

Birmingham Airport Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2019



Registration number: 02078273

Birmingham Airport Limited

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Birmingham Airport Limited Company Information

Chairman	T Clarke
Chief Executive	N Barton
Directors	N Barton T Clarke 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 2019

The Directors present their strategic report for the year ended 31 March 2019.

On 7th January 2019 the Airport was pleased to welcome Nick Barton as its new Chief Executive Officer and bringing a wealth of experience of running other UK Airports.

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 company. 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.

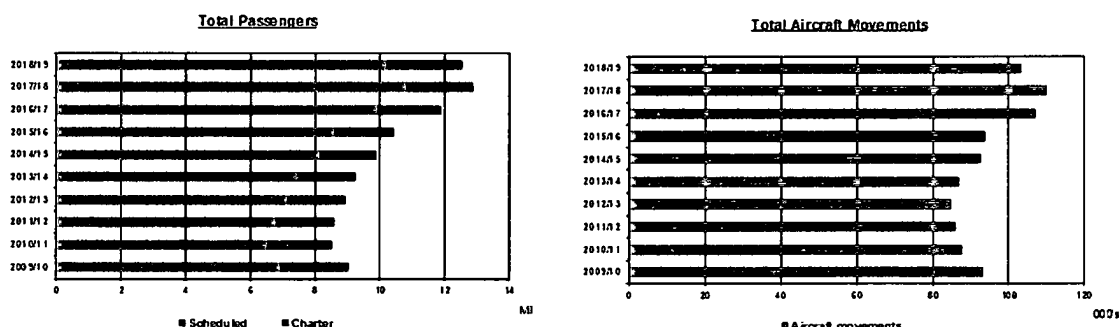
The Airport is a key economic accelerator for the Midlands region, providing the air connectivity vital for international trade, investment and employment, the growth of inbound tourism, and access to outbound leisure destinations. 6,700 people are directly employed by companies located within the Airport boundary and a further 9,900 people are employed indirectly to supply goods and services to the Airport. The Airport's current net economic impact including catalytic effects in the region is estimated as £1.5 billion GVA (Gross Value Added) and 30,900 jobs.

Market position and business environment

Review of the business and future outlook

During the year, the Airport processed 12,533,727 passengers, a decrease of 2.7% on 2017/18 (12,884,052). The fall in passenger numbers was principally driven by a 5.5% reduction in Scheduled passengers following the insolvency of Monarch Airlines in October 2017, offset by an 11.7% growth in Charter passengers. The average growth for the UK aviation market for the same period was 3.3% and we returned to growth following the loss of Monarch from October 2018 with a 5.0% increase in passengers in the second half of the year.

The Airport made substantial progress in 2018/19 to replace the airline capacity lost when Monarch Airlines failed in October 2017. This was largely achieved with additional aircraft from Jet2, Primera Air, TUI and Thomas Cook. Unfortunately, Primera Air, which commenced operations as one of the first low-cost long-haul operators, also failed later in 2018. Passenger numbers for the summer season fell 7.6% but recovered in the second six months to grow 5.0% year on year, with all-time record passenger numbers in October, November and January. The most popular destination remains Dublin, followed by Dubai and Amsterdam.



Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2019 (continued)

Looking forward to 2019/20 we are forecasting a year of solid growth. Jet2 continue to build their presence at Birmingham with a further two based aircraft, providing new routes and increased frequencies. Turkish Airlines will re-establish a twice-daily service to Istanbul and in doing so provides the region with greater connectivity to middle and far eastern destinations. TUI will be flying increased frequencies and we are also set to welcome Lauda Motion from winter 2019, operating a three-weekly service to Vienna.

Future developments

Birmingham Airport is already the preferred national and international aviation hub for the Midlands and our ambition is to build on this to become one of Europe's leading regional airports, acting as a key economic accelerator, delivering great service to passengers, and helping to showcase the region at the upcoming Coventry City of Culture in 2021 and Birmingham Commonwealth Games in 2022.

We understand that the significant social and economic benefits created by the Airport must be balanced with a sustainable operation. We take very seriously our responsibility to manage our impact on the environment and involve our local communities in the development of our significant projects through the Airport Consultative Committee, which includes resident associations and parish councils.

Our recently published Master Plan sets out £500 million of investment over the next 15 years to modernise and extend our facilities so they are fit for the future. We will expand and modernise our departure lounge, enlarge our passenger security search area and equip it with the latest x-ray equipment, introduce further self-service bag-drop technology at check-in, increase capacity in our baggage make-up hall and install additional arrivals baggage carousels.

Whilst we are planning confidently for a very positive future, the global economic situation is currently uncertain and the airline sector continues to undergo significant transformation. We continue to monitor the economic outlook and have robust plans for a range of scenarios to ensure the Business is resilient.

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 2.0% during 2018/19 including release of prior year provisions, with underlying income falling 1.2%. Income therefore outperformed the 2.7% lower passengers, principally due to increasing cargo, aircraft parking and general aviation. Average Aeronautical yield per passenger grew by 4.8% to £5.22 (underlying £5.06) compared with £4.98 for the previous year.

Commercial income grew by 4.4%, 7.1% ahead of passenger growth. Duty Free was successful in targeted in-store promotions aimed at specific airlines, and routes, along with greater floorspace for both premium and locally crafted products. We also opened a further two executive lounges, launched the first airside M&S Food to Go store in the UK, opened a new Samsonite Rolling Luggage unit, and Arrow Cars commenced operation as our first pre-bookable private hire operator. The car parking market was highly competitive, with continuing price sensitivity in consumer behaviour, along with migration of passengers to the free drop off zone created in 2018.

Other increases in Commercial income came from the in-sourcing of hold baggage screening (HBS) labour services from airlines, higher charges for Passengers with Reduced Mobility (PRM) to drive improved service and equipment, the first full year of operation of our in-house aircraft refuelling facility, and the opening of our new goods inwards Consolidation Centre during the year.

Operating costs

Total operating costs before exceptional items increased by 6.5% to £109.5 million (2018: £102.9 million). Within this, there was a 2.4% fall in employee costs as the recruitment of new key customer-facing roles are captured within another of the groups subsidiaries. Non-staff costs increased by 6.1%, principally due to increased expenditure on our new aircraft refuelling facility, our new goods inward consolidation centre, the in-sourcing of the hold baggage screening (HBS) contract and increasing PRM equipment and service levels. There were also increases in expenditure on energy, GDPR compliance and other process improvements.

Birmingham Airport Limited Strategic Report for the Year Ended 31 March 2019 (continued)

Depreciation and other costs increased by 14.3%, driven by a lower investment property gain than in 2017/18. Depreciation increased 4.1% as a result of our capital programme. A doubtful debt provision was also made following the administration of Primera Air and Monarch Aircraft Engineering.

One of our key performance indicators is Earnings Before Interest Tax, Depreciation & Amortisation (EBITDA), which grew by 2.6% to £76.6m (2018: £74.7m), reflecting income growth along with lower employee costs and doubtful debt charge, partially offset by higher non-staff costs.

The company's operating profit, before exceptional items, reduced by 2.8% to £51.1 million (2018: £52.6 million), with the higher income offset by higher operating costs and depreciation as well as lower investment property fair value gains than in the prior year.

The exceptional charge of £2.0 million (2018: £1.1 million) includes a provision of £1.0 million for estimated guaranteed minimum pensions following an updated legal precedent in October 2018 applying to all defined benefit pension schemes and equalising pension benefits for men and women regarding guaranteed minimum pensions. Other exceptional costs include the production of the Master Plan, safeguarding costs in relation to the HS2 people mover, restructure costs and preliminary hangar demolition costs. This resulted in a company operating profit, post exceptional items, of £49.2 million (2018: £51.5 million).

The company's net interest cost decreased by £3.4 million to £6.6 million (2018: £10.0 million) as a result of lower inter-company interest charges.

The tax charge for the year was £8.3 million (2018: £9.5 million), including a corporation tax charge of £9.2 million (2018: £9.8 million) and a deferred tax credit of £0.9 million (2018: £0.3 million credit). This equates to an effective tax rate of 19.1% (2018: 22.6%) which is marginally higher than the ordinary rate of UK corporation tax, reflecting the past ineligibility of industrial buildings for tax allowances.

During the year, a final dividend was paid of £17.0 million for the year ended 31 March 2018 (2018: £14.8 million) and an interim dividend of £14.3 million was paid for the year ended 31 March 2019 (2018: £14.1 million). This resulted in a total dividend of £31.3 million (2018: £28.9 million).

Security

The UK aviation threat level remained at Substantial throughout the year and we continue to invest to ensure our facilities remain safe and secure in the context of the current threat environment. We work very closely with the Department for Transport, the Civil Aviation Authority, the Police and other agencies to continuously develop our security equipment and processes to maintain high security standards and respond to emerging security threats.

Our security procedures are subject to rigorous internal and external audits by regulators and internal teams to regularly test their effectiveness and identify opportunities for improvement.

We also continue to focus on improving customer experience and all security lanes operated in 2018/19 with new parallel loading and tray return systems. The rollout of the latest body scanner technology also commenced and a new, enlarged security preparation area was opened, providing better facilities for our passengers to prepare for the security process, including facilities to dispose of water from bottles which can then be re-filled free of charge in the departure lounge.

Our IT system security, particularly the security of our customer data, is extremely important to us. We already have extensive defences within our IT and network infrastructure and over the last 18 months have made substantial progress with the upgrading of our physical network to the latest security standards.

During the year we have also implemented a range of additional measures to ensure compliance with the EU General Data Protection Regulation (GDPR) when it came into force.

Health and Safety

Birmingham Airport is committed to providing a safe and secure workplace and operational environment for all who use the Airport. Our Health and Safety Management System remains accredited to OHSAS 18001, the internationally applied standard for occupational health and safety management systems as it has been since 2013. Alongside this our 'Safety Culture Excellence' Vision statement was launched as part of Airport Operators Association Safety week in May 2019 and the delivery of this programme is a key objective for 2019/20.

There were 92 staff accidents during the year (2018: 89). Disappointingly, this was a small increase, however the accident frequency rate fell by almost 5% from 6.09 accidents per 100,000 hours worked in 2017/18 to 5.79 in 2018/19 because a higher number of staff were employed.

To accelerate the development of an even stronger safety culture a new Head of Health, Safety and Fire was appointed in March 2019. For the first time, this is a direct report to the CEO and a member of the Executive Team to ensure safety is integral to all business decision-making.

Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2019 (continued)

We participated in the UK Airports Safety Week, a national event run in conjunction with the Airport Operators Association and supported by the CAA, engaging with the wider Airport community and raising awareness of safety practices across on the Airport site.

Sustainability

We take our environmental responsibilities very seriously across all areas such as noise, carbon reduction, water and waste.

Managing noise is our top priority and we have implemented a comprehensive Noise Action Plan to address issues of noise and track-keeping, noise monitoring and community complaints about aircraft noise. We have listened to our neighbours to understand attitudes to aircraft noise and, in partnership with community representatives, have developed a new night flying policy which is among the most stringent in the UK.

We are striving continually to become much more carbon efficient and, building on the significant reduction in carbon emissions we have already achieved, we are currently producing a sustainability strategy which we expect to publish during 2019 and will include challenging targets for further reductions.

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 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 £50 million committed un-drawn loan facility and £125.2 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 the year end position is certified by the auditors.

Birmingham Airport Limited Strategic Report for the Year Ended 31 March 2019 (continued)

Brexit Risk

As Britain's exit from the European Union continues to be negotiated, we and industry partners continue to work closely with Government to ensure an uninterrupted continuation of all flights. We welcome the recognition by both the UK Government and the EU of the critical importance of aviation, and the commitment given by both parties to ensuring the continuation of flights throughout the exit process.

Approved and authorised by the Board and signed on its behalf on 10 July 2019 by:


.....
S L C Richards
Company Secretary and Director

Birmingham Airport Limited Directors' Report for the Year Ended 31 March 2019

The Directors present their report and the audited financial statements of the company for the year ended 31 March 2019.

Results and Dividends

The profit for the financial year amounted to £34.960 million (2018: £32.603 million). During the year a final dividend was paid for the year ending 31 March 2018 of 11.953 pence (2018: 10.420 pence) per ordinary share amounting to £16.987 million (2018: £14.808 million). An interim dividend for the year ending 31 March 2019 of 10.074 pence (2018: 9.902 pence) amounting to £14.316 million (2018: £14.072 million) was also paid during the year.

The directors recommend a final dividend payment of 11.619 pence per ordinary share or £16.513 million (2018: 11.953 pence per ordinary share or £16.987 million) be made in respect of the financial year ended 31 March 2019. 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 :

N Barton - Chief Executive (appointed 22 January 2019)

T Clarke - Chairman

S L C Richards - Company Secretary and Director

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 £50 million committed un-drawn loan facility to offset the company's net current liabilities, who's key driver is inter-company loans, 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 2019 (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 10 July 2019 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 regulation.

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 FRS 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 then 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; 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.


The Directors 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved and authorised by the Board and signed on its behalf on 10 July 2019 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

Opinion

In our opinion, Birmingham Airport Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: statement of financial position as at 31 March 2019; income statement for the year ended 31 March 2019, statement of comprehensive income for the year ended 31 March 2019, statement of changes in equity for the year ended 31 March 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report for the Year Ended 31 March 2019, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the Year Ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report for the Year Ended 31 March 2019.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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.

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

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



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Neil Philpott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
Birmingham

Date: 12 July 2019.

Birmingham Airport Limited
Income Statement for the Year Ended 31 March 2019

	Note	2019 £ 000	2018 £ 000
Turnover	4	160,700	155,481
Administrative expenses		(109,544)	(102,880)
Exceptional administrative expenses	5	(1,974)	(1,060)
Total administrative expenses		(111,518)	(103,940)
Operating profit	6	49,182	51,541
Income from shares in group undertakings		669	611
Interest receivable and similar income	10	669	425
Interest payable and similar expenses	11	(7,289)	(10,463)
		(5,951)	(9,427)
Profit before taxation		43,231	42,114
Tax on profit	12	(8,271)	(9,511)
Profit for the financial year		34,960	32,603

The above results were derived from continuing operations.

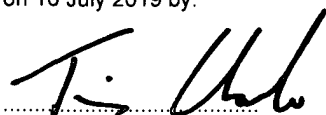
Birmingham Airport Limited
Statement of Comprehensive Income for the Year Ended 31 March 2019

	2019	2018
	£ 000	£ 000
Profit for the financial year	34,960	32,603
Surplus on property, plant and equipment revaluation	19,467	-
Deferred tax on tangible assets revaluation	(3,309)	-
Remeasurement (loss)/gain of net defined benefit pension liability	(3,633)	11,619
Deferred tax effect on actuarial (loss)/gain recognised on net defined benefit pension scheme	618	(1,975)
Other comprehensive income/(expense) for the year	13,143	9,644
Total comprehensive income for the year	48,103	42,247

Birmingham Airport Limited
(Registration number: 02078273)
Statement of Financial Position as at 31 March 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Tangible assets	13	464,897	442,435
Investment property	14	5,320	5,324
Investments	15	15,494	15,494
		<u>485,711</u>	<u>463,253</u>
Current assets			
Inventories	16	522	429
Debtors: amounts falling due within one year	17	28,883	25,153
Debtors: amounts falling due after more than one year	17	5,533	6,220
Cash at bank and in hand		125,241	45,737
		<u>160,179</u>	<u>77,539</u>
Creditors: Amounts falling due within one year	18	<u>(312,719)</u>	<u>(229,411)</u>
Net current liabilities		(152,540)	(151,872)
Total assets less current liabilities		333,171	311,381
Creditors: Amounts falling due after more than one year	18	(33,936)	(35,094)
Provisions for liabilities	22	(25,110)	(23,679)
Post-employment benefits	23	(32,103)	(27,386)
Net assets		242,022	225,222
Capital and reserves			
Called up share capital	24	142	142
Revaluation reserve	25	45,228	30,059
Retained earnings		196,652	195,021
Total equity		242,022	225,222

The financial statements on pages 14 to 37 were approved and authorised by the Board and signed on its behalf on 10 July 2019 by:



T Clarke
Chairman

Birmingham Airport Limited
Statement of Changes in Equity for the Year Ended 31 March 2019

	Note	Called up share capital £ 000	Revaluation reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 April 2017		142	31,139	180,574	211,855
Profit for the financial year		-	-	32,603	32,603
Other comprehensive income for the year		-	-	9,644	9,644
Total comprehensive income for the year		-	-	42,247	42,247
Dividends	26	-	-	(28,880)	(28,880)
Transfer of realised profits		-	(1,080)	1,080	-
At 31 March 2018		142	30,059	195,021	225,222
At 1 April 2018		142	30,059	195,021	225,222
Profit for the financial year		-	-	34,960	34,960
Other comprehensive income for the year		-	16,158	(3,015)	13,143
Total comprehensive income for the year		-	16,158	31,945	48,103
Dividends	26	-	-	(31,303)	(31,303)
Transfer of realised profits		-	(989)	989	-
At 31 March 2019		142	45,228	196,652	242,022

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2019

1 General information

The company is a private company limited by shares incorporated in United Kingdom.

The address of its registered office is:

Diamond House
Birmingham Airport
Birmingham
West Midlands
England
B26 3QJ

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 in note 3 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 £50 million committed un-drawn loan facility to offset the company's net current liabilities, who's key driver is inter-company loans, 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 2019 (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.

Revenue 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 administrative expenses

The company classifies certain one-off charges or credits that have an 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.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

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.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

2 Accounting policies (continued)

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 2019.

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.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

2 Accounting policies (continued)

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.

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 22.

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 2019 (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 22.

(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 23.

(iii) Tangible assets

The Company's tangible fixed assets are carried at either their fair value at date of valuation or cost, less any accumulated depreciation. Management estimates the useful economic life of assets based on historical experience and professional guidance from suppliers and subject matter experts. Asset impairments are based on estimates of current and future development plans. Details of the tangible assets are disclosed in note 13.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

4 Turnover

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

	2019	2018
	£ 000	£ 000
Aeronautical income	65,463	64,192
Concession income	67,931	66,713
Property income and recharges	27,306	24,576
	160,700	155,481

5 Exceptional administrative expenses

	2019	2018
	£ 000	£ 000
Reorganisation or restructuring	195	384
GMP Equalisation	958	-
Master plan	586	676
HS2 mover	235	-
	1,974	1,060

During the year £0.195 million (2018: £0.384 million) restructuring costs were incurred. A pension GMP equalisation cost of £0.958 million was incurred during the year as outlined in the Strategic Report (2018: £ Nil). A further £0.586 million (2018: £0.676 million) exceptional items were incurred in relation to the master plan review. HS2 mover safeguarding costs of £0.235 million were incurred during the year (2018: £ Nil). Included within taxation on profit on ordinary activities is tax on exceptional items at the current UK tax rate of 19% (2018: 19%) amounting to £0.193 million (2018: £0.201 million).

6 Operating profit

Arrived at after charging/(crediting):

	2019	2018
	£ 000	£ 000
Depreciation expense (note 13)	25,854	24,826
Capital grant	(10)	(10)
Fair value of investment property (note 14)	4	(2,726)
Foreign exchange gains	-	(79)
Operating lease expense - property	688	688
Operating lease expense - plant and machinery	90	92
Profit on disposal of tangible assets	(49)	(7)
Impairment of trade receivables	426	562
Inventory recognised as an expense	518	435

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

7 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit fee payable to the company's auditors	65	63

8 Staff costs

The aggregate payroll costs were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	14,469	15,025
Social security costs	1,454	1,417
Other pension costs, defined contribution scheme	544	517
Other pension costs, defined benefit scheme	1,708	872
	<u>18,175</u>	<u>17,831</u>

The aggregate payroll costs include exceptional items of £1.153 million (2018: £0.384 million).

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

	2019 No.	2018 No.
Administration and support	180	125
Security, Terminal and Operations	195	249
Engineering	52	51
	<u>427</u>	<u>425</u>

9 Directors' emoluments

The directors' emoluments for the year was as follows:

	2019 £ 000	2018 £ 000
Emoluments	85	75

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 (2018: 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

	2019 £ 000	2018 £ 000
Interest income on financial assets	57	26
Interest income from group companies	238	234
Interest income on bank deposits	374	165
	<u>669</u>	<u>425</u>

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

11 Interest payable and similar expenses

	2019	2018
	£ 000	£ 000
Interest on obligations under finance leases and hire purchase contracts	817	791
Intercompany interest payable	5,247	7,312
Other interest payable	1,627	1,665
Pension scheme net finance cost (note 23)	177	1,106
Less: Capitalised interest	(579)	(411)
	<u>7,289</u>	<u>10,463</u>

12 Tax on profit

(a) Tax charged in the income statement

	2019	2018
	£ 000	£ 000
Current taxation		
UK corporation tax	9,389	10,015
UK corporation tax adjustment to prior years	(193)	(165)
	<u>9,196</u>	<u>9,850</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(506)	(9)
Arising from changes in tax rates and laws	53	2
Deferred tax adjustment to prior years	(472)	(332)
	<u>(925)</u>	<u>(339)</u>
Tax on profit	<u>8,271</u>	<u>9,511</u>

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

	2019	2018
	£ 000	£ 000
Arising from origination and reversal of timing difference	3,008	2,196
Arising from changes in tax rates and laws	(317)	(221)
	<u>2,691</u>	<u>1,975</u>

(c) 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 (2018: higher than the standard rate of corporation tax in the UK) of 19% (2018: 19%).

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

12 Tax on profit (continued)

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	43,231	42,114
Corporation tax at standard rate	8,214	8,002
Effect of expense not deductible in determining taxable profit	1,223	2,729
Effect of income exempt from taxation	(554)	(725)
Deferred tax credit relating to changes in tax rates or laws	53	2
Decrease in UK current tax from adjustment for prior years	(665)	(497)
Total tax charge	8,271	9,511

(d) Tax rate changes

In his recent budgets the Chancellor the Exchequer proposed a decrease in the rate of UK corporation tax from 19% to 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 2018	296,901	200	117,524	165,104	28,985	608,714
Additions	-	-	-	-	28,285	28,285
Capitalised interest	-	-	-	-	579	579
Disposals	-	-	-	(230)	-	(230)
Transfers	6,091	-	5,894	15,002	(26,987)	-
Revaluations	(13,485)	-	(17,987)	-	-	(31,472)
At 31 March 2019	289,507	200	105,431	179,876	30,862	605,876
Accumulated depreciation						
At 1 April 2018	21,262	-	15,709	129,308	-	166,279
Charge for the year	10,778	-	7,883	7,193	-	25,854
Eliminated on disposal	-	-	-	(215)	-	(215)
Revaluation	(29,503)	-	(21,436)	-	-	(50,939)
At 31 March 2019	2,537	-	2,156	136,286	-	140,979
Carrying amount						
At 31 March 2019	286,970	200	103,275	43,590	30,862	464,897
At 31 March 2018	275,639	200	101,815	35,796	28,985	442,435

Included within the net book value of land and buildings above is £286.970 million (2018: £275.639 million) in respect of freehold land and buildings and £0.2 million (2018: £0.2 million) in respect of long leasehold land and buildings. Included in land and buildings is land at a value of £94.238 million (2018: £80.734 million) which is not depreciated.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (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 29. The company entered into a finance lease arrangement in 2015 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 which were valued in 2016, were revalued on 31 March 2019 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 £19.467 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 £313.452 million (2018: £307.360 million) and the net book value would have been £168.391 million (2018: £169.728 million). The gross cost of infrastructure assets would have been £191.809 million (2018: £185.916 million) and the net book value would have been £83.457 million (2018: £83.844 million).

Capitalised interest

Within Capitalised Interest are capitalised borrowing costs of £0.579 million (2018: £0.411million). The capitalisation rate used to determine the amount of finance costs capitalised during the year was 6.5% (2018: 6.5%).

14 Investment property

	2019 £ 000
At 1 April 2018	5,324
Fair value adjustments	<u>(4)</u>
At 31 March 2019	<u>5,320</u>

Investment properties held by Birmingham Airport Limited have been revalued at 31 March 2019, 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 reduction of £0.004 million (2018: £2.726 million gain) which has been recognised in the income statement.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

15 Investments

	2019 £ 000	2018 £ 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	
			2019	2018
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.

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.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

16 Inventories

	2019	2018
	£ 000	£ 000
Raw materials and consumables	522	429

No provision for impairment of stocks has been provided for in the year (2018: £nil).

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

17 Debtors

	2019	2018
	£ 000	£ 000
Trade debtors	12,058	8,349
Amounts owed by group undertakings	3,623	3,556
Other debtors	223	201
Prepayments and accrued income	12,979	13,047
Debtors: amounts falling due after more than one year	5,533	6,220
	34,416	31,373

Trade debtors are stated after provisions for impairment of £1.411 million (2018: £0.979 million).

Debtors falling due after more than one year relates to the prepaid Control Tower lease premium £5.533 million (2018: £6.220 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.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

18 Creditors

	2019	2018
	£ 000	£ 000
Amounts falling due within one year		
Trade creditors	5,070	4,706
Amounts owed to group undertakings	243,116	158,177
Loans and borrowings	1,084	932
Other taxation and social security	380	449
Corporation tax	5,681	6,969
Accruals and deferred income	57,388	58,178
	<u>312,719</u>	<u>229,411</u>
Amounts falling due after more than one year		
Loans and borrowings	33,304	34,387
Accruals and deferred income	632	707
	<u>33,936</u>	<u>35,094</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.

19 Loans and borrowings

	2019	2018
	£ 000	£ 000
Non-current loans and borrowings		
Finance lease liabilities	28,572	29,655
Net premium arising on lease and leaseback	4,732	4,732
	<u>33,304</u>	<u>34,387</u>
Current loans and borrowings		
Finance lease liabilities	1,084	932

20 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2019	2018
	£ 000	£ 000
Not later than one year	3,494	3,372
Later than one year and not later than five years	15,082	14,551
Later than five years	134,269	135,777
Total gross payments	152,845	153,700
Less: finance charges	(118,458)	(118,381)
Carrying amount of liability	<u>34,387</u>	<u>35,319</u>

Within the above, certain leases include contingent rent clauses, see note 29 for further information.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

21 Financial instruments

The Company has financial assets of £26.806 million (2018: £23.234 million) and financial liabilities of £331.867million (2018: £250.083 million) held at amortised cost.

22 Provisions for liabilities

	Deferred tax £ 000	Other provisions £ 000	Total £ 000
At 1 April 2018	21,655	2,024	23,679
Release in existing provisions	(926)	(248)	(1,174)
Additions through statement of comprehensive income	2,691	-	2,691
Provisions used	-	(86)	(86)
At 31 March 2019	23,420	1,690	25,110

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 provided in the prior year has been reduced by £0.3 million 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 (2018: £0.2 million) and will be charged in the year to which it relates.

Deferred tax

Deferred tax assets and liabilities

2019	Asset £ 000	Liability £ 000
Capital allowances in excess of depreciation	-	4,878
Other timing differences	283	-
Revaluation of land, buildings and infrastructure	-	23,497
Revaluation of investment property	-	785
Post-employment benefits	5,457	-
	5,740	29,160
2018	Asset £ 000	Liability £ 000
Capital allowances in excess of depreciation	-	5,015
Other timing differences	521	-
Revaluation of land, buildings and infrastructure	-	21,030
Revaluation of investment property	-	786
Post-employment benefits	4,656	-
	5,177	26,831

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

23 Post employment benefits

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 £0.544 million (2018: £0.517 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 18.4 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:

	2019	2018
	%	%
Discount rate	2.50	2.70
Future salary increases	3.25	3.05
Future pension increases (RPI)	3.50	3.30
Future pension increases (CPI)	2.50	2.30

Post retirement mortality assumptions

	2019	2018
	Years	Years
Current UK pensioners at retirement age - male	22.00	22.00
Current UK pensioners at retirement age - female	24.00	24.00
Future UK pensioners at retirement age - male	24.00	24.00
Future UK pensioners at retirement age - female	26.00	26.00

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2019	2018
	£ 000	£ 000
Fair value of scheme assets	178,192	167,490
Present value of defined benefit obligation	(210,295)	(194,876)
Defined benefit pension scheme deficit	(32,103)	(27,386)

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

23 Post employment benefits (continued)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2019	2018
	£ 000	£ 000
Present value at the start of the year	(194,876)	(203,478)
Current service cost	(1,576)	(1,661)
Past service cost	(958)	-
Interest cost	(5,235)	(5,653)
Actuarial (losses)/gains	(12,203)	11,084
Benefits paid	4,648	4,939
Contributions by scheme participants	(95)	(107)
Present value at end of year	<u>(210,295)</u>	<u>(194,876)</u>

Fair value of scheme assets

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

	2019	2018
	£ 000	£ 000
Fair value at the start of the year	167,490	165,339
Interest income	5,058	4,547
Actuarial gains	8,570	535
Employer contributions	1,627	1,901
Contributions by scheme participants	95	107
Benefits paid	(4,648)	(4,939)
Fair value at end of year	<u>178,192</u>	<u>167,490</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2019	2018
	£ 000	£ 000
Cash and cash equivalents	914	995
Equity instruments	-	63,173
Debt instruments	-	43,109
Other assets	177,278	60,213
	<u>178,192</u>	<u>167,490</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 2019 (continued)

23 Post employment benefits (continued)

Return on scheme assets

	2019 £ 000	2018 £ 000
Return on scheme assets	13,628	5,082

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 £1.576 million (2018: £1.661million) for current service cost and £0.177 million (2018: £1.648 million) for interest cost. Included in the service cost is £0.211 million (2018: £0.163 million) relating to salary sacrificed and £0.615 million (2018: £0.626 million) for other group entities. On 26 October 2018, the High Court issued a judgement in a claim involving Lloyds Banking Group's defined benefit pension schemes. This judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. This has resulted in a charge of £0.958 million to the Income Statement. This has been recognised within exceptional administrative expenses.

24 Called up share capital

Allotted, called up and fully paid shares

	No. 000	2019 £ 000	No. 000	2018 £ 000
Ordinary Shares of £0.001 each	142,112	142	142,112	142

25 Reserves

The revaluation reserve was created in March 2016 when land, buildings and infrastructure assets were revalued. These assets have been revalued in March 2019 with details included in note 13. The revaluation reserve transfer relating to the additional depreciation incurred in the income statement as a result of this revaluation was £0.989 million (2018: £1.080 million).

26 Dividends

	2019 £ 000	2018 £ 000
Final dividend of £0.1195 (2018 - £0.1042) per ordinary share	16,987	14,808
Interim dividend of £0.1007 (2018 - £0.099) per ordinary share	14,316	14,072
	31,303	28,880

The directors are proposing a final dividend of £0.11619 (2018: £0.11953) per share totalling £16.513 million (2018: £16.987million). This dividend has not been recognised as a liability in the Statement of Financial Position.

27 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £5.864 million (2018: £6.377 million).

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

27 Commitments (continued)

Operating leases

The total of future minimum lease payments is as follows:

	2019 £ 000	2018 £ 000
Not later than one year	93	73
Later than one year and not later than five years	103	51
	<u>196</u>	<u>124</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £0.073 million (2018: £0.092 million).

Operating lease arrangements where the company is the lessor

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

	2019 £ 000	2018 £ 000
Not later than one year	891	873
Later than one year and not later than five years	3,957	3,597
Later than five years	41,302	41,185
	<u>46,150</u>	<u>45,655</u>

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

28 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 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.

On 16 January 2019, 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 £50 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of five years with an expiry date of 16 January 2024, 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 24 January 2019, the company, along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £90 million private placement senior notes issued by Birmingham Airport (Finance) PLC on 24 January 2019. The senior notes are for a period of 30 years maturing 24 January 2049 and carry a fixed interest rate of 3.21 per cent per annum.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

29 Related party transactions

The following entities conducted transactions with Birmingham Airport Limited during the year ended 31 March 2019, 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.

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 arm's 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 19. 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 £0.817 million (2018: £0.791 million). The amount at the end of the year was £4.732 million (2018: £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 (2018: £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 arm's 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, there was an accrued creditor of £2.567 million relating to this transaction (2018: £2.567million).

30 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.