

Birmingham Airport Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2017

Registration number: 02078273



Birmingham Airport Limited

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Birmingham Airport Limited Company Information

Chairman	J L Hudson
Chief Executive	P Kehoe
Directors	J L Hudson P Kehoe S L C Richards
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 2017

The Directors present their strategic report for the year ended 31 March 2017.

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:

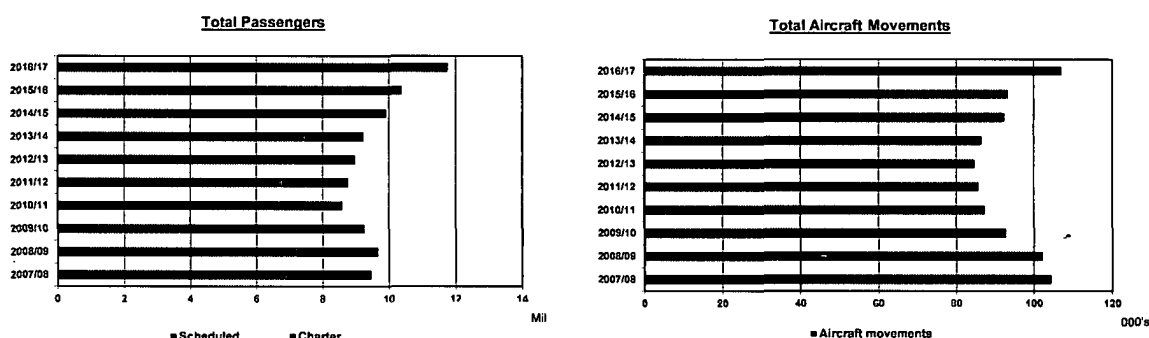
"The safe and secure processing of passengers and aircraft through the provision of facilities and infrastructure in a sustainable and efficient manner. We aim to provide a value-for-money service, recognising the efforts of our employees and our partners, which will generate a profitable future for 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 2017, Birmingham Airport processed 11,906,796 passengers, an increase of 14.0% on 2015/16 and for the first time in the Airport's history over 11 million passengers have passed through the terminals. It was also the sixth consecutive year of passenger growth with Scheduled passengers up 15.4% and Charter passengers up 7.7%. This growth outperformed the average UK aviation industry growth of 6.5%.

Birmingham Airport recorded the busiest month in its history during August 2016 with 1,286,775 passengers passing through its terminals, along with monthly record passengers in the other 11 months of the financial year. This double digit growth has partly been delivered by existing airlines, both on existing routes and new routes including Lisbon, Luxembourg and Paris Orly. Several new airlines also commenced operations during the year, including Czech Airlines to Prague, Alba Star to Palma, Cobalt Air to Larnaca, Jet2 - four new based aircraft operating to the Western Mediterranean and Canary Islands from March 2017 and BMI Regional to Graz.



Birmingham Airport continued to build its extensive route network and provide its customers with more destination and frequency choices than seen before. The 15.4% Scheduled traffic growth reflects double digit growth within its Long Haul and Low Cost sectors, whilst the full service carrier sector experienced growth above the UK Aviation market. Long Haul benefitted as Qatar Airways annualised its Doha service and Emirates annualised the operation of a third daily service to Dubai and continued to operate the iconic Airbus A380 on one of its daily services.

The Low Cost sector benefitted significantly from Ryanair operating new routes and increasing frequencies on existing routes along with the full year operation of Wizz Air services to Eastern Europe, including the launch of Bucharest and the commencement of three additional Vueling routes.

Growth in Scheduled traffic also came from the full year operation of Iberia Express, increased routes and frequency from Blue Air and Icelandair annualising its 3rd weekly service along with the launch of new airlines Czech Airlines and Alba Star.

Charter traffic also delivered growth above the UK Aviation market average. The Charter market continues to be dominated by both Thomson and Thomas Cook, the former saw growth from additional long haul traffic and the latter operated an additional aircraft through the summer. In addition, both carriers gained from a change in consumer behaviour towards favouring package holidays and travel with established operators.

Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2017 (continued)

The most popular destination remains Dublin, followed by Dubai and Amsterdam.

The 2017/18 financial year looks set to be a year of further growth and commenced with the return of Great Britain's flag carrier British Airways to Birmingham Airport. The airline launched its weekly summer services to Florence, Ibiza, Malaga and Palma during May. The Airport also expects increasing route competition in 2017/18 with Jet2 adding a further 18 routes to those which commenced in March 2017 including New York flights in November 2017. New routes have also been launched by both Monarch (Stockholm, Split, and Valencia) and BMI Regional (Nuremberg and Gothenburg). Passengers travelling to Dubai with Emirates can also look forward to the airline operating the Airbus A380 twice daily from October 2017, providing passengers with more opportunity to fly on the world's largest passenger aircraft from the UK's second city.

There does however continue to be ongoing uncertainty within the market following the Brexit vote last June and the subsequent triggering of Article 50; however it remains too early to tell what the impact on volumes and the pattern of travel will be as a result of this.

Future developments

The Company will continue to operate from Birmingham Airport, providing facilities and infrastructure as required to maintain the successful operation of the Airport. The Company is committed to adopting a sustainable approach to the operation and future development of the Airport, whilst mitigating the impact on local communities.

Financial Performance

Income

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

Aeronautical income grew by 14.2% during 2016/17, which exceeded passenger growth by 0.2%. This reflects strong growth across aircraft parking, cargo and aircraft diversions during the year, whilst core aeronautical income grew 10.1% this was 3.9% below passenger volume growth due to the changing mix of traffic. This resulted in a slight overall uplift in the yield per passenger to £5.11 compared with £5.10 for the previous year.

Commercial income grew by 9.7%, 4.3% below passenger volume growth. This dilution in yield was partly attributable to a change in traffic mix, with reductions on higher yielding Non EU traffic due to events within Egypt, Turkey and Tunisia, being replaced by growth in lower yielding EU destinations, notably Spain. The Duty Free store completed its re-development in July 2016 with a part-year impact during development but a part-year benefit later in the year of the enhanced store and offering. Trading was also impacted by the increasing regulatory restrictions on tobacco products, such as the introduction of plain packaging and health warnings.

Following the completion of the Duty Free store re-development, new brand offerings were introduced such as World of Whiskey and Jo Malone. Additionally Pret a Manger, Dixons and the Costa Coffee Landside unit underwent refurbishments in order to increase appeal and associated footfall. During the year the Airport also benefited from the opening of drinks unit Joe & The Juice, along with stationery retailer The Pocket Shop, which was the first branch to open in the UK.

There are more developments due in the coming year, with May 2017 seeing the opening of the new Premium set down car park, along with an increase in surface car parking capacity anticipated to be operational from autumn 2017. The Departure Lounge has already seen a JD Sports upgrade with Accessorize undergoing development later this year, whilst the South Pier welcomed the opening of a new Costa Coffee unit in June 2017.

Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2017 (continued)

Operating costs

Total operating costs before exceptional items increased by 0.7% to £92.8 million in the year (2016: £92.2 million). This being the result of activity growth throughout the airport and was most notably seen within security and bussing. Pay increases and incentive payments reflecting the strong performance of the Airport also contributed to the increase along with notable increases in marketing and promotional activity to support passenger growth, higher levels of equipment maintenance and repairs due to demand on infrastructure from the increase in passengers and baggage. These cost increases were partially offset by lower business rates in the current year. Depreciation and other costs increased by 8.1%, predominantly due to an increase in capital spend as a consequence of the capital investment programme, up 10.9%, together with the impact of the 2016 asset revaluation and lower year on year investment property fair value gains. These increases were partially offset by the land compensation provision made in 2015/16.

The company's operating profit, before exceptional items, increased 37.6% to £53.0 million (2016: £38.5 million), from higher income and lower business rates. This has been partially offset by higher operating costs and increased depreciation in the year. Exceptional credit of £1.8m (2016: £1.0 million charge) reflects a credit from the lease premium for a hotel development, partially offset by an update of the airport's master plan, dilapidation costs associated with the end of the Concorde House lease, air traffic control transition costs and the demolition of obsolete buildings. This resulted in a company operating profit, post exceptional items, of £54.8 million (2016: £37.5 million). The company had a reduction of £1.0 million in its net interest cost, which reduced to £12.3 million (2016: £13.4 million) due to a reduction in inter-company loans together with higher capitalised interest due to the increase in capital development works.

During 2016/17, the company incurred a tax charge of £9.7 million (2016: £6.6 million), this included a corporation tax charge of £10.1 million (2016: £5.8 million) and a deferred tax credit of £0.4 million, which is lower than the previous year due to an increase in depreciation associated with asset revaluations and lower expenses not deductible (2016: £0.8 million charge). This equates to an effective tax rate of 22.6% (2016: 26.7%) which remains higher than the ordinary rate of UK corporation tax, reflecting the removal of tax allowances for industrial buildings.

During the year, a final dividend of £8.6 million for the year ended 31 March 2016 was paid (2016: £6.8 million) and an interim dividend of £14.3 million was paid for the year ended 31 March 2017 (2016: £11.2 million). This resulted in a total dividend of £22.8 million (2016: £18.0 million).

Security

The threat level remained at Substantial and sustaining continued improvements in compliance remains a significant operational challenge. Performance during Civil Aviation Authority audits and covert tests remains very positive with the Security Team hitting key targets and achieving compliance with increasing standards throughout the year.

Overall security performance was good throughout the year, although there were some challenges in maintaining customer service levels during peak periods. 76.7% (2016: 82.0%) of passengers experiencing a queue time of 10 minutes or less and 98.3% (2016: 98.2%) a queue time of less than 20 minutes.

During the winter of 2016/17 the focus for the operational teams has been on completing a detailed analysis of current performance and opportunities to improve passenger throughput to minimise queue times. A project has also been undertaken to improve the efficiency of the staff roster to better meet operational demands.

Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2017 (continued)

Health and Safety

Birmingham Airport sees the delivery of the highest safety standards as paramount to the continued success of the business. This commitment is delivered through sound management systems, well developed policies and adherence to all applicable legal requirements.

Health and Safety Management is executed via the Birmingham Airport Health and Safety Policy which sets out a statement and the arrangements for the Management of Health and Safety. The Health and Safety Management System is accredited to OHSAS 18001, the internationally applied British Standard for occupational health and safety management systems. Birmingham Airport management system was first accredited in 2013 and a re-certification audit was successfully completed in 2016. The re-certification process confirms that the management system conforms to the requirements of the standard and that the Airport has effectively implemented the management system.

Staff accidents have reduced 3.3% during 2016/17 to 58 (2016: 60), whilst passenger accidents have reduced by 7.8% to 177 (2016: 192), a positive trend against a 14.0% increase in passenger numbers.

Airside Safety

Operational safety is a core business priority and a key driver for the Airfield Operations Team. Following the successful transition process from a UK Civil Aviation Authority (CAA) Licensed Aerodrome to a European Aviation Safety Agency (EASA) Certified Aerodrome in February 2016, the Airport had its first EASA audit by the CAA in November 2017. The subsequent meeting between the Accountable Manager and the CAA Aerodrome Inspectorate in May 2017 recommended 'reduced oversight' by the CAA.

The reporting of airside safety occurrences has been extended to include data on unsafe acts, unsafe behaviours and near misses supporting the 'Just Culture' which the airport promotes. The aerodrome safety plan was issued with Board endorsement and the Airport has held an Airport Operators Association safety week to highlight risks and promote good practice.

Wildlife habitat management is a focus area to continue the downward trend in bird strikes involving those species classified as 'high' and 'medium' risk. 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 13 km bird hazard zone.

Once again we benefitted from another mild winter resulting in minimal impact to airfield operations. Looking forward the asset management plan for winter operations equipment has been reviewed and updated with several pieces of older equipment to be replaced in 2017/18.

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.

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 £41.9 million cash balance are considered sufficient to meet the company's ongoing liquidity requirements.

Birmingham Airport Limited
Strategic Report for the Year Ended 31 March 2017 (continued)

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 the year end position is certified by the auditors.

Approved and authorised by the Board and signed on its behalf on 12 July 2017 by:



S L O Richards

Company Secretary and Director

Birmingham Airport Limited Directors' Report for the Year Ended 31 March 2017

The Directors present their report and the audited financial statements of the company for the year ended 31 March 2017.

Results and Dividends

The profit for the financial year amounted to £33.352 million (2016: £18.127 million). During the year a final dividend was paid for the year ending 31 March 2016 of 6.028 pence (2016: 18.306 pence) per ordinary share amounting to £8.566 million (2016: £6.835 million). An interim dividend for the year ending 31 March 2017 of 10.044 pence (2016: 7.901 pence) amounting to £14.274 million (2016: £11.227 million) was also paid during the year.

The directors recommend a final dividend payment of 10.420 pence per ordinary share or £14.804 million (2016: 6.028 pence per ordinary share or £8.566 million) be made in respect of the financial year ended 31 March 2017. In accordance with FRS 102 this dividend has not been recognised as a liability in the financial statements.

Future developments and financial risk management

The Strategic Report on pages 2 to 6 includes details of the Company's future developments and financial risk management.

Directors of the Company

The directors of the company who were in office during the year and up to the date of signing the financial statements were :

J L Hudson - Chairman

P Kehoe - Chief Executive

S L C Richards - Company Secretary and Director

It was announced on 9 June 2017 that the Chief Executive Officer, Paul Kehoe, was to stand down with effect from 12 July 2017. The Board would like to express their grateful thanks to Paul for the tremendous contribution he has made to Birmingham Airport during the last nine years. Under his leadership, the Airport has built relationships with new carriers, grown passenger numbers to more than 12 million, and delivered significant economic value to the region. An announcement regarding Paul's successor will be made in due course.

Going concern

The financial statements have been prepared on a going concern basis. The directors have reviewed the prospects for the business for twelve months from the date of signing. 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.

Political donations

There were no political donations during the year.

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 2017 (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 12 July 2017 by:



S L C Richards

Company Secretary and Director

Birmingham Airport Limited

Statement of Directors' Responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 "Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland", 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 the financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

The Directors 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 12 July 2017 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 2017 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 2017;
- 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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.

Birmingham Airport Limited

Independent auditors' report to the members of Birmingham Airport Limited

(continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of Directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements 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.

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 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.

What an audit of the financial statements involves

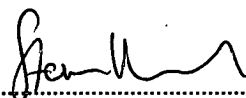
We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



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

12 July 2017

Birmingham Airport Limited
Income Statement for the Year Ended 31 March 2017

	Note	2017 £ 000	2016 £ 000
Turnover	4	145,808	130,700
Administrative expenses		(92,790)	(92,165)
Operating exceptional items	5	1,756	(1,021)
Operating profit	6	54,774	37,514
Income from shares in group undertakings		632	583
Interest receivable and similar income	10	562	522
Interest payable and similar expenses	11	(12,893)	(13,897)
		(11,699)	(12,792)
Profit before taxation		43,075	24,722
Tax on profit	12	(9,723)	(6,595)
Profit for the financial year		33,352	18,127

The above results were derived from continuing operations.

Birmingham Airport Limited
Statement of Comprehensive Income for the Year Ended 31 March 2017

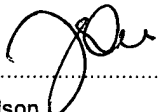
	2017	2016
	£ 000	£ 000
Profit for the financial year	33,352	18,127
Surplus on property, plant and equipment revaluation	-	38,921
Deferred tax on tangible assets revaluation	-	(7,006)
Remeasurement (loss)/gain of net defined benefit pension liability	(30,048)	6,538
Deferred tax effect on actuarial (loss)/gain recognised on net defined benefit pension scheme	5,207	(1,593)
Other comprehensive (expense)/income for the year	(24,841)	36,860
Total comprehensive income for the year	8,511	54,987

The notes on pages 16 to 35 form an integral part of these financial statements.

Birmingham Airport Limited
(Registration number: 02078273)
Statement of Financial Position as at 31 March 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Tangible assets	13	447,033	450,207
Investment property	14	2,689	2,390
Investments	15	15,494	15,494
		<u>465,216</u>	<u>468,091</u>
Current assets			
Inventories	16	507	399
Debtors: amounts falling due within one year	17	23,912	24,332
Debtors: amounts falling due after more than one year	17	6,907	7,595
Investments	18	9,553	-
Cash at bank and in hand		41,922	113,349
		<u>82,801</u>	<u>145,675</u>
Creditors: Amounts falling due within one year	19	<u>(239,079)</u>	<u>(310,815)</u>
Net current liabilities		<u>(156,278)</u>	<u>(165,140)</u>
Total assets less current liabilities		308,938	302,951
Creditors: Amounts falling due after more than one year	19	(36,268)	(37,218)
Provisions for liabilities	23	(21,802)	(28,147)
Post-employment benefits	24	(43,285)	(17,033)
Net assets		<u>207,583</u>	<u>220,553</u>
Capital and reserves			
Called up share capital	25	142	142
Revaluation reserve	26	31,139	31,915
Retained earnings	26	176,302	188,496
Total equity		<u>207,583</u>	<u>220,553</u>

The financial statements on pages 12 to 35 were approved and authorised by the Board and signed on its behalf on 12 July 2017 by:


 J L Hudson

Chairman

The notes on pages 16 to 35 form an integral part of these financial statements.

Birmingham Airport Limited
Statement of Changes in Equity for the Year Ended 31 March 2017

	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 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 for the year		-	-	-	31,915	4,945	36,860
Total comprehensive income for the year		-	-	-	31,915	23,072	54,987
Dividends	27	-	-	-	-	(18,062)	(18,062)
New share capital subscribed		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	12	-	-	-	-	1,953	1,953
At 31 March 2016		142	-	-	31,915	188,496	220,553
At 1 April 2016		142	-	-	31,915	188,496	220,553
Profit for the financial year		-	-	-	-	33,352	33,352
Other comprehensive expense for the year		-	-	-	-	(24,841)	(24,841)
Total comprehensive income for the year		-	-	-	-	8,511	8,511
Dividends	27	-	-	-	-	(22,840)	(22,840)
Transfer of realised profits		-	-	-	(1,165)	1,165	-
Deferred tax on revaluation reserve	12	-	-	-	389	970	1,359
At 31 March 2017		142	-	-	31,139	176,302	207,583

The notes on pages 16 to 35 form an integral part of these financial statements.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

1 General information

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

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.

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 convention 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 16 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 requirement to disclose transactions with group members (FRS 102 para 33.1A);
- 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 twelve months from the date of signing. 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 2017 (continued)

2 Accounting policies (continued)

Exemption from preparing group financial statements

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.

Turnover recognition

Turnover represents the amounts derived from the provision of 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 accruals 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 accruals 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 5 to provide further understanding of the financial performance of the company.

Tax

The tax expense for the year 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.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

2 Accounting policies (continued)

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.

Tangible assets are revalued with sufficient regularity so as to ensure there are no significant differences between carrying and fair value. 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.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial amount of time to get ready for their intended use are added to the cost of those assets. All other borrowing costs are recognised in the income statement in the period they are incurred.

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 future 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 & Machinery	between 4 and 30 years
Motor Vehicles (included within Plant & Machinery)	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.

Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses. Investments are assessed for impairment at the end of each reporting period. If there is an indication of impairment the recoverable amount of the investment is impaired to its carrying amount. The recoverable amount of the investment is the higher of fair value less cost to sell and value in use. If the recoverable amount of the investment is lower than its carrying amount an impairment is recognised in the income statement,

Current asset investments

Current asset investments comprise of short term cash deposits with a maturity date of greater than three months.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

2 Accounting policies (continued)

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.

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 undiscounted amount of cash or consideration expected to be paid.

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. Details of provisions are disclosed in note 23.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (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

Share incentive plan

The Birmingham Airport Holdings Limited Group has a Share Incentive Plan (SIP) which is available to all permanent employees of the group companies. The All Employees Share Ownership Plan (AESOP) was set up to enable employees to have a greater involvement in the company and share in its future success, the plan has been approved by HM Revenue and Customs. Each year employees have the opportunity to join the plan and save to purchase Partnership shares in the group. For every three Partnership shares purchased the employee is given a Matching share by the Employee Share Trust. The shares are held in Trust for the employees and they are entitled to receive a dividend from Birmingham Airport Holdings Limited, if a dividend is declared, while the shares are held in Trust for the employee.

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 2017 (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 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. The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

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 the 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 Critical accounting judgements and estimations of uncertainty

The company makes relatively few judgements 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Provisions

Provision is made for site development related liabilities and other matters as they arise. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. Details of provisions are disclosed in note 23.

(ii) Defined benefit pension scheme

The group 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 Statement of Financial Position. The assumptions reflect historical experience and current trends. Details of the pension scheme are disclosed in note 24.

4 Turnover

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

	2017	2016
	£ 000	£ 000
Aeronautical income	60,851	53,277
Concession income	63,104	57,143
Property income and recharges	21,853	20,280
	145,808	130,700

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

5 Operating exceptional items

	2017	2016
	£ 000	£ 000
Dilapidations	461	-
Reorganisation or restructuring	244	274
Demolition	33	435
Other exceptional costs	609	312
Hotel development lease	(3,103)	-
	<u>(1,756)</u>	<u>1,021</u>

During the year £0.244 million (2016: £0.274 million) restructuring costs were incurred including start-up costs associated with Birmingham Airport Air Traffic Limited. Dilapidation costs of £0.461 million were associated with Concorde House (2016: £nil). Demolition costs of £0.033 million associated with time expired assets, held at nil net book value, which were beyond economic use including the Rapide building and the former sports club (2016: £0.435 million including Hangar 1). A further £0.609 million (2016: £0.312 million) exceptional items were incurred in relation to the master plan review and company re-financing. Included within taxation on profit on ordinary activities is tax on exceptional items at the current UK tax rate of 20% (2016: 20%) amounting to £0.269 million (2016: £0.204 million). Also during the year a finance lease was granted for the site of a hotel development resulting in a net gain of £3.103 million (2016: £nil).

6 Operating profit

Arrived at after charging/(crediting):

	2017	2016
	£ 000	£ 000
Depreciation expense (note 13)	24,409	22,010
Capital grant	(10)	(9)
Fair value of investment property (note 14)	(299)	(1,596)
Prior years rates refunds	(4,625)	-
Operating lease expense - property	791	1,137
Operating lease expense - plant and machinery	77	47
Profit on disposal of tangible assets	(34)	(14)
Impairment of trade receivables	132	(10)
Inventory recognised as an expense	349	402

7 Auditors' remuneration

	2017	2016
	£ 000	£ 000
Audit fee payable to the company's auditors	58	85
Other fees to auditors		
All other non-audit services	5	156

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

8 Staff costs

The aggregate payroll costs were as follows:

	2017	2016
	£ 000	£ 000
Wages and salaries	13,470	15,425
Social security costs	1,426	1,486
Pension costs, defined contribution scheme	449	427
Pension costs, defined benefit scheme	558	645
	15,903	17,983

The aggregate payroll costs include exceptional items of £0.075 million (2016: £0.239 million credit).

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

	2017	2016
	No.	No.
Administration and support	103	104
Security, Terminal and Operations	265	294
Engineering	49	50
	417	448

9 Directors' emoluments

The directors' emoluments for the year was as follows:

	2017	2016
	£ 000	£ 000
Emoluments	50	50

No directors exercised share options or received benefits under long term incentive schemes or accrued post employment benefits under defined benefits plan or as a member of defined contribution pension scheme (2016: nil).

Two directors are remunerated by the ultimate parent company, Birmingham Airport Holdings Limited, and the costs are not recharged. Please see disclosure of the aggregated key management personnel where these costs are disclosed.

10 Interest receivable and similar income

	2017	2016
	£ 000	£ 000
Interest income on financial assets	79	38
Interest income from group companies	234	234
Interest income on bank deposits	249	250
	562	522

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

11 Interest payable and similar expenses

	2017	2016
	£ 000	£ 000
Interest on obligations under finance leases and hire purchase contracts	766	755
Intercompany interest payable	9,732	10,048
Other interest payable	1,708	1,729
Pension scheme net finance cost (note 24)	1,219	1,442
Less: Capitalised interest	(532)	(77)
	<u>12,893</u>	<u>13,897</u>

12 Tax on profit

(a) Tax charged in the income statement

	2017	2016
	£ 000	£ 000
Current taxation		
UK corporation tax	10,659	6,073
UK corporation tax adjustment to prior years	(500)	(289)
	<u>10,159</u>	<u>5,784</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(810)	1,162
Arising from changes in tax rates and laws	85	(418)
Deferred tax adjustment to prior years	289	67
	<u>(436)</u>	<u>811</u>
Tax on profit	<u>9,723</u>	<u>6,595</u>

(b) Tax (credited)/charged in other comprehensive income

	2017	2016
	£ 000	£ 000
Arising from origination and reversal of timing difference	(6,010)	9,092
Arising from changes in tax rates and laws	803	(493)
	<u>(5,207)</u>	<u>8,599</u>

(c) Tax credited in equity

	2017	2016
	£ 000	£ 000
Arising from changes in tax rates and laws	(1,359)	(1,953)
	<u>(1,359)</u>	<u>(1,953)</u>

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

12 Tax on profit (continued)

(d) Reconciliation of tax charge

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2016: higher than the standard rate of corporation tax in the UK) of 20% (2016: 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	43,075	24,722
Corporation tax at standard rate	8,615	4,945
Effect of expense not deductible in determining taxable profit	1,987	2,725
Effect of income exempt from taxation	(754)	(435)
Deferred tax credit relating to changes in tax rates or laws	85	(418)
Decrease in UK current tax from adjustment for prior years	(210)	(222)
Total tax charge	9,723	6,595

(e) Tax rate changes

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 17% from 1 April 2020. These have been substantively enacted at the balance sheet date and are reflected in the company's financial statements.

13 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 2016	292,996	200	110,907	151,763	11,672	567,538
Additions	-	-	-	-	21,125	21,125
Capitalised interest	-	-	-	-	532	532
Disposals	(422)	-	-	(181)	-	(603)
Transfers	897	-	2,984	8,348	(12,229)	-
At 31 March 2017	293,471	200	113,891	159,930	21,100	588,592
Accumulated depreciation						
At 1 April 2016	-	-	65	117,266	-	117,331
Charge for the year	9,752	-	8,322	6,335	-	24,409
Eliminated on disposal	-	-	-	(181)	-	(181)
At 31 March 2017	9,752	-	8,387	123,420	-	141,559
Carrying amount						
At 31 March 2017	283,719	200	105,504	36,510	21,100	447,033
At 31 March 2016	292,996	200	110,842	34,497	11,672	450,207

Included within the net book value of land and buildings above is £283.719 million (2016: £292.996 million) in respect of freehold land and buildings and £0.2 million (2016: £0.2 million) in respect of long leasehold land and buildings. Included in land and buildings is land at a value of £80.734 million (2016: £81.156 million) which is not depreciated.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

13 Tangible assets (continued)

Birmingham Airport Limited 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 30. During the prior 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.

Revaluation

The company's operational property assets were 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 property assets, the fair value is based on income and the depreciated replacement cost methodology 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 £304.063 million (2016: £303.524 million) and the net book value would have been £173.727 million (2016: £179.505 million). The gross cost of infrastructure assets would have been £182.283 million (2016: £179.299 million) and the net book value would have been £85.761 million (2016: £89.520 million).

Capitalised interest

Within Capitalised Interest are capitalised borrowing costs of £0.532 million (2016: £0.077million). The capitalisation rate used to determine the amount of finance costs capitalised during the year was 6.5% (2016: 6.5%).

14 Investment property

	2017 £ 000
At 1 April	2,390
Fair value adjustments	299
At 31 March	2,689

Investment properties held by Birmingham Airport Limited have been revalued at 31 March 2017, 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 £0.299 million (2016: £1.596 million) which has been recognised in the income statement.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

15 Investments

	2017 £ 000	2016 £ 000
Investments in subsidiaries	15,494	15,494

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 2017	2016
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				
Euro-hub (Birmingham) Limited	England	Ordinary Shares	25%	25%
Euro-hub (Birmingham) Limited	England	Preference Shares	30%	30%

The registered address of these investments are the same as the parent company with the exception of BHX (Scotland) Limited whose registered address is c/o Eversheds LLP, 3 - 5 Melville Street, Edinburgh, EH3 7PE.

Details of subsidiaries (continued)

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 principal activity of Euro-hub (Birmingham) Limited is Property Holding Company.

The principal activity of Euro-hub (Birmingham) Limited is Property Holding Company.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

16 Inventories

	2017 £ 000	2016 £ 000
Raw materials and consumables	507	399

No provision for impairment of stocks has been provided for in the year (2016: £nil).

There is no material difference between replacement cost of inventory and its carrying amount.

17 Debtors

	2017 £ 000	2016 £ 000
Trade debtors	9,371	11,736
Amounts owed by group undertakings	3,569	3,485
Other debtors	125	137
Prepayments and accrued income	10,847	8,974
Debtors: amounts falling due after more than one year	6,907	7,595
	<u>30,819</u>	<u>31,927</u>

Trade debtors are stated after provisions for impairment of £0.859 million (2016: £0.847 million).

Debtors falling due after more than one year relates to the prepaid Control Tower lease premium £6.907 million (2016: £7.595 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 receivable is based on a rate composed of the current interest rate payable on the group's bond plus 0.5 per cent.

18 Current assets investments

	2017 £ 000	2016 £ 000
Investments	9,553	-

Investments in short term deposits have an original maturity of greater than 3 months. At the balance sheet date the average maturity of the deposits was 4 months (2016: nil). The average interest rate was 0.63 per cent (2016: nil).

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

19 Creditors

	2017	2016
	£ 000	£ 000
Amounts falling due within one year		
Loans and borrowings	792	662
Trade creditors	4,936	3,999
Amounts owed to group undertakings	167,664	254,893
Other taxation and social security	1,285	680
Corporation tax	7,871	5,711
Accruals and deferred income	56,531	44,870
	<u>239,079</u>	<u>310,815</u>
Amounts falling due after more than one year		
Loans and borrowings	35,319	36,111
Accruals and deferred income	949	1,107
	<u>36,268</u>	<u>37,218</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. 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.

20 Loans and borrowings

	2017	2016
	£ 000	£ 000
Non-current loans and borrowings		
Finance lease liabilities	30,587	31,379
Net premium arising on lease and leaseback	4,732	4,732
	<u>35,319</u>	<u>36,111</u>
Current loans and borrowings		
Finance lease liabilities	<u>792</u>	<u>662</u>

21 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2017	2016
	£ 000	£ 000
Not later than one year	3,247	3,129
Later than one year and not later than five years	14,011	13,499
Later than five years	<u>136,336</u>	<u>137,058</u>
Total gross payments	153,594	153,686
Less: finance charges	<u>(117,483)</u>	<u>(116,913)</u>
Carrying amount of liability	<u>36,111</u>	<u>36,773</u>

Within the above, certain leases include contingent rent clauses, see note 30 for further information.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

22 Financial instruments

The Company has financial assets of £31.136 million (2016: £21.766 million) and financial liabilities of £259.864 million (2016: £335.083 million) held at amortised cost.

23 Provisions for liabilities

	Deferred tax £ 000	Other provisions £ 000	Total £ 000
At 1 April 2016	26,147	2,000	28,147
Release/Additions through income statement	(436)	844	408
Release through statement of comprehensive income	(5,207)	-	(5,207)
Release through equity	(1,359)	-	(1,359)
Provisions used	-	(187)	(187)
At 31 March 2017	19,145	2,657	21,802

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 prior year 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 £0.2 million (2016: £0.2 million) and will be charged in the year to which it relates.

Deferred tax

Deferred tax assets and liabilities

2017	Asset £ 000	Liability £ 000
Capital allowances in excess of depreciation	-	4,872
Other timing differences	678	-
Revaluation of land, buildings and infrastructure	-	21,987
Revaluation of investment property	-	322
Post-employment benefits	7,358	-
	8,036	27,181
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	-
	3,112	29,259

The value of deferred tax liabilities expected to reverse in the next year is £0.410 million.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

24 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 £0.449 million (2016: £0.427 million).

Defined benefit pension schemes

Birmingham Airport Limited Pension Scheme

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 2015 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:

	2017	2016
	%	%
Discount rate	2.80	3.75
Future salary increases	3.20	2.90
Future pension increases (RPI)	3.45	3.15
Future pension increases (CPI)	2.45	2.15

Post retirement mortality assumptions

	2017	2016
	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	27.00

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2017	2016
	£ 000	£ 000
Fair value of scheme assets	160,193	141,447
Present value of defined benefit obligation	(203,478)	(158,480)
Defined benefit pension scheme deficit	(43,285)	(17,033)

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2017 (continued)

24 Pension and other schemes (continued)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2017 £ 000	2016 £ 000
Present value at the start of the year	(158,480)	(170,656)
Current service cost	(1,283)	(1,464)
Interest cost	(5,888)	(5,752)
Actuarial (losses)/gains	(42,056)	14,964
Benefits paid	4,351	4,640
Contributions by scheme participants	(122)	(137)
Effect of curtailments	-	(75)
Present value at end of year	<u>(203,478)</u>	<u>(158,480)</u>

Fair value of scheme assets

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

	2017 £ 000	2016 £ 000
Fair value at the start of the year	141,447	148,341
Interest income	4,669	4,310
Actuarial gains/(losses)	12,008	(8,426)
Employer contributions	6,298	1,725
Contributions by scheme participants	122	137
Benefits paid	(4,351)	(4,640)
Fair value at end of year	<u>160,193</u>	<u>141,447</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2017 £ 000	2016 £ 000
Cash and cash equivalents	1,012	515
Equity instruments	60,169	49,033
Debt instruments	42,434	38,450
Other assets	56,578	53,449
	<u>160,193</u>	<u>141,447</u>

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

Return on scheme assets

	2017 £ 000	2016 £ 000
Return on scheme assets	<u>16,677</u>	<u>(4,116)</u>

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.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (*continued*)

24 Pension and other schemes (*continued*)

Total cost recognised as an expense totalled £1.283 million (2016: £1.464 million) for current service cost, £1.219 million (2016: £1.442 million) for interest cost and £Nil (2016: £0.075 million) for curtailment. Included in the service cost is £0.128 million (2016: £0.131 million) relating to salary sacrificed and £0.597 million (2016: £0.613 million) for other group entities.

25 Called up share capital

Allotted, called up and fully paid shares

	No. 000	2017 £ 000	No. 000	2016 £ 000
Ordinary Shares of £0.001 each	142,112	142	142,112	142

26 Reserves

During the prior 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.

27 Dividends

	2017 £ 000	2016 £ 000
Final dividend of £0.0603 (2016 - £0.1831) per ordinary share	8,566	6,835
Interim dividend of £0.1004 (2016 - £0.079) per ordinary share	14,274	11,227
	<u>22,840</u>	<u>18,062</u>

The final dividend paid in the prior 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 £0.1042 (2016: £0.0603) per share totalling £14.804 million (2016: £8.566 million). This dividend has not been recognised as a liability in the Statement of Financial Position.

28 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £7.796 million (2016: £7.402 million).

Operating leases

The total of future minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Not later than one year	92	302
Later than one year and not later than five years	58	50
	<u>150</u>	<u>352</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £0.352 million (2016: £0.523 million).

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2017 (*continued*)

28 Commitments (continued)

Operating lease arrangements where the company is the lessor

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

	2017 £ 000	2016 £ 000
Not later than one year	923	871
Later than one year and not later than five years	3,616	3,616
Later than five years	42,125	43,015
	<u>46,664</u>	<u>47,502</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.

29 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.

30 Related party transactions

The following entities conducted transactions with Birmingham Airport Limited during the year ended 31 March 2017, 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 2017 (continued)

30 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 20. 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 £0.766 million (2016: £0.755 million). The amount at the end of the year was £4.732 million (2016: £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 (2016: £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 £nil during the year (2016: £2.609 million), there was no trade debtor at the statement of financial position date (2016: £2.609 million), however there was an accrued creditor of £2.567 million relating to this transaction (2016: £2.742million).

Airport Group Investments Limited

The company has paid Airport Group Investments Limited £0.937 million during the year (2016: £1.359 million) in respect of consortium tax relief.

31 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.