

Birmingham Airport Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2016



Registration number: 02078273

Birmingham Airport Limited

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Birmingham Airport Limited Company Information

Chairman	J L Hudson
Chief executive	P Kehoe
Directors	S L C Richards J L Hudson P Kehoe
Company secretary	S L C Richards
Registered office	Diamond House Birmingham Airport Birmingham West Midlands B26 3QJ
Solicitors	Eversheds LLP 115 Colmore Row Birmingham West Midlands B3 3AL
Independent Auditors	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors Cornwall Court 19 Cornwall Street Birmingham West Midlands B3 2DT
Bankers	National Westminster Bank plc 2 St Phillips Place Birmingham West Midlands B3 3RB

Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2016

The Directors present their strategic report for the year ended 31 March 2016.

Principal activity

The principal activity of the company is the operation and management of Birmingham Airport and the provision of facilities and services associated with those operations. The key operating objectives of the company can be summarised as follows:

"The safe and secure processing of passengers and aircraft through the provision of facilities and infrastructure in a sustainable and efficient manner. We aim to provide a value-for-money service, recognising the efforts of our employees and our partners, which will generate a profitable future for the group. We also recognise the wider impacts of our business and aim to mitigate the impacts of our operations on the local community, whilst assisting the region to develop and grow through improved connectivity".

Market position and business environment

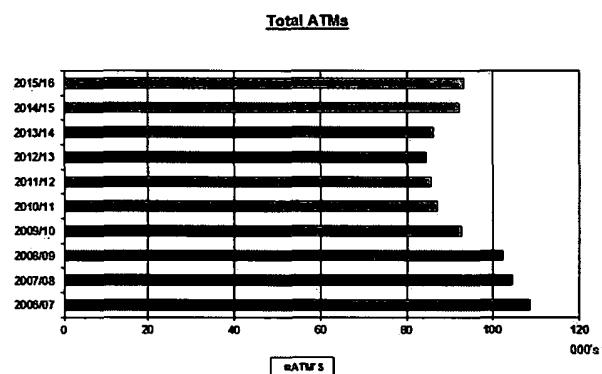
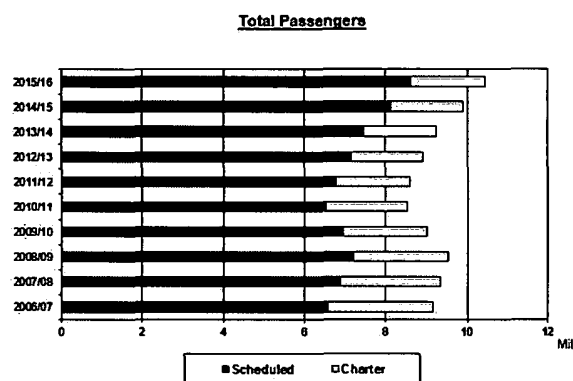
Review of the business and future outlook

During the year ended March 2016, Birmingham Airport reported its busiest ever year and for the first time in the Airport's history 10 million passengers passed through the terminals. It was also the fifth consecutive year of passenger growth, surpassing the previous record set during 2015/16 by 5.5%. This growth outperformed UK GDP growth of 2.2% and was in line with the average UK aviation industry growth figure of 5.6%.

Birmingham Airport recorded the busiest month in its history during August 2015 with some 1,138,460 passengers going through the terminal and 12 record passenger months were achieved during the financial year. This growth has been achieved with the continued introduction of new airlines to the Airport increasing passenger destination choice, with 11 new airlines announced in 2015 including American Airlines (New York JFK), Norwegian Airlines (4 Spanish routes), Wizz Air (5 routes to Eastern Europe), Vueling (Barcelona), Iberia Express (Madrid), Qatar (Doha), Icelandair (Reykjavik), Czech Airlines (Prague), VLM (Antwerp and Waterford), Blue Air (Budapest) and following the success of last year's China Southern flights, an extended Charter service operated during summer 2015 by Hainan Airlines.

Birmingham Airport processed 10,442,624 passengers in the year, an increase of 5.5%, made up of:

- Scheduled +5.7%
- Charter +4.3%



Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2016 (continued)

Birmingham Airport continued to enhance its extensive route network, with the launch of a number of new destinations and increased frequencies on existing routes during the year. Long Haul and Scheduled traffic both saw double digit growth. Air India annualised its daily service and Emirates commenced operation of a third daily service along with an increase in capacity with the introduction of the world's largest passenger aircraft, the iconic Airbus A380 on the lunchtime service. Scheduled benefited from Turkish Airlines increasing from 10 to 12 weekly rotations, providing passengers with more choice than ever to the Middle East and beyond. The Low Cost sector continued to grow year on year with Ryanair increasing frequencies across multiple routes, most notably Dublin, with further benefits from the full year operation of Norwegian Airlines to four Spanish destinations along with new operators Wizz Air to Eastern Europe and Vueling to Barcelona. The Charter market continued to be dominated by Thomson and Thomas Cook, with both carriers growing during the financial year despite being impacted by the terror related events in both Tunisia and Egypt.

The most popular destination continues to be Dublin, followed by Dubai and Amsterdam.

Looking forward to the financial year 2016/17 the Airport continues to expand its route network. The year has started well as the inaugural flight for Czech Airlines commenced during April along with the 13th weekly Turkish Airlines rotation, this was subsequently followed by the 14th in May. The Brexit vote has introduced uncertainty to the favourable underlying trend but it is too early to tell how this will impact the volume and pattern of air travel. Route competition between airlines is expected to increase with Flybe, Ryanair and Monarch all set to launch new routes over the forthcoming months including Lisbon, Madrid, Rotterdam and Knock. In addition Vueling have launched a new Alicante service and Wizz Air a further two new routes, Poznan and Sofia.

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. The airport is committed to adopting a sustainable approach to the operation and future development, whilst mitigating the impact on local communities.

Financial Performance

Income

The Airport earns its income from two key revenue streams. Aeronautical income generated by charges levied on airlines, for the use of airport facilities by both aircraft and passengers. Together with Commercial income generated from Commercial activities including duty free, car parking, catering, property rental and recharges.

Aeronautical income grew by 4.0% in the year, 1.5% below passenger growth, reflecting the changing mix in traffic. This resulted in a decrease in the yield per passenger to £5.10 compared to £5.18 in the previous year.

Commercial income delivered another strong year of above passenger growth at 11.0%. The continued development within the terminal, in particular the departure lounge helps improve the passenger experience and increase commercial yield. During the year the Airport benefited from the full year trading of an extended and substantially refurbished Wetherspoon unit, including a live virtual image of the airfield along with the opening of Giraffe, a globally themed family casual dining restaurant, a refreshed Dixons store and Next store. This along with continued offerings of premium brands, sunglasses, watches and pens continues to provide our passengers with an increased level of choice. These changes amongst others uplifting yields by 4.8%. In the forthcoming year we anticipate more developments across the commercial portfolio with a new coffee unit Joe and the Juice opening and a significant redevelopment of the Duty Free store increasing brands on offer to passengers including Jo Malone, Bobbi Brown, Urban Decay and a World of Whisky implant. In addition existing units continue to update their offering and latest brands, aimed at enhancing the passenger choice.

Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2016 (continued)

Operating costs

Total operating costs increased by 3.2% to £92.2 million in the year, this includes a £1.6 million gain from an investment property revaluation in the year, underlying costs increased 5.0%. Within this employee costs increased 0.3% (discounting the 2015/16 one off contribution to the Employee Share Ownership Plan in lieu of dividends there would be a saving of 8.1%). Running costs were 2.8% higher, increased marketing and promotional activity supporting passenger growth and additional costs associated with processing higher passenger volumes through the terminal, partially offset by notable reductions in energy costs with the continued focus on company-wide energy consumption and lower unit costs, along with lower air traffic control costs with operations now controlled by a group undertaking, which was previously a NATS contract (effective 1st April 2015). Depreciation and other costs increased 6.9% year on year with most of this attributable to a provision in year for addressing potential land compensation act claims.

The company's operating profit, before exceptional items, increased 21.4% to £38.5 million (2015: £31.7 million), from higher income, partially offset by higher operating costs and land compensation act provision. Exceptional costs during the year of £1.0 million (2015: £4.0 million) included demolition of obsolete buildings, air traffic control transition costs to in-house operation along with professional fees in relation to group reserves restructuring and reduction in capital. This resulted in an operating profit, after exceptional items of £37.5 million (2015: £27.7 million). The net interest cost increased by £0.1 million to £13.4 million (2015: £13.2 million), this reflects a reduction in capitalised interest due to lower large capital development projects.

The company's tax charge for the year of £6.6 million, includes a corporation tax charge of £5.8 million (2015: £4.4 million) and deferred tax charge of £0.8 million which is higher compared to previous year reflecting a charge on the newly created asset revaluation reserve (2015: £0.3 million). This equates to an effective tax rate of 26.7% (2015: 31.7%) and remains higher than the ordinary rate of UK corporation tax, reflecting the removal of the tax allowances for industrial buildings and the high level of non-qualifying depreciation in the company as a result of asset revaluations.

During the year a final dividend of £6.8 million for the year ended 31 March 2015 was paid (2015: £3.4 million) and an interim dividend of £11.2 million was paid for the year ended 31 March 2016 (2015: £6.1 million). This resulted in a total dividend of £18.1 million (2015: £9.5 million).

Security

The UK threat level remained at substantial and airports have been the target of significant landside terrorist attacks at Brussels and Istanbul. Birmingham Airport is working closely with the UK authorities to implement learning points from these incidents. Performance during Civil Aviation Authority audits and covert tests remains very positive with the Airport hitting key targets, achieving compliance and increasing standards throughout the year.

Overall security performance was good throughout the year with the department managing to sustain high levels of customer service. Passenger queue performance indicators identified 87.64% (2015: 83.1%) of the time passengers experienced a queue of 10 minutes or less and 99.49% (2015: 98.5%) a queue of less than 20 minutes.

This year saw significant capital investment with the addition of 2 further security lanes within the central search area and large scale recruitment to cover peak traffic demands. The airport continues with its customer service training and the roll out of the 'shaping tomorrow' programme should reap significant rewards.

Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2016 (continued)

Health and Safety

Safety is part of our 'DNA' and the airport company is committed to providing a safe and secure workplace and operational environment for all who use the airport. In 2015/16 the company retained its OHSAS 18001 accreditation and received positive feedback from the audit, specifically in relation to the commitment and awareness demonstrated by all staff across the airport. The health and safety policy is revised annually and contains 8 key objectives:

- Implement the safety management system in line with OHSAS 18001.
- Develop a proposal for the implementation of health & safety champions across the organisation.
- Develop a programme aimed at reducing the accident frequency rate and incidents across the airport site.
- Work with technical services and infrastructure divisions to roll out an asbestos awareness programme to all staff and third parties
- Evaluate the success of the control of contractors system
- Carry out a comprehensive review of occupational safety legislation and requirements and work with managers to ensure compliance.
- Develop a priority based audit schedule for the airport site.
- Carry out a comprehensive review of all reporting requirements and streamline processes.

There were 60 staff accidents in 2015/16 compared to 91 in 2014/15, which is a significant reduction. Passenger accidents have also reduced from 190 in 2014/15 to 174 in 2015/16, which is a positive trend against a backdrop of increasing passenger volumes.

Airside Safety

Operational safety remains a key driver for the airfield operations team and a core business priority. The capital investment across the airfield infrastructure demonstrates the company's commitment to maintain the highest safety standards. This investment culminated in the completion of works to support A380 operations and the construction of the first 3 airbridge served code F stand outside of London.

Again, another relatively mild winter resulted in minimal impact upon airfield development works. As ever, the preparation for winter operations saw snow procedures and equipment tested and teams trained. Bird strikes involving those species classified as 'high' and 'medium' risk showed another year on year reduction. This reflects the continued efforts of the airfield team in robust active bird control, good habitat management and effective safeguarding of new developments within the 13km bird hazard zone.

The airport was fully engaged with the changes in the regulatory environment throughout the year and successfully completed the transition to European Aviation's Safety Agency certification in August 2015.

Financial risk management

Objectives and policies

The company has a number of policies in place to manage its financial risks, along with a risk management programme which is reported to the Board and Audit Committee. Where actions are necessary and not covered by the policies in place, approval is sought from the Board.

Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2016 (continued)

Price risk, credit risk, liquidity risk and cash flow risk

Interest Rate Risk

The company's policy is to maintain an appropriate mix of credit facilities within Board approved parameters. Currently the interest cost is fixed as there has been no drawdown on the parent company's variable rate loan facility. The company has considered and is satisfied with the current debt structure. The company's cash is invested under strict Board approved parameters, which places a cap on the amount which can be invested in a single institution/product. Throughout the year, and currently, cash is invested in the money market which, whilst exposing the company to interest rate risk, does maintain liquidity and access to funds.

Liquidity Risk

It is the company's policy to ensure continuity of funding by active management of working capital and maintaining sufficient committed facilities to meet anticipated funding requirements, whilst ensuring that the company is not exposed to excessive refinancing in any one year. The £20 million committed un-drawn loan facility and £113.3 million cash balance are considered sufficient to meet the company's ongoing liquidity requirements.

Credit Risk

The company's policy requires appropriate credit checks of potential customers prior to the commencement of operation and regular reviews thereafter. In addition, focus has been directed at day to day reviews and management of this risk, due to the economic climate. The company has no significant concentration of credit risk, with exposure spread over a large number of customers.

Price Risk

The company has no significant exposure to any single element of price risk. The largest single risk is wage inflation and the company has some influence through negotiations with its employees. Other exposures relate to general market inflation and building costs during periods of expansion.

Covenant Risk

The company continues to comply with the financial covenants, relating to net worth, gearing and interest cover which are included in the corporate bond, private placement senior notes and bank facility.

These are monitored on an ongoing basis with formal testing reported to the Audit Committee and for the bond and bank facility these are certified by the auditors.

Approved and authorised by the Board and signed on its behalf on 18 July 2016 by:



S L Richards
Company secretary and director

Birmingham Airport Limited

Directors' Report for the Year Ended 31 March 2016

The Directors present their report and the audited financial statements of the company for the year ended 31 March 2016.

Results and Dividends

The profit for the financial year amounted to £18.127 million (2015: £10.273 million). During the year a final dividend was paid for the year ended 31 March 2015 of 18.31p (2015: 9.13p) per ordinary share, amounting to £6.835 million (2015: £3.411 million). An interim dividend for the year ending 31 March 2016 of 7.90p (2015: 16.44p) per ordinary share, amounting to £11.227 million (2015: £6.136 million) was also paid during the year.

The directors recommend a final dividend payment of £8.567 million be made in respect of the financial year ended 31 March 2016. In accordance with FRS 102 this dividend has not been recognised as a liability in the financial statements.

Future developments

The Strategic Report on page 3 includes details of the Company's future developments.

Going concern

The financial statements have been prepared on a going concern basis. The directors have reviewed the prospects for the business for the next twelve months. They have considered the company's trading forecasts to the end of that period, as well as potential uncertainties of achieving such forecasts, along with a range of actions which could be taken in response. The directors remain confident that the company is well placed to take advantage of all the opportunities that such conditions present and that there are sufficient assets, together with a Group £20 million committed un-drawn loan facility to offset the company's net current liabilities, hence they continue to adopt the going concern basis in preparing the financial statements.

Directors of the Company

The directors who held office during the year were as follows:

S L C Richards - Company secretary and director

J L Hudson - Chairman

P Kehoe - Chief executive

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 of which they know the auditors are unaware.

Employment of disabled persons

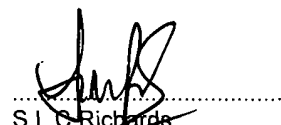
The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. We continue to meet the Two Ticks Positive about Disabled People Standard. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Birmingham Airport Limited Directors' Report for the Year Ended 31 March 2016 (continued)

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 and meet changes in our Industry. The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company. 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 Company.

Approved and authorised by the Board and signed on its behalf on 18 July 2016 by:



S L C Richards
Company secretary and director

Birmingham Airport Limited Statement of Directors' Responsibilities


The Directors are responsible for preparing the Strategic Report, 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, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Approved and authorised by the Board and signed on its behalf on 18 July 2016 by:


.....
S L C Richards
Company secretary and director

Birmingham Airport Limited

Independent auditors' report to the members of Birmingham Airport Limited

Report on the financial statements

Our opinion

In our opinion, Birmingham Airport Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 March 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Birmingham Airport Limited
Independent auditors' report to the members of Birmingham Airport Limited
(continued)

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) ("ISAs (UK & 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.

What an audit of financial statements involves

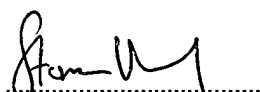
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Steven Kentish (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
Birmingham

Date: 26 July 2016

Birmingham Airport Limited
Income Statement for the Year Ended 31 March 2016

	Note	2016 £ 000	2015 £ 000
Turnover	3	130,700	121,001
Administrative expenses		(92,165)	(89,268)
Operating exceptional items	6	(1,021)	(4,031)
Operating profit	4	37,514	27,702
Income from shares in group undertakings		583	549
Interest receivable and similar income	9	522	489
Interest payable and similar charges	10	(13,897)	(13,704)
		(12,792)	(12,666)
Profit on ordinary activities before taxation		24,722	15,036
Tax on profit on ordinary activities	11	(6,595)	(4,763)
Profit for the financial year		18,127	10,273

The above results were derived from continuing operations.

Birmingham Airport Limited
Statement of Comprehensive Income for the Year Ended 31 March 2016

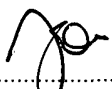
	2016	2015
	£ 000	£ 000
Profit for the financial year	18,127	10,273
Surplus/(deficit) on property, plant and equipment revaluation	38,921	-
Deferred tax on asset revaluation	(7,006)	-
Remeasurement gain/(loss) on defined benefit pension schemes	6,538	(14,699)
Movement on current tax relating to pension scheme contributions	-	106
Deferred tax effect on actuarial (loss)/gain recognised on defined benefit pension scheme	(1,593)	2,839
	36,860	(11,754)
Total comprehensive income/(loss) for the year	54,987	(1,481)

The notes on pages 16 to 39 form an integral part of these financial statements.

Birmingham Airport Limited
(Registration number: 02078273)
Statement of Financial Position as at 31 March 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Tangible assets	12	450,207	386,924
Investment property	13	2,390	794
Investments	14	15,494	15,494
		<u>468,091</u>	<u>403,212</u>
Current assets			
Inventories	15	399	492
Debtors falling due within one year	16	24,332	21,106
Debtors falling due after more than one year	16	7,595	8,282
Cash at bank and in hand		113,349	20,739
		<u>145,675</u>	<u>50,619</u>
Creditors: Amounts falling due within one year	17	<u>(310,815)</u>	<u>(191,655)</u>
Net current liabilities		<u>(165,140)</u>	<u>(141,036)</u>
Total assets less current liabilities		302,951	262,176
Creditors: Amounts falling due after more than one year	17	(37,218)	(39,500)
Provisions for liabilities	20	(28,147)	(18,686)
Post-employment benefits	23	(17,033)	(22,315)
Net assets		<u>220,553</u>	<u>181,675</u>
Capital and reserves			
Called up share capital	21	142	37,337
Revaluation reserve	22	31,915	79,479
Capital redemption reserve	22	-	28,193
Special reserve	22	-	27,522
Retained earnings	22	188,496	9,144
Total equity		<u>220,553</u>	<u>181,675</u>

Approved and authorised by the Board and signed on its behalf on 18 July 2016 by:


.....
J L Hudson

Chairman


.....
P Kehoe
Chief executive

Birmingham Airport Limited
Statement of Changes in Equity for the Year Ended 31 March 2016

	Note	Called up share capital £ 000	Special reserve £ 000	Capital redemption reserve £ 000	Revaluation reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 April 2014		37,337	27,522	28,193	82,785	16,040	191,877
Profit for the financial year		-	-	-	-	10,273	10,273
Other comprehensive loss		-	-	-	-	(11,754)	(11,754)
Total comprehensive (loss)		-	-	-	-	(1,481)	(1,481)
Dividends	24	-	-	-	-	(9,547)	(9,547)
Transfer of realised profits		-	-	-	(4,132)	4,132	-
Deferred tax on revaluation reserve transfer		-	-	-	826	-	826
At 31 March 2015		37,337	27,522	28,193	79,479	9,144	181,675
At 1 April 2015		37,337	27,522	28,193	79,479	9,144	181,675
Profit for the financial year		-	-	-	-	18,127	18,127
Other comprehensive income		-	-	-	31,915	4,945	36,860
Total comprehensive income		-	-	-	31,915	23,072	54,987
Dividends	24	-	-	-	-	(18,062)	(18,062)
New share capital subscribed	21	104,775	(27,522)	-	(77,253)	-	-
Other ordinary share capital movements		(141,970)	-	-	-	141,970	-
Other capital redemption reserve movements		-	-	(28,193)	-	28,193	-
Transfer of realised profits		-	-	-	(2,226)	2,226	-
Deferred tax on revaluation reserve transfer		-	-	-	-	1,953	1,953
At 31 March 2016		142	-	-	31,915	188,496	220,553

The notes on pages 16 to 39 form an integral part of these financial statements.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

1 General information

The company is a private company limited by shares incorporated and domiciled in England.

The address of its registered office is:

Diamond House
Birmingham Airport
Birmingham
West Midlands
B26 3QJ
England

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 29

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost conventions modified to include the revaluation of certain assets in accordance with applicable accounting standards and the Companies Act 2006.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed on page 17 within the critical accounting judgements and estimation uncertainty section.

Summary of disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions. The company has taken advantage of the following exemptions:

- the requirement to prepare a statement of cash flows (FRS 102 para 1.12(b));
- the non-disclosure of key management personnel compensation in total (FRS 102 para 33.7); and
- the requirement to complete a reconciliation of the number of shares outstanding at the beginning and end of the period (FRS 102 para 4.12(a)(iv)).

The company notified and did not receive any objections to the use of the above exemptions by its shareholders.

Going concern

The financial statements have been prepared on a going concern basis. The directors have reviewed the prospects for the business for the next twelve months. They have considered the company's trading forecasts to the end of that period, as well as potential uncertainties of achieving such forecasts, along with a range of actions which could be taken in response. The directors remain confident that the company is well placed to take advantage of all the opportunities that such conditions present and that there are sufficient assets, together with a Group £20 million committed un-drawn loan facility to offset the company's net current liabilities, hence they continue to adopt the going concern basis in preparing the financial statements.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

2 Accounting policies (continued)

Exemption from preparing group accounts

The financial statements contain information about Birmingham Airport Limited as an individual company and do not contain consolidated financial information as the parent of a 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 ultimate parent, Birmingham Airport Holdings Limited, a company incorporated in England.

Critical accounting judgements and estimation uncertainty

The company makes relatively few judgments and estimates in preparing the financial statements and where the directors have had to make provisions they are reasonable and prudent. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key accounting estimates and assumptions

Provisions for liabilities

Provision is made for site development related liabilities. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. Details of the provision are disclosed in note 20.

Defined benefit pension scheme

The company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Details of the transactions are disclosed in note 23.

Turnover recognition

Turnover represents the amounts derived from the provision of goods and services which fall within the company's activities. All turnover is generated in the United Kingdom. Turnover comprises:

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

Concession income - concession rentals net of value added tax relating to retail activities on the site. Income for car parking is recognised at the end of the parking stay and all other concession income is recognised in the period to which it relates on an accrual basis.

Property income and recharges - revenues relating to property lettings, service charges, utility recharges and usage charges for operational systems. All income is recognised in the period to which it relates on an accrual basis.

Government grants

Government grants that do not impose specified future performance-related conditions are recognised in income when the grant proceeds are received or receivable. Grants that impose specified future performance-related conditions are recognised in income only when the performance-related conditions are met.

Other grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected lives of the relevant assets by equal annual instalments.

Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately in note 6 to provide further understanding of the financial performance of the company.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except where it is attributable to an item of income or expense recognised as other comprehensive income, where it is recognised directly in other comprehensive income.

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Current or deferred tax assets and liabilities are not discounted.

Tangible assets

Land, buildings and infrastructure are revalued and carried at their fair value at the date of valuation less any accumulated depreciation and accumulated impairment losses. Due to the specialist nature of the land, buildings and infrastructure fair value is based on an income or a depreciated replacement cost approach. An independent valuation was undertaken at 31 March 2016.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and the revaluation reserve. However, the increase shall be recognised in the income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement. The decrease of an asset's carrying amount as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in the revaluation reserve, in respect of that asset. If a revaluation decrease exceeds the accumulated revaluation gains accumulated in the revaluation reserve in respect of that asset, the excess shall be recognised in the income statement.

Plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. The cost of plant and machinery includes original purchase price and directly attributable incremental costs incurred in bringing the asset to its working condition for its intended use.

Depreciation

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

Asset class	Depreciation method and rate
Buildings	between 5 to 50 years
Infrastructure	between 10 to 50 years
Plant & Equipment	between 4 and 30 years
Motor Vehicles (included within Plant & Equipment)	between 4 and 15 years

Investment property

Investment property including buildings (including off site residential properties) and parts of a building held to earn rental income are held at fair value based on rental income, where the fair value can be measured reliably without undue cost or effort. Fair value is measured at each reporting date with changes in fair value recognised in the income statement.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

2 Accounting policies (continued)

Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Included within these short term deposits is £7.024m that are deemed to be cash equivalents under FRS 102.

Trade receivables

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the income statement.

Trade payables

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions are recognised when the Company has a legal or constructive obligation at the reporting date as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

2 Accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance costs in the Income Statement and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are approved by the company's shareholders.

Employee benefits

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

2 Accounting policies (continued)

Defined benefit pension obligation

A defined benefit plan defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Group Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of the plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in sterling, and that have terms to maturity approximation to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'remeasurement of net defined benefit liability'.

The cost of the defined benefit plan is recognised in the income statement as employee costs and comprises, increases in liability arising from employee service and cost of benefit changes, curtailments and settlements. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the income statement as a 'finance expense'.

3 Turnover

The analysis of the company's turnover for the year by class of business is as follows:

	2016	2015
	£ 000	£ 000
Aeronautical Income	53,277	51,242
Concession Income	57,143	51,534
Property Income and recharges	20,280	18,225
	130,700	121,001

4 Operating profit

Arrived at after charging/(crediting)

	2016	2015
	£ 000	£ 000
Depreciation expense	22,010	20,965
Capital grant	(9)	(9)
Fair value of investment property	(1,596)	-
Operating lease expense - property	1,138	508
Operating lease expense - plant and machinery	46	92
(Profit)/loss on disposal of tangible assets	(14)	23
Impairment of trade receivables	(10)	(38)
Inventory recognised as an expense	403	299

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

5 Auditors' remuneration

	2016 £ 000	2015 £ 000
Audit fee payable to the company's auditors	86	83
Other fees to auditors		
All other non-audit services	155	-

6 Exceptional Items

	2016 £ 000	2015 £ 000
Reorganisation or restructuring	274	4,031
Demolition	435	-
Other exceptional costs	312	-
	<u>1,021</u>	<u>4,031</u>

During the year £0.274 million (2015: £4.031 million) restructuring costs were incurred (being mostly start-up costs associated with Birmingham Airport Air Traffic Limited). Demolition costs of £0.435 million associated with time expired assets, held at nil net book value, which were beyond economic use including Hangar 1, Rapide building and the former sports club. A further £0.312 million exceptional items were incurred in relation to company re-financing (including £0.15 million to the company auditors) and the master plan review. Included within taxation on profit on ordinary activities is tax on exceptional items at the current UK tax rate of 20% (2015: 21%).

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016 £ 000	2015 £ 000
Wages and salaries	16,425	16,094
Social security costs	1,493	1,636
Pension costs, defined contribution scheme	427	539
Pension costs, defined benefit scheme	750	764
	<u>19,095</u>	<u>19,033</u>

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

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

7 Staff costs (continued)

	2016 No.	2015 No.
Terminal Services	-	31
Administration and support	104	99
Security, Terminal and Operations	294	308
Engineering	50	49
	<u>448</u>	<u>487</u>

Terminal services employees are included within the Security, Terminal and Operations department in the current year.

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £ 000	2015 £ 000
Emoluments	-	785
Company contributions to money purchase pension schemes	-	59
	<u>-</u>	<u>844</u>

Emoluments for two directors are borne by the ultimate parent company and not recharged.

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

	2016 No.	2015 No.
Received or were entitled to receive shares under long term incentive schemes	-	3
Accruing benefits under money purchase pension scheme	-	3

Emoluments for the highest paid director do not meet the threshold for disclosure in the current year. Comparative amounts are included in the table below:

	2015 £ 000
Remuneration	252
Benefits under long-term incentive schemes (excluding shares)	93
Company contributions to money purchase pension schemes	40
Bonus	175
Benefits in Kind	<u>29</u>

9 Interest receivable and similar income

	2016 £ 000	2015 £ 000
Interest income on financial assets	38	34
Interest income from group companies	234	253
Interest income on bank deposits	250	202
	<u>522</u>	<u>489</u>

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

10 Interest payable and similar charges

	2016 £ 000	2015 £ 000
Interest on obligations under finance leases and hire purchase contracts	755	748
Intercompany interest payable	10,048	10,283
Other interest payable	1,729	1,752
Pension scheme finance cost	1,442	1,278
Less: Capitalised interest	(77)	(357)
	<u>13,897</u>	<u>13,704</u>

11 Taxation

Tax charged in the income statement

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	6,073	4,806
UK corporation tax adjustment to prior periods	(289)	(359)
	<u>5,784</u>	<u>4,447</u>

Deferred taxation

Arising from origination and reversal of timing differences	1,162	364
Arising from changes in tax rates and laws	(418)	-
Deferred tax adjustment relating to previous years	67	(48)
	<u>811</u>	<u>316</u>

Tax on profit on ordinary activities

	<u>6,595</u>	<u>4,763</u>
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The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2015 - higher than the standard rate of corporation tax in the UK) of 20% (2015 - 21%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit before tax	<u>24,722</u>	<u>15,036</u>
Corporation tax at standard rate of 20% (2015: 21%)	4,945	3,157
Effect of expense not deductible in determining taxable profit	2,727	2,144
Effect of income exempt from taxation	(435)	-
Deferred tax credit relating to changes in tax rates or laws	(418)	-
Decrease in UK current tax from adjustment for prior periods	(222)	(407)
Other short term timing differences	(2)	(131)
	<u>6,595</u>	<u>4,763</u>

Total tax charge

In his recent budgets the Chancellor the Exchequer proposed a decrease in the rate of UK corporation tax from 20% to 19% from 1 April 2017 and 18% from 1 April 2020. These have been substantively enacted at the balance sheet date and are reflected in the company's financial statements. A further reduction to 17% has not yet been enacted. The overall effect of that change if it had been applied to the deferred tax balance at the statement of financial position date, would be to reduce the provision for deferred tax liability by £1.453 million.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

12 Tangible assets

	Land and buildings £ 000	Leasehold land and buildings £ 000	Infrastructure £ 000	Plant and machinery £ 000	Assets in the course of construction £ 000	Total £ 000
Cost or valuation						
At 1 April 2015	311,563	200	107,765	137,237	3,237	560,002
Additions	-	-	24,610	5,706	15,979	46,295
Capitalised interest	-	-	-	-	77	77
Disposals	(344)	-	-	(113)	-	(457)
Transfers	3,241	-	(3,365)	7,745	(7,621)	-
Reclassification	(4)	-	(1,184)	1,188	-	-
Revaluations	(21,460)	-	(16,919)	-	-	(38,379)
At 31 March 2016	292,996	200	110,907	151,763	11,672	567,538
Accumulated depreciation						
At 1 April 2015	40,236	-	21,541	111,301	-	173,078
Charge for the year	10,209	-	5,723	6,078	-	22,010
Eliminated on disposal	(344)	-	-	(113)	-	(457)
Revaluation	(50,101)	-	(27,199)	-	-	(77,300)
At 31 March 2016	-	-	65	117,266	-	117,331
Carrying amount						
At 31 March 2016	292,996	200	110,842	34,497	11,672	450,207
At 31 March 2015	271,327	200	86,224	25,936	3,237	386,924

Included within the net book value of land and buildings above is £292.996 million (2015 - £271.327 million) in respect of freehold land and buildings, £0.2 million (2015 - £0.2 million) in respect of long leasehold land and buildings. Included in land and buildings is land at a value of £81.156 million (2015: £54.467 million) which is not depreciated.

Birmingham Airport entered into a lease/leaseback arrangement with the West Midlands District Councils which covers all the land, buildings and infrastructure of the airport site. Details of the transaction are included in note 27.

During the year the company entered into a finance lease arrangement to acquire infrastructure and plant and machinery assets for the runway extension and paid a lease premium of £30.315 million.

Birmingham Airport Limited **Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)**

12 Tangible assets (continued)

Revaluation

The fair value of the company's operational assets was revalued on 31 March 2016 by an independent valuer. The valuations were undertaken by Knight Frank LLP, in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors and with FRS 102. Due to the specialist nature of the airport's assets, income and the depreciated replacement cost methodology was used for land, buildings and infrastructure assets. These revaluations were incorporated into the financial statements and the resulting revaluation surplus of £38.921 million, net of deferred tax was taken to the revaluation reserve.

Historical cost

On a historical cost basis the gross cost of land and buildings assets would have been included as £303.524 million (2015: £302.923 million) and the net book value would have been £179.505 million (2015: £183.688 million). The gross cost of infrastructure assets would have been £179.299 million (2015: £158.053 million) and the net book value would have been £89.520 million (2015: £72.860 million).

Capitalised interest

Within Capitalised Interest are capitalised borrowing costs of £0.077 million (2015 - £0.357 million). The capitalisation rate used to determine the amount of finance costs capitalised during the period was 6.5%.

13 Investment property

	2016
	£ 000
At 1 April	794
Fair value adjustments	1,596
At 31 March	<u>2,390</u>

Investment properties held by Birmingham Airport Limited have been revalued at 31 March 2016, by Knight Frank LLP, undertaken in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors and with FRS 102. The valuation identified a gain of £1.596 million which has been recognised in the income statement.

14 Investments

	2016	2015
	£ 000	£ 000
Investments in subsidiaries	<u>15,494</u>	<u>15,494</u>

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

14 Investments (continued)

Details of subsidiaries

Details of the investments that the company holds are as follows:

	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2016	2015
Subsidiary undertakings				
First Castle Developments Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Developments Limited	England	Ordinary Shares	100%	100%
BHX Fire & Rescue Limited	England	Ordinary Shares	100%	100%
BHX (Scotland) Limited	Scotland	Ordinary Shares	100%	100%
BHX Limited Partnership	England	Capital Contribution	100%	100%
Birmingham Airport Air Traffic Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Services Limited	England	Ordinary Shares	100%	100%
Associates				
Eurohub (Birmingham) Limited	England	Ordinary Shares	25%	25%
Eurohub (Birmingham) Limited	England	Preference Shares	30%	30%

The principal activity of First Castle Developments Limited is Investment Property Holding Company.

The principal activity of Birmingham Airport Developments Limited is Site Development.

The principal activity of BHX Fire & Rescue Limited is Airport Rescue and Fire Fighting Services.

The principal activity of BHX (Scotland) Limited is Management Company.

The principal activity of BHX Limited Partnership is Property Holding and Investment Company.

The principal activity of Birmingham Airport Air Traffic Limited is Air Traffic Services.

The principal activity of Birmingham Airport Services Limited is Airport Service Provider.

The principle activity of Eurohub (Birmingham) Limited is Property Holding Company.

The principle activity of Eurohub (Birmingham) Limited is Property Holding Company.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

15 Stocks

	2016	2015
	£ 000	£ 000
Raw materials and consumables	399	492

No provision for impairment of stocks has been provided for in the year (2015: £nil).

16 Debtors

	2016	2015
	£ 000	£ 000
Trade debtors	11,736	9,441
Amounts owed by group undertakings	3,485	3,487
Other debtors	137	220
Prepayments and accrued income	8,974	7,958
Debtors falling due after more than one year	7,595	8,282
	<u>31,927</u>	<u>29,388</u>

Trade debtors are stated after provisions for impairment of £0.847 million (2015: £0.858 million).

Debtors falling due after more than one year relates to the prepaid Control Tower lease premium £7.595 million (2015: £8.282 million).

The amounts owed by group undertakings are unsecured and there are no formal arrangements for the repayment of these amounts and consequently these amounts are strictly repayable on demand. The interest payable is based on a rate composed of the current interest rate payable on the group's bond plus 0.5 per cent.

17 Creditors

	2016	2015
	£ 000	£ 000
Amounts falling due within one year		
Loans and borrowings	662	543
Trade creditors	3,999	2,207
Amounts owed to group undertakings	254,893	148,895
Social security and other taxes	680	429
Corporation tax	5,711	5,011
Accruals and Deferred income	44,870	34,570
	<u>310,815</u>	<u>191,655</u>
Amounts falling due after more than one year		
Loans and borrowings	36,111	36,773
Accruals and Deferred income	1,107	2,727
	<u>37,218</u>	<u>39,500</u>

The amounts owed to group undertakings are unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

18 Loans and borrowings

	2016 £ 000	2015 £ 000
Non-current loans and borrowings		
Finance lease liabilities	31,379	32,041
Net premium arising on lease and leaseback	4,732	4,732
	<u>36,111</u>	<u>36,773</u>

	2016 £ 000	2015 £ 000
Current loans and borrowings		
Finance lease liabilities	<u>662</u>	<u>543</u>

19 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2016 £ 000	2015 £ 000
Not later than one year	3,129	3,027
Later than one year and not later than five years	13,499	13,098
Later than five years	<u>137,058</u>	<u>140,589</u>
Total gross payments	153,686	156,714
Less: Finance charges	<u>(116,913)</u>	<u>(119,398)</u>
Carrying amount of liability	<u>36,773</u>	<u>37,316</u>

Within the above certain leases include contingent rent clauses, see note 27 for further information.

20 Provisions for liabilities

	Deferred tax £ 000	Other provisions £ 000	Total £ 000
At 1 April 2015	18,683	3	18,686
Additional provisions	7,464	2,126	9,590
Provisions used	<u>-</u>	<u>(129)</u>	<u>(129)</u>
At 31 March 2016	<u>26,147</u>	<u>2,000</u>	<u>28,147</u>

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 payments under the Land Compensation Act 1973. Provisions are made in line with foreseen liabilities and a £2 million provision has been provided in the year (2015: nil) for addressing potential LCA claims. This is intended to cover the costs of any legal, property and administration expertise to process and defend any claims, as well as any actual liabilities that may be due. With regards to the noise insulation scheme, the future liability for the next twelve months is estimated at £0.2million (2015: £0.2million) and will be charged in the year to which it relates.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

20 Provisions for liabilities (continued)

Deferred tax

Deferred tax assets and liabilities

2016	Asset £ 000	Liability £ 000
Capital allowances in excess of depreciation	-	4,791
Other timing differences	46	-
Revaluation of land, buildings and infrastructure	-	24,145
Revaluation of investment property	-	323
Post-employment benefits	3,066	-
	<u>3,112</u>	<u>29,259</u>
2015	Asset £ 000	Liability £ 000
Capital allowances in excess of depreciation	-	4,615
Other timing differences	1,340	-
Revaluation of land, buildings and infrastructure	-	19,830
Revaluation of investment property	-	41
Post-employment benefits	4,463	-
	<u>5,803</u>	<u>24,486</u>

21 Called up share capital

Allotted, called up and fully paid shares

	No. 000	2016 £ 000	No. 000	2015 £ 000
Ordinary Shares of £0.001 (2015: £1) each	<u>142,112</u>	<u>142</u>	<u>37,337</u>	<u>37,337</u>

On 16 December 2015, the company issued 77,253,165 bonus shares, with a nominal value of £1 per share from its revaluation reserve and 27,522,042 bonus shares, with a nominal value of £1 from its special reserve. As part of the group restructure the company reduced the nominal value of its 142,112,165 ordinary shares to £0.001 per share. There is a single class of allotted, called up and fully paid ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

22 Reserves

During the year the group restructured. As part of the restructuring, Birmingham Airport Holdings Limited invested in a wholly owned newly formed company Birmingham Airport Operations Limited. Birmingham Airport Operations Limited purchased the shareholding of Birmingham Airport Limited, Birmingham Airport (Finance) plc and Euro-hub (Birmingham) Limited from Birmingham Airport Holdings Limited through a share for share exchange. Alongside this Birmingham Airport Limited capitalised its revaluation reserve and special reserve through the issue of bonus shares. The final step in the restructuring was Birmingham Airport Holdings Limited, Birmingham Airport Operations Limited and Birmingham Airport Limited undertook reductions in capital via directors solvency statements to create distributable profit reserves.

Birmingham Airport Limited **Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)**

23 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £0.427 million (2015: £0.539 million).

Defined benefit pension schemes

Birmingham Airport Defined Benefit Plan

The company operates a defined benefit pension arrangement called the Birmingham Airport Limited Pension Scheme (the scheme). The scheme provides benefits on a defined benefit basis. The following disclosures relate only to the scheme and to unfunded benefits supported by the company.

The most recent full actuarial valuation was carried out with an effective date of 31 October 2012 using the projected unit method. Members pay 5.5 per cent of pensionable earnings, and the group pays contributions so that overall contributions of 16.5 per cent of pensionable earnings are paid taking account of salary sacrifice adjustments. Scheme expenses, other than life insurance premiums, are payable by the group.

On 28 March 2013 Birmingham Airport Limited 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 a fair value of £33.3 million was leased and subsequently leased back to a limited partnership established by the group. The partnership is controlled by the group. On 28 March 2013, Birmingham Airport Limited made a special contribution to the pension scheme of £25.3 million and on the same day the pension scheme used this contribution to acquire an interest in the partnership for its fair value of £25.3 million. The 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.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2016	2015
	%	%
Discount rate	3.75	3.40
Future salary increases	2.90	2.85
Future pension increases (RPI)	3.15	3.10
Future pension increases (CPI)	2.15	2.10

Post retirement mortality assumptions

	2016	2015
	Years	Years
Current UK pensioners at retirement age - male	23.00	23.00
Current UK pensioners at retirement age - female	25.00	25.00
Future UK pensioners at retirement age - male	25.00	25.00
Future UK pensioners at retirement age - female	27.00	28.00

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

23 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2016 £ 000	2015 £ 000
Fair value of scheme assets	141,447	148,341
Present value of defined benefit obligation	(158,480)	(170,656)
Defined benefit pension scheme deficit	<u>(17,033)</u>	<u>(22,315)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2016 £ 000
Present value at the start of the year	170,656
Current service cost	1,464
Interest cost	5,752
Actuarial losses	(14,964)
Benefits paid	(4,640)
Contributions by scheme participants	137
Effect of curtailments	<u>75</u>
Present value at end of year	<u>158,480</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2016 £ 000
Fair value at the start of the year	148,341
Interest income	4,310
Actuarial gains and losses	(8,426)
Employer contributions	1,725
Contributions by scheme participants	137
Benefits paid	<u>(4,640)</u>
Fair value at end of year	<u>141,447</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2016 £ 000	2015 £ 000
Cash and cash equivalents	515	1,127
Equity instruments	49,033	51,759
Debt instruments	38,450	38,291
Other assets	<u>53,449</u>	<u>57,164</u>
	<u>141,447</u>	<u>148,341</u>

Other assets includes diversified growth funds, which are predominately made up of equity and debt instruments, and the asset backed funding arrangement.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

23 Pension and other schemes (continued)

Return on scheme assets

	2016 £ 000	2015 £ 000
Return on scheme assets	(4,116)	12,932

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Total cost recognised as an expense totalled £1.464 million (2015: £1.431 million) for current service cost, £1.442 million (2015: £1.278 million) for interest cost and £0.075m (2015: £0.350m) for curtailment.

24 Dividends

	2016 £ 000	2015 £ 000
Final dividend of £0.1831 (2015 - £0.0913) per ordinary share	6,835	3,411
Interim dividend of £0.0790 (2015 - £0.1644) per ordinary share	11,227	6,136
	<u>18,062</u>	<u>9,547</u>

The final dividend paid during the year for the year ended March 2015 was based on share capital of 37.337 million shares.

The directors are proposing a final dividend of £0.0603 (2015 - £0.1831) per share totalling £8.567 million (2015 - £6.835 million). This dividend has not been recognised as a liability in the Statement of Financial Position.

25 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £7,401,822 (2015 - £740,925).

Operating leases

The total of future minimum lease payments is as follows:

	2016 £ 000	2015 £ 000
Not later than one year	302	523
Later than one year and not later than five years	50	357
	<u>352</u>	<u>880</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £0.523 million (2015 - £0.595 million).

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

25 Commitments (continued)

Operating lease arrangements where the company is the lessor

The future minimum rental receivable under non-cancelling operating leases are as follows:

	2016	2015
	£ 000	£ 000
Not later than one year	871	793
Later than one year and not later than five years	3,616	3,547
Later than five years	43,015	43,955
	<u>47,502</u>	<u>48,295</u>

These non-cancellable leases have remaining terms of between two and ninety five years. All leases include a provision for upward rent reviews in accordance with specific lease terms at prevailing market conditions.

26 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 3 December 2013, the company along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £75 million private placement senior notes issued by Birmingham Airport (Finance) PLC. Series A senior notes of £30 million are for a period of ten years maturing 3 December 2023 and carries a fixed interest rate of 4.472 per cent per annum. Series B senior notes of £45 million are for a period of fifteen years maturing 3 December 2028 and carries a fixed interest rate of 4.557 per cent per annum.

On 30 March 2016, the company along with other group members of Birmingham Airport Holdings Limited, provided guarantees to Royal Bank of Scotland PLC and Lloyds Bank PLC in support of a £20 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of five years with an expiry date of 30 March 2021, with an option to extend by 2 further 12 month periods. At the date of signing these financial statements, the total amount outstanding under the facility was £nil.

On 30 March 2016, the company, along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £76 million private placement senior notes issued by Birmingham Airport (Finance) PLC on 30 March 2016. The senior notes are for a period of 25 years maturing 30 March 2041 and carry a fixed interest rate of 3.8 per cent per annum.

27 Related party transactions

The following entities conducted transactions with Birmingham Airport Limited during the year ended 31 March 2016, and were considered related parties as defined by FRS 102, related party transactions. The company has taken advantage of the exemption under paragraph 33.1A of FRS 102 from disclosing transactions with group members, 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.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

27 Related party transactions (continued)

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 ("The Districts") are shareholders in the parent undertaking.

In 1995 Birmingham Airport Limited entered into an arms length lease arrangement with Solihull Metropolitan Borough Council on behalf of The Districts, all of which 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 Birmingham Airport Limited a 150 year lease over the same property for a total fair value premium of £96.5 million.

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 in Note 18. Under the lease arrangement, the company pays a basic rent of £0.6 million per annum from 1 April 2007 subsequently index linked each year for the remaining lease period. In addition, a turnover based rent is payable calculated as 0.4% of turnover less the basic rent in the period. The total amount payable in the year was £0.755 million (2015: £0.748 million). The amount at the end of the year was £4.732 million (2015: £4.732 million), all of which is due after more than one year.

In February 2002 the company completed a 150 year lease agreement with Birmingham City Council for land adjacent to the airport site. A lease premium of £0.2 million was paid with a peppercorn rent for the remaining lease term along with costs of £2,000. The lease payments have been treated as a finance lease in the financial statements of the group. The amount due at the end of the year was £nil.

Solihull Metropolitan Borough Council

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 arms length basis at a full commercial rate.

Birmingham City Council

In support of the A45 transport corridor improvement scheme the airport company is contributing circa £7 million as part of the cost of the realignment of the improved A45 corridor. The company invoiced £2.609 million during the year (2015: £2.632 million), which was a trade debtor at the statement of financial position date (2015: £0.453 million), there was also an accrued creditor of £2.742 million relating to this transaction (2015: £1.633 million).

Airport Group Investments Limited

The company has paid Airport Group Investments Limited £1.359 million during the year (2015: £1.477 million) in respect of consortium tax relief.

28 Parent and ultimate parent undertaking

The company's immediate parent is Birmingham Airport Operations Limited, incorporated in England.

The ultimate parent is Birmingham Airport Holdings Limited, incorporated in England.

The smallest and largest parent entity producing publicly available financial statements is Birmingham Airport Holdings Limited. These financial statements are available upon request from Diamond House, Birmingham Airport, Birmingham, West Midlands, B26 3QJ.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

29 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out below are the changes as a result of adopting the new reporting framework which reconcile profit for the financial year ended 31 March 2014 and the total equity as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102.

1) Revaluation reserve

In line with FRS 102 the revaluation reserve has been reduced to provide for deferred tax on the revaluation of certain fixed assets.

2) Government grants

Those government grants which had previously been received and had no future conditions have been released to retained earnings, which increased the operating costs by £0.169 million in the income statement.

3) Investment property

An investment property which had previously been included within property, plant and equipment has been reclassified into investment property.

4) Defined benefit pension interest

Under FRS 102 the interest on the defined benefit pension has been remeasured, resulting in an additional cost to the income statement. The interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the income statement as a 'finance expense'. Return on plan assets, less amounts included in net interest, are disclosed as 'remeasurement of net defined benefit liability' and recognised in other comprehensive income.

5) Reclassification of inter-company transactions

All inter-company loans and trade balances reclassified as debtors and creditors falling due within one year.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

29 Transition to FRS 102 (continued)

Statement of Financial Position at 1 April 2014

	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Fixed assets				
Tangible assets	397,122	(794)	-	396,328
Investment property	-	794	-	794
Investments	19,345	(3,851)	-	15,494
	<u>416,467</u>	<u>(3,851)</u>	<u>-</u>	<u>412,616</u>
Current assets				
Stocks	495	-	-	495
Debtors falling due within one year	14,479	3,851	-	18,330
Debtors falling due after more than one year	8,970	-	-	8,970
Cash at bank and in hand	19,100	-	-	19,100
	<u>43,044</u>	<u>3,851</u>	<u>-</u>	<u>46,895</u>
Creditors: Amounts falling due within one year	(33,621)	(165,508)	170	(198,959)
Net current assets/(liabilities)	<u>9,423</u>	<u>(161,657)</u>	<u>170</u>	<u>(152,064)</u>
Total assets less current liabilities	425,890	(165,508)	170	260,552
Creditors: Amounts falling due after more than one year	(210,940)	165,508	4,687	(40,745)
Provisions for liabilities	(2,532)	1,167	(20,732)	(22,097)
Net assets/(liabilities) excluding pension asset/(liability)	212,418	1,167	(15,875)	197,710
Post-employment benefits	(4,666)	(1,167)	-	(5,833)
Net assets/(liabilities)	<u>207,752</u>	<u>-</u>	<u>(15,875)</u>	<u>191,877</u>
Capital and reserves				
Called up share capital	37,337	-	-	37,337
Capital redemption reserve	28,193	-	-	28,193
Revaluation reserve	103,481	-	(20,696)	82,785
Special reserve	27,522	-	-	27,522
Retained earnings	11,219	-	4,821	16,040
Total equity	<u>207,752</u>	<u>-</u>	<u>(15,875)</u>	<u>191,877</u>

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

29 Transition to FRS 102 (continued)

Statement of Financial Position at 31 March 2015

	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Fixed assets				
Tangible assets	387,718	(794)	-	386,924
Investment property	-	794	-	794
Investments	18,981	(3,487)	-	15,494
	<u>406,699</u>	<u>(3,487)</u>	<u>-</u>	<u>403,212</u>
Current assets				
Stocks	492	-	-	492
Debtors falling due within one year	17,619	3,487	-	21,106
Debtors falling due after more than one year	8,282	-	-	8,282
Cash at bank and in hand	20,739	-	-	20,739
	<u>47,132</u>	<u>3,487</u>	<u>-</u>	<u>50,619</u>
Creditors: Amounts falling due within one year	(45,939)	(145,886)	170	(191,655)
Net current assets/(liabilities)	<u>1,193</u>	<u>(142,399)</u>	<u>170</u>	<u>(141,036)</u>
Total assets less current liabilities	407,892	(145,886)	170	262,176
Creditors: Amounts falling due after more than one year	(189,904)	145,886	4,518	(39,500)
Provisions for liabilities	(3,242)	4,463	(19,907)	(18,686)
Net assets/(liabilities) excluding pension asset/(liability)	214,746	4,463	(15,219)	203,990
Post-employment benefits	(17,852)	(4,463)	-	(22,315)
Net assets/(liabilities)	<u>196,894</u>	<u>-</u>	<u>(15,219)</u>	<u>181,675</u>
Capital and reserves				
Called up share capital	37,337	-	-	37,337
Capital redemption reserve	28,193	-	-	28,193
Revaluation reserve	99,349	-	(19,870)	79,479
Special reserve	27,522	-	-	27,522
Retained earnings	4,493	-	4,651	9,144
Total equity	<u>196,894</u>	<u>-</u>	<u>(15,219)</u>	<u>181,675</u>

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

29 Transition to FRS 102 (continued)

Income Statement for the year ended 31 March 2015

	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Turnover	121,001	-	-	121,001
Administrative expenses	(89,099)	-	(169)	(89,268)
Operating exceptional items	(4,031)	-	-	(4,031)
Operating profit/(loss)	27,871	-	(169)	27,702
Income from shares in group undertakings	549	-	-	549
Interest receivable and similar income	1,497	-	(1,008)	489
Interest payable and similar charges	(12,426)	-	(1,278)	(13,704)
	(10,380)	-	(2,286)	(12,666)
Profit/(loss) on ordinary activities before taxation	17,491	-	(2,455)	15,036
Tax on profit on ordinary activities	(5,219)	-	456	(4,763)
Profit/(loss) for the financial year	12,272	-	(1,999)	10,273