted on 3 July 2013 and will be reflected in the 2014 financial statements.

The estimated effect of these tax rate reductions would be to decrease the net deferred tax asset by £128,556

**10 Dividends**

	2013 £ 000	2012 £ 000
<b>Dividends paid</b>		
Prior year final dividend paid 18.40p (2012 11.36p) per ordinary share	6,870	4,240
Current year interim dividend paid 10.04p (2012 nil) per ordinary share	3,749	-
	10,619	4,240
Recommended final dividend proposed for approval by shareholders	5,207	6,870

**Birmingham Airport Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

**11 Tangible fixed assets**

	Freehold land and buildings £ 000	leasehold land and buildings £ 000	Infrastructure £ 000	Plant and equipment £ 000	Assets in the course of construction £ 000	Total £ 000
<b>Cost or valuation</b>						
At 1 April 2012	309,810	200	88,637	129,670	2,861	531,178
Additions	-	-	-	-	8,095	8,095
Transfer	2,189	-	476	3,292	(5,957)	-
Disposals	-	-	-	(24)	-	(24)
<b>At 31 March 2013</b>	<b>311,999</b>	<b>200</b>	<b>89,113</b>	<b>132,938</b>	<b>4,999</b>	<b>539,249</b>
<b>Depreciation</b>						
At 1 April 2012	10,190	-	5,471	95,568	-	111,229
Provided in the year	10,301	-	5,482	7,006	-	22,789
Disposals	-	-	-	(24)	-	(24)
<b>At 31 March 2013</b>	<b>20,491</b>	<b>-</b>	<b>10,953</b>	<b>102,550</b>	<b>-</b>	<b>133,994</b>
<b>Net book value</b>						
At 31 March 2013	291,508	200	78,160	30,388	4,999	405,255
At 31 March 2012	299,620	200	83,166	34,102	2,861	419,949



**Birmingham Airport Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****Tangible fixed assets (continued)**

Freehold land and buildings, runways, taxiways and infrastructure were valued as at 31 March 2011 by DTZ Debenham Tie Leung Limited, Chartered Surveyors. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors and with Financial Reporting Standard 15 (Tangible Fixed Assets) issued by the Accounting Standards Board.

Due to the specialist nature of the Airport's assets, the depreciated replacement cost methodology was used for operational assets. For other assets/land, the existing use methodology was used. The valuation of £385.437 million identified a £18.231 million increase in value.

A cumulative amount of £10.927 million (2012: £10.927 million) relating to capitalised interest is included within the cost of fixed assets. Interest capitalised during the year amounted to £nil (2012: £0.367 million) at a capitalisation rate of nil (2012: 6.5%). Included in land and buildings is land at a value of £54.381 million (2012: £54.381 million) which is not depreciated.

On the historical cost basis, tangible fixed assets would have been included as follows:

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Infrastructure £'000	Plant and Equipment £'000	Assets in the course of construction £'000	Total £'000
<b>At 31 March 2013</b>						
Cost	302,565	202	140,413	132,938	4,998	581,116
Accumulated depreciation	(104,995)	-	(78,167)	(102,551)	-	(285,713)
<b>Net Book Value</b>	<b>197,570</b>	<b>202</b>	<b>62,246</b>	<b>30,387</b>	<b>4,998</b>	<b>295,403</b>
<b>At 31 March 2012</b>						
Cost	300,376	202	139,937	129,672	2,860	573,047
Accumulated depreciation	(97,459)	-	(73,897)	(95,569)	-	(266,925)
<b>Net Book Value</b>	<b>202,917</b>	<b>202</b>	<b>66,040</b>	<b>34,103</b>	<b>2,860</b>	<b>306,122</b>

**Birmingham Airport Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****12 Investments held as fixed assets****Details of undertakings**

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

<b>Undertaking</b>	<b>Holding</b>	<b>Proportion of voting rights and shares held</b>	<b>Principal activity</b>
<b>Subsidiary undertakings</b>			
First Castle Developments Limited	Ordinary Shares	100%	Investment Holding Company
Birmingham Airport Developments Limited	Ordinary Shares	100%	Property Site Development
Birmingham Airport Fire & Rescue Limited	Ordinary Shares	100%	Airport Rescue and Fire Fighting Services
BHX (Scotland) Limited	Ordinary Shares	100%	Management Company
BHX Limited Partnership	Capital Contribution	100%	Property Holding and Investment Company
Birmingham Airport Traffic Limited	Air Ordinary Shares	100%	Air Traffic Services
Birmingham Airport Services Limited	Airport Ordinary Shares	100%	Airport Service Provider
<b>Associates</b>			
Eurohub Limited	(Birmingham) Ordinary Shares	25%	Non Trading
Eurohub Limited	(Birmingham) Preference Shares	30%	Non Trading

	<b>2013 £ 000</b>	<b>2012 £ 000</b>
Shares in group undertakings and participating interests	15,494	7,495
Loans to group undertakings and participating interests	3,987	4,509
	<b>19,481</b>	<b>12,004</b>

The directors believe that the carrying value of the investment is supported by their underlying net assets

The inter-company loan is unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. However in practice this balance represents a long term advance and is unlikely to be repaid within one year

**Birmingham Airport Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****Investments held as fixed assets (continued)****Shares in group undertakings and participating interests**

	<b>Subsidiary undertakings £ 000</b>
<b>Cost</b>	
At 1 April 2012	7,495
Additions	<u>7,999</u>
At 31 March 2013	<u>15,494</u>
<b>Net book value</b>	
At 31 March 2013	<u>15,494</u>
At 31 March 2012	<u>7,495</u>

During the year the Company invested in the formation of two new service providers, Birmingham Airport Air Traffic Limited and Birmingham Airport Services Limited, which did not trade during the year, with operations commencing in 2013/14. BHX (Scotland) Limited and BHX Limited Partnership were also formed at the end of year as part of the Asset Backed Funding arrangement for the Pension scheme.

**Loans to group undertakings and participating interests**

	<b>Subsidiary undertakings £ 000</b>
At 1 April 2012	4,509
Repaid	<u>(522)</u>
At 31 March 2013	<u>3,987</u>

**13 Stocks**

	<b>2013 £ 000</b>	<b>2012 £ 000</b>
Stocks	<u>416</u>	<u>483</u>

**14 Debtors**

	<b>2013 £ 000</b>	<b>2012 £ 000</b>
Trade debtors	8,779	7,993
Other debtors	85	189
Prepayments and accrued income	<u>7,715</u>	<u>5,279</u>
	<u>16,579</u>	<u>13,461</u>

Debtors includes £0.639 million (2012: £nil) receivable after more than one year and relates to a development loan for an on site construction project. The loan is repayable by November 2017, with the option to extend to 2029.

**Birmingham Airport Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****15 Creditors Amounts falling due within one year**

	2013 £ 000	2012 £ 000
Trade creditors	1,053	1,254
Obligations under finance lease	331	-
Corporation tax	2,371	3,867
Other taxes and social security	599	380
Deferred Income	6,842	6,587
Accruals and deferred income	21,789	20,538
Deferred income - capital grants	179	179
	<u>33,164</u>	<u>32,805</u>

**16 Creditors Amounts falling due after more than one year**

	2013 £ 000	2012 £ 000
Amounts owed to group undertakings	133,097	130,092
Obligations under finance lease	37,748	4,732
Deferred income	3,858	4,518
Capital grants	4,932	5,111
	<u>179,635</u>	<u>144,453</u>

The inter-company loan is unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. However in practice this balance represents a long term advance and is unlikely to be repaid within one year. The obligations under finance lease increased as a result of the Asset Backed Funding Arrangement the company entered into during the year.

**Obligations under finance leases and HP contracts****Amounts repayable**

	2013 £ 000	2012 £ 000
Asset Backed Funding Lease (1 yr or less)	331	-
Asset Backed Funding Lease (2-5 yrs)	2,429	-
Asset Backed Funding Lease (over 5 yrs)	30,587	-
	<u>33,347</u>	<u>-</u>

**Birmingham Airport Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

**17 Obligations under lease contracts**

	Land and Buildings		Other	
	2013	2012	2013	2012
	£000	£000	£000	£000
Annual commitments under leases which expire				
- within one year	-	-	15	10
- in the second to fifth year exclusive	450	450	42	94
- after five years	-	-	-	-
	<u>450</u>	<u>450</u>	<u>57</u>	<u>104</u>

**18 Provisions**

	Deferred tax £ 000	Other provision £ 000	Total £ 000
At 1 April 2012	<u>7,974</u>	<u>2,593</u>	<u>10,567</u>
Credited to the profit and loss account	(5,990)	(432)	(6,422)
Utilised during the year	<u>-</u>	<u>(136)</u>	<u>(136)</u>
	<u>(5,990)</u>	<u>(568)</u>	<u>(6,558)</u>
At 31 March 2013	<u>1,984</u>	<u>2,025</u>	<u>4,009</u>

**Development Related Provision**

The Company is fully committed to a positive environmental policy including the provision of a defined noise insulation scheme, financial penalties to support night flying restrictions and provisions for payments under Land Compensation Act 1973. Provisions are made in line with foreseen liabilities. An element of the development related provision related to potential claims arising under the Land Compensation Act as a result of certain developments being undertaken at the Airport which, by their nature, are uncertain. The timing for the transfer of the related economic benefits are not expected to be significant within the next 12 months. With regards to the Noise Insulation Scheme, the future liability for the next twelve months is estimated at £200,000 (2012 £200,000).

**Analysis of deferred tax**

	2013 £ 000	2012 £ 000
Difference between accumulated depreciation and amortisation and capital allowances	6,463	8,095
Other timing differences	<u>(4,479)</u>	<u>(121)</u>
	<u>1,984</u>	<u>7,974</u>

**Birmingham Airport Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

**19 Share capital**

**Allotted, called up and fully paid shares**

	<b>2013</b>		<b>2012</b>	
	<b>No 000</b>	<b>£ 000</b>	<b>No 000</b>	<b>£ 000</b>
Ordinary Shares of £1 each	<u>37,337</u>	<u>37,337</u>	<u>37,337</u>	<u>37,337</u>

**20 Reserves**

	<b>Special reserve £ 000</b>	<b>Capital reserve £ 000</b>	<b>Revaluation reserve £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total £ 000</b>
At 1 April 2012	27,522	28,193	111,382	46,357	213,454
Profit for the financial year	-	-	-	10,303	10,303
Dividends	-	-	-	(10,619)	(10,619)
Transfer of realised profits	-	-	(3,978)	3,978	-
Actuarial loss on pension schemes	-	-	-	(12,474)	(12,474)
Movement on current tax relating to pension scheme contributions	-	-	-	2,016	2,016
Experience Adjustments arising on scheme liabilities	-	-	-	4,072	4,072
Pension deferred tax change in tax rate	-	-	-	(76)	(76)
At 31 March 2013	<u>27,522</u>	<u>28,193</u>	<u>107,404</u>	<u>43,557</u>	<u>206,676</u>

**21 Reconciliation of movement in shareholders' funds**

	<b>2013 £ 000</b>	<b>2012 £ 000</b>
Profit attributable to the members of the company	10,303	7,473
Other recognised gains and losses relating to the year	(6,462)	(7,074)
Dividends	<u>(10,619)</u>	<u>(4,240)</u>
Net reduction to shareholders' funds	(6,778)	(3,841)
Shareholders' funds at 1 April	<u>250,791</u>	<u>254,632</u>
Shareholders' funds at 31 March	<u>244,013</u>	<u>250,791</u>

## **Birmingham Airport Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

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#### **22 Commitments**

##### **Capital commitments**

Amounts contracted for but not provided in the financial statements amounted to £13,490,810 (2012 - £1,736,477)

#### **23 Contingent liabilities**

On 13 February 2001 the Company, along with other group members of Birmingham Airport Holdings Limited, provided Guarantees in support of a £105 million Corporate Bond issued by Birmingham Airport (Finance) plc. The bond is for a period of 20 years maturing on the 22 February 2021 and carries a fixed interest rate of 6.25 per cent per annum.

On 25 June 2010 the Company, along with other group members of Birmingham Airport Holdings Limited, provided guarantees to Santander UK plc and The Royal Bank of Scotland plc in support of a £45 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of 5 years, with an expiry date of 25 June 2015. At the date of signing these financial statements, the total amount outstanding under the facility was £nil.

#### **24 Pension schemes**

##### **Birmingham Airport Defined Benefit Plan**

The company operates a defined benefit pension plan in the UK for certain permanent employees, which is funded by the payment of contributions to a separately administered trust-based fund the assets of which are held to meet long-term pension liabilities to past and present employees. The trustees of the scheme are required to act in the best interest of the scheme's beneficiaries. The appointment of members of the trustee board is determined by the trust documentation.

The most recent full actuarial valuation was carried out with an effective date of 31 October 2012 using the projected unit method. During the year the company paid contributions of £232,200 per month in connection with the funding deficit from the 31 October 2009 actuarial valuation. Members pay 5.5 per cent of Pensionable Earnings. The company pays contributions so that overall contributions of 20 per cent of Pensionable Earnings are paid taking into account salary sacrifice adjustments. Scheme expenses (other than life insurance premiums) are payable by the Company. This schedule was in force on 31 March 2013.

On 28 March 2013 the company agreed an asset backed funding arrangement with the Trustees of the Pension scheme to help address the pension funding deficit. In connection with the arrangement property with the fair value of £33.3 million was leased and subsequently leased back to a limited partnership established by the Group. On 28 March 2013 the Company made a special contribution to the Pension scheme of £25.3 million and on the same date the Pension scheme used this contribution to acquire an interest in the partnership for its fair value of £25.3 million. This interest entitles the Pension scheme to a distribution from the income of the partnership of £2 million per annum, increasing by 4 per cent per annum for fifteen years, with distribution payments made quarterly.

# **Birmingham Airport Limited**

## **Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

### **Pension schemes (continued)**

#### **Principal actuarial assumptions**

The principal actuarial assumptions at the balance sheet date are as follows

	<b>2013</b> <b>%</b>	<b>2012</b> <b>%</b>
Discount rate	4.40	4.90
Future salary increases	3.60	3.75
Future pension increases	3.35	3.25
Inflation	3.35	3.25
Expected return on scheme assets - equity	7.50	8.00
Expected return on scheme assets - cash	0.50	0.50
Expected return on scheme assets - corporate bonds	4.30	5.00
Expected return on scheme assets - target return funds	<u>7.50</u>	<u>8.00</u>
	<b>2013</b>	<b>2012</b>
	Based on S1PA tables with CMI projections and long terms rates of improvement of 1.5% pa	Based on S1PA tables with medium cohort adjustments and minimum rates of improvement of 1% pa
Post retirement mortality assumption		

#### **Reconciliation of scheme assets and liabilities to assets and liabilities recognised**

The amounts recognised in the balance sheet are as follows

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Fair value of scheme assets	129,363	91,207
Present value of scheme liabilities	<u>(142,276)</u>	<u>(124,472)</u>
Defined benefit pension scheme deficit	(12,913)	(33,265)
Related deferred tax asset	<u>2,970</u>	<u>7,983</u>
Net liability in the balance sheet	<u>(9,943)</u>	<u>(25,282)</u>



**Birmingham Airport Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****Pension schemes (continued)****Scheme assets**

Changes in the fair value of scheme assets are as follows

	2013 £ 000	2012 £ 000
Fair value at start of year	91,207	85,932
Expected return on assets	6,432	6,272
Actuarial losses	4,996	(3,109)
Employer contributions	29,935	4,845
Contributions by scheme participants	288	331
Benefits paid	(3,495)	(3,064)
Fair value at end of year	<u>129,363</u>	<u>91,207</u>

**Analysis of assets**

The major categories of scheme assets are as follows

	2013 £ 000	2012 £ 000
Equity instruments	40,908	34,899
Debt instruments	33,868	28,858
Cash	741	967
Other assets	<u>53,846</u>	<u>26,483</u>
	<u>129,363</u>	<u>91,207</u>

**Actual return on scheme's assets**

	2013 £ 000	2012 £ 000
Actual return on scheme assets	<u>11,428</u>	<u>3,163</u>

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity and property returns are developed based on the selection of an appropriate risk premium above the rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the Scheme's holding of these instruments.

The actual return on scheme assets in the year was a gain of £11 428 million (2012 £3 163 million)

**Birmingham Airport Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****Pension schemes (continued)****Scheme liabilities**

Changes in the present value of scheme liabilities are as follows

	2013 £ 000	2012 £ 000
Present value at start of year	124,472	113,703
Current service cost	1,545	1,144
Actuarial gains and losses	13,398	5,917
Interest cost	6,059	6,221
Benefits paid	(3,495)	(3,064)
Contributions by scheme participants	288	331
Liabilities extinguished on settlements	9	220
Present value at end of year	<u>142,276</u>	<u>124,472</u>

**Amounts recognised in the profit and loss account**

	2013 £ 000	2012 £ 000
<b>Amounts recognised in operating profit</b>		
Current service cost	(1,545)	(1,144)
Losses / (gains) on curtailments and settlements	(9)	(220)
Recognised in arriving at operating profit	<u>(1,554)</u>	<u>(1,364)</u>
<b>Amounts recognised in other finance income</b>		
Interest cost	(6,059)	(6,221)
Expected return on scheme assets	6,432	6,272
Recognised in other finance (income)/cost	<u>373</u>	<u>51</u>
Total recognised in the profit and loss account	<u>(1,181)</u>	<u>(1,313)</u>

**Amounts recognised in the statement of total recognised gains and losses**

	2013 £ 000	2012 £ 000
Actual return less expected return on scheme assets	4,996	(3,109)
Changes in assumptions	(17,470)	(5,917)
Experience Adjustments arising on scheme liabilities	4,072	-
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	<u>(8,402)</u>	<u>(9,026)</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and (losses) since 1 January 2002 is (£51,831,000) (2012 - (£43,429,000))

**Birmingham Airport Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

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**Pension schemes (continued)**

**History of experience adjustments on scheme assets and liabilities**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Fair value of scheme assets	129,363	91,207	85,932	78,300	56,809
Present value of scheme liabilities	<u>(142,276)</u>	<u>(124,472)</u>	<u>(113,703)</u>	<u>(107,129)</u>	<u>(83,196)</u>
Deficit in scheme	<u>(12,913)</u>	<u>(33,265)</u>	<u>(27,771)</u>	<u>(28,829)</u>	<u>(26,387)</u>

**Experience adjustments**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Experience adjustments arising on scheme assets	<u>4,996</u>	<u>(3,109)</u>	<u>(500)</u>	<u>14,147</u>	<u>(17,972)</u>
Experience adjustments arising on scheme liabilities	<u>4,072</u>	<u>-</u>	<u>-</u>	<u>(606)</u>	<u>-</u>

## **Birmingham Airport Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

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#### **25 Related party transactions**

The following entities conducted transactions with Birmingham Airport Limited during the year ended 31 March 2013, and were considered related parties as defined by FRS 8, Related Party Transactions. The Company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Birmingham Airport Holdings Limited, whose financial statements are publicly available.

##### **West Midlands District Councils**

Birmingham City Council, Coventry City Council, Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council, Walsall Metropolitan Borough Council and Wolverhampton City Council are shareholders in the Parent undertaking.

In 1995, the Company entered into arms-length lease arrangements with Solihull Metropolitan Borough Council on behalf of the West Midlands District Councils, all of whom were shareholders in the Company at that time. Under such arrangements, the Company granted a 999 year lease over land and buildings situated at Birmingham Airport in exchange for a total fair value premium of £100 million and a peppercorn rent. At the same time the shareholders granted the Company a 150 year lease over the same property for a total fair value premium of £96.5 million. In accordance with the terms of SSAP 21 "Accounting for leases and hire purchase contracts", the net premium arising as adjusted for associated stamp duty and legal costs has been treated as a finance lease in the financial statements of the Company and is disclosed at Note 16.

Under the lease arrangement, the Company pays a basic rent of £600,000 p.a. from 1 April 2007 subsequently index linked each year for the remaining lease period. In addition, a turnover based rent is payable calculated at 0.4% of a defined element of turnover less the basic rent in the period. The total amount paid in 2013 was £706,849 (2012: £682,485). The amount at the end of the year was £4.732 million (2012: £4.732 million), all of which is due after more than one year.

##### **Solihull Metropolitan Borough Council**

Solihull Metropolitan Borough Council provided a grant during 2002/03 of £5.237 million from the West Midlands Local Transport Plan fund towards the cost of building a Multi Modal Interchange. The building has been capitalised in the Company's accounts and the grant will be released to income on a straight line basis over the life of the asset. At the 31 March 2013, £4.181 million was held within deferred income (2012: £4.287 million).

Solihull Metropolitan Borough Council is the local authority for the airport and transacts with the Company in a number of areas including business rates, planning applications and building control services. All of these transactions are carried out on an arm's length basis at a full commercial rate.

#### **26 Control**

The company is controlled by Birmingham Airport Holdings Limited, a company incorporated in England. Birmingham Airport Holdings Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2013. The consolidated financial statements of Birmingham Airport Holdings Limited are available from its registered office: Diamond House, Birmingham Airport, Birmingham, West Midlands, B26 3QJ.