

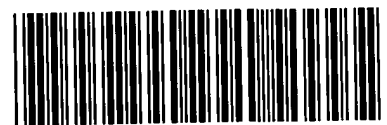
# Birmingham Airport Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2018

Registration number: 02078273

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## **Birmingham Airport Limited Company Information**

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<b>Chairman</b>	Mr T Clarke
<b>Directors</b>	Mr T Clarke S L C Richards
<b>Company Secretary</b>	S L C Richards
<b>Registered office</b>	Diamond House Birmingham Airport Birmingham West Midlands B26 3QJ
<b>Solicitors</b>	Eversheds LLP 115 Colmore Row Birmingham West Midlands B3 3AL
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors Cornwall Court 19 Cornwall Street Birmingham West Midlands B3 2DT
<b>Bankers</b>	National Westminster Bank plc 2 St Phillips Place Birmingham West Midlands B3 3RB

## Birmingham Airport Limited Strategic Report for the Year Ended 31 March 2018

The Directors present their strategic report for the year ended 31 March 2018.

### 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:

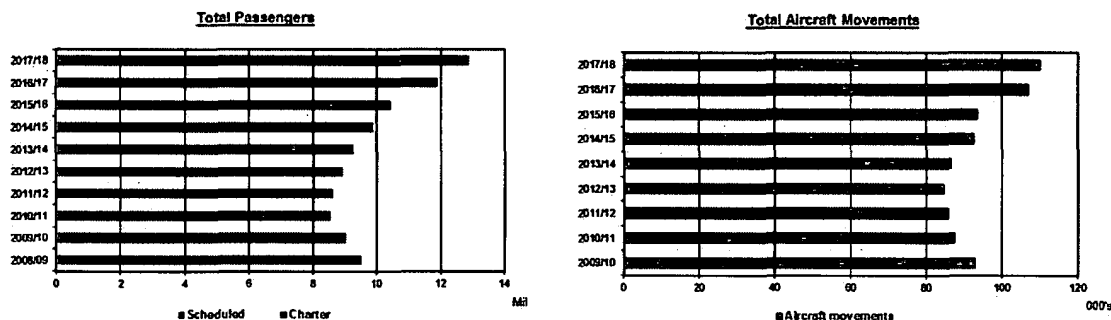
"The safe and secure processing of passengers and aircraft through the provision of facilities and infrastructure in a sustainable and efficient manner. We aim to provide a value-for-money service, recognising the efforts of our employees and our partners, which will generate a profitable future for 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 2018, Birmingham Airport processed 12,884,052 passengers, an increase of 8.2% on 2016/17 with the Airport seeing another first in its history as over 12 million passengers passed through the terminals. It was also the seventh consecutive year of passenger growth with Scheduled passengers up 8.6% and Charter passengers up 6.1%. This growth outperformed the average growth for the UK aviation industry of 4.8%.

Birmingham Airport recorded the busiest month in its history during August 2017 with 1,495,158 passengers passing through its terminals. The summer season continued the trend seen during 2016/17 with record passenger numbers and strong double-digit growth (17.1% for the period ending 30th September). The second half of the year, however was materially impacted when the Airport's 3rd largest carrier, Monarch Airlines was placed into administration on 2nd October 2017, with all services ceasing with immediate effect. Further activity reductions were seen from the cessation of Norwegian Airlines, United Airlines and Icelandair. The lost traffic was partially mitigated by existing carriers increasing their activity on 88% of Monarch routes, notably Jet2, Thomas Cook and TUI. The back six months of the year seeing passenger numbers down 3.2% on the same period the year before.



The 8.6% Scheduled traffic growth reflects Low Cost and flag carrier growth, partially offset by a reduction in the Long Haul sector, whilst the Charter sector experienced growth 1.3% above the UK Aviation market.

The Low Cost sector saw growth of 11.4% year on year driven by a full year of Jet2 operations who commenced operations in March 2017 including the launch of four new routes, Ryanair increasing frequencies and Eurowings increasing capacity through the operation of a larger aircraft. These gains have in part been driven by reclaim of market share and increased consumer demand for western Mediterranean destinations. The year on year growth came over the summer season but unfortunately the demise of Monarch in early October 2017 along with the cessation of Norwegian Airlines and reduced operations from Vueling over the winter suppressed this position.

## **Birmingham Airport Limited Strategic Report for the Year Ended 31 March 2018 (continued)**

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The growth in flag carrier traffic was driven by increased Aer Lingus Dublin traffic, with the carrier taking the opportunity post cessation of the United Airlines transatlantic flights by increasing its frequency to Dublin whereby passengers benefit from the ETSA US Preclearance facility and receive US immigration clearance prior to arrival in the US. Increased Blue Air and Czech Airlines frequencies including the launch of Larnaca on the former, along with capacity increases being seen across KLM, Brussels Airlines and Air France.

The Long Haul sector had a challenging year at Birmingham with the full year impact of American Airlines cessation being compounded by United Airlines decision to cease direct transatlantic flights to Newark in October 2017. Growth in the sector was seen with an increase in activity from Turkmenistan Airlines, along with higher demand on Air India traffic, with the carrier commencing direct flights to Amritsar in February 2018.

Charter traffic also grew above the UK Aviation market average. The Charter market continues to be dominated by both TUI and Thomas Cook, as both carriers continue to benefit from consumer preference towards package holidays with established operators. Both also captured part of the market share following the administration of Monarch Airlines by increasing activity and increasing passenger loads.

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

Looking ahead 2018/19 is set to be another challenging year as the Airport continues to recover lost traffic and deliver future growth following the demise of Monarch Airlines. The backfill of Monarch will partly come from Jet2 with the carrier operating two additional based aircraft and a further fourteen new summer destinations, along with the commencement of a brand-new airline Primera Air to both the Airport and region providing more choice to those passengers looking to travel to Malaga, Lanzarote, Tenerife and Palma. In addition the Charter sector is set to receive a boost with both Thomas Cook and TUI increasing frequencies, with the latter basing an additional aircraft at Birmingham, picking up some of the Monarch traffic. Following the success of Emirates launching its twice daily Airbus A380 service in September 2017, passengers can benefit from this on a year-round basis, whilst a double daily service to Istanbul will operate over the summer season with Turkish Airlines.

The uncertainty continues to exist in the market following the Brexit vote on 23rd June 2016 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 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 5.5% during 2017/18, which was behind passenger growth by 2.7%. This dilution is a result of a lower yielding traffic mix during the year, core aeronautical revenue during the year grew 6.2%, whilst non-core dropped 3.2%. The reduction in non-core was driven by one-off gains during 2016/17. As a result, there was a 2.5% fall in the yield per passenger to £4.98 compared with £5.11 for the previous year.

Commercial income grew by 7.5%, 0.8% below passenger volume growth. The dilution in yields was mainly driven by car parking, with the continuing change in consumer behaviour and price sensitivity towards lower yielding products along with the opening of a free drop off zone a short walk from the terminal buildings.

The duty free benefitted from the annualisation of the store re-development with more product ranges and choices for customers. An increase in staff presence and product sampling has been key to driving increased sales, along with the introduction of a "Reserve & Collect" service. During the year the Airport improved its catering offering with the opening of Factory Bar & Grill and Bottega Prosecco Bar during winter 2017/18, along with a new Costa Coffee in South Terminal departures. Within retail a new Kurt Geiger footwear unit opened and Accessorize completed an upgrade on their unit.

There are more developments due in the coming year, with 2018/19 already seeing the opening of a refreshed Caffè Ritazza following completion of the North Terminal Security works.

## Birmingham Airport for the Year Ended 31 March 2018 (continued)

### Operating costs

Total operating costs before exceptional items increased by 10.9% to £102.9 million in the year (2017: £92.8 million). Within this, employee costs increased due to additional resources supporting the activity growth throughout the airport and pay increases. Non-staff costs increased due to increased expenditure on asset maintenance and repairs driven by demand on infrastructure from increased passenger and baggage volumes, customer service spend to support the focus on delivering exceptional customer service, targeted investment in processes and technology to support future growth along with lower business rates in 2016/17. Depreciation and other costs reduced by 6.4%, this was due to higher year on year investment property fair value gains, notably within Diamond House. This is partially offset by an increase in depreciation, up 1.7%, along with a bad debt charge for car parking revenue (Purple Parking) and Monarch Airlines in the year following both going into administration.

The company's operating profit, before exceptional items, reduced by 0.8% to £52.6 million (2017: £53.0 million), from increased operating costs, depreciation and bad debts partially offset by higher income and investment property fair value gains in the year. Exceptional costs of £1.1 million (2017: £1.8 million credit) reflects restructuring costs following changes to The Airport's executive team, an update of the Airport's master plan and the demolition of an obsolete building. This resulted in an operating profit, post exceptional items, of £51.5 million (2017: £54.8 million). The company's net interest cost decreased by £1.8 million to £10.6 million (2017: £12.3 million) as a result of lower inter-company interest charges.

During 2017/18, the company incurred a tax charge of £9.4 million (2017: £9.7 million), this included a corporation tax charge of £9.9 million (2017: £10.2 million) and a deferred tax credit of £0.4 million (2017: £0.4 million credit). This equates to an effective tax rate of 22.7% (2017: 22.6%) 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 £14.8 million for the year ended 31 March 2017 was paid (2017: £8.5 million) and an interim dividend of £14.1 million was paid for the year ended 31 March 2018 (2017: £14.3 million). This resulted in a total dividend of £28.9 million (2017: £22.8 million).

### Security

Whilst the threat level for aviation remained at substantial, 2017 saw a broadening terrorist threat to aviation in the attempted deployment of a viable IED in the foiled Australia plot in July 2017 and the potential planning of using chemical powder. The UK threat level was increased to critical from 15th - 17th September following the Parsons' Green tube attack in London.

The CAA carried out a full audit of all chapters of the UK Single Consolidated Direction during the week commencing 11th September. The overall compliance score was an excellent 95.2%.

Operational performance faced some challenges due to the increase in passenger volumes presenting at security and the challenges in recruiting the required number of security officers throughout the year. It is only possible to report queue time percentages for April 2017 - January 2018 due to a new queue measurement system being installed during the lane replacements over winter. The data shows 96.9% of passengers queued less than 20 minutes for that reporting period.

During the winter of 2017/18, thirteen security lanes were replaced with parallel loading lanes and one conventional express lane. A large recruitment drive also took place to ensure that officer numbers were sufficient to support the passenger demand heading into Easter 2018. Extensive work was also carried out into throughput improvements as a result of the new lanes and operating processes and good results have already been demonstrated. A new queue measurement was also installed ready for summer 2018.

### Health and Safety

Birmingham Airport is committed to providing a safe and secure workplace and operational environment for all who use the Airport. 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 has continued to successfully maintain this accreditation.

There were 89 staff accidents during the year (2017: 58), reflecting an increase of 53.4%. However lost working days from staff accidents were the same as last year, despite an increase in employees, therefore the accident frequency rate for lost working days reduced compared to last year. All staff accidents were recorded as minor or negligible and the most common injury is from 'sharps' in security during bag search operations. The Health & Safety Team have worked with the Security Team to improve the safety of bag search operations. There were no serious staff accidents in the year and RIDDOR reportable staff incidents reduced to 1 (2017: 4).

## **Birmingham Airport Limited Strategic Report for the Year Ended 31 March 2018 (continued)**

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Passenger accidents remain flat at 177 (2017: 177), a positive trend against a backdrop of 8.2% higher passenger numbers, which means the accident frequency rate has reduced. Most of the incidents were related to slips, trips or falls and injuries were minor or negligible. In 2017 the Company restructured the governance and new established new working Groups with a focus on safety improvement, this includes accident hot spot mapping and a companywide review of risk assessments.

### **Airside Safety**

Once again operational safety has been the key business priority and focus for the airside team. The EASA certification was the first step in our journey with the new regulatory system and has led to a departmental restructure, to take onboard the compliance and safety roles as required through EASA. This, along with a review of the Airport's training and compliance responsibilities has resulted in additional resources for the increase in our third party training and auditing frequency to mirror the CAA Performance Based Regulation approach.

Resource has been invested in the improvement of handling agents oversight, especially during the summer, when there was a single handling agent and increased overview of the ramp operations where required. An additional handling agent commenced operations during the year and Jet2 have elected to self-handle to provide a greater flexible service within their operation.

The ground maintenance team was bought in house to further support the airfield safety unit, this has resulted in opportunities to use the resource more effectively and for the team to be involved in winter operations and taking greater responsibility for our habitat management procedures.

As opposed to the mild winter experienced in 2016/17 the winter of 2017/18 was extremely challenging with some unusual types and patterns of persistent snowfall for the UK that along with the wind conditions proved a real operational challenge. This required the team to alter the clearance techniques previously tried and tested to achieve the goal of a safe and operational airfield. New snow equipment has been purchased in the year and a further review has commenced to ensure the Airport has a robust fleet of snow equipment to overcome the most hazardous of conditions.

### **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 £45.7 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.

**Birmingham Airport Limited**  
**Strategic Report for the Year Ended 31 March 2018 (continued)**

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**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.

**Brexit Risk**

The uncertainty continues to exist in the market following the Brexit vote on 23rd June 2016 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 (see page 3).

Approved and authorised by the Board and signed on its behalf on 11 July 2018 by:



S. C. Richards  
Company Secretary and Director



## **Birmingham Airport Limited Directors' Report for the Year Ended 31 March 2018**

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The Directors present their report and the audited financial statements of the company for the year ended 31 March 2018.

### **Results and Dividends**

The profit for the financial year amounted to £32.604 million (2017: £34.066 million). During the year a final dividend was paid for the year ending 31 March 2017 of 10.420 pence (2017: 6.028 pence) per ordinary share amounting to £14.808 million (2017: £8.566 million). An interim dividend for the year ending 31 March 2018 of 9.902 pence (2017: 10.044 pence) amounting to £14.072 million (2017: £14.274 million) was also paid during the year.

The directors recommend a final dividend payment of 11.953 pence per ordinary share or £16.987 million (2017: 10.417 pence per ordinary share or £14.804 million) be made in respect of the financial year ended 31 March 2018. 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 :

Mr T Clarke - Chairman (appointed 12 July 2017)  
S L C Richards - Company Secretary and Director  
J L Hudson - Chairman (resigned 12 July 2017)  
P Kehoe - Chief Executive (resigned 12 July 2017)

John Hudson OBE stepped down from his role of Chairman on 12 July 2017. The Board would like to express their grateful thanks to John for the tremendous contribution he has made to Birmingham Airport during the last twenty years. Under his stewardship the Airport has expanded its route network and grown passenger numbers from 5.5 million to 12.9 million, delivered major investment in the Airport facilities, notably the runway extension and new international pier and provided significant economic value to the region.

### **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, 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.

## **Birmingham Airport Limited Directors' Report for the Year Ended 31 March 2018 (continued)**

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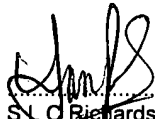
### **Employment of disabled persons**

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.

### **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 11 July 2018 by:



S. C. Richards  
Company Secretary and Director

## **Birmingham Airport Limited**

### **Statement of Directors' Responsibilities in respect of the financial statements**

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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.

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 11 July 2018 by:



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S. G. Richards  
Company Secretary and Director

## **Birmingham Airport Limited**

### **Independent auditors' report to the members of Birmingham Airport Limited**

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#### **Report on the audit of the financial statements**

##### **Our 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 2018 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: the statement of financial position as at 31 March 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; 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**

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

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.

##### **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, 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.

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

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*Strategic Report and Directors' Report*

Directors' Report for the year ended 31 March 2018 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.

**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 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](http://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.

**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.



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

11 July 2018

**Birmingham Airport Limited**  
**Income Statement for the Year Ended 31 March 2018**

	Note	2018 £ 000	2017 £ 000
Turnover	4	155,481	145,808
Administrative expenses		(102,864)	(92,790)
Operating exceptional items	5	(1,076)	1,756
Total administrative costs		(103,940)	(91,034)
Operating profit	6	51,541	54,774
Income from shares in group undertakings		611	632
Interest receivable and similar income	10	425	562
Interest payable and similar expenses	11	(10,463)	(12,033)
		(9,427)	(10,839)
Profit before taxation		42,114	43,935
Tax on profit	12	(9,511)	(9,869)
<b>Profit for the financial year</b>		<b>32,603</b>	<b>34,066</b>

The above results were derived from continuing operations.

The prior year has been restated to include £0.860 million return on asset backed funding defined benefit pension asset, with an associated deferred tax charge of £0.146 million (see note 24).

**Birmingham Airport Limited**  
**Statement of Comprehensive Income for the Year Ended 31 March 2018**

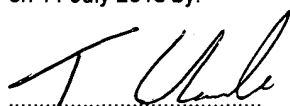
	2018 £ 000	As restated 2017 £ 000
Profit for the financial year	32,603	34,066
Remeasurement gain/(loss) of net defined benefit pension liability	11,619	(29,686)
Deferred tax effect on actuarial gain/(loss) recognised on net defined benefit pension scheme	(1,975)	5,184
Other comprehensive income/(expense) for the year	9,644	(24,502)
<b>Total comprehensive income for the year</b>	<b>42,247</b>	<b>9,564</b>

The prior year has been restated to include £0.362 million return on asset backed funding defined benefit pension asset, with an associated deferred tax charge of £0.062 million (see note 24).

**Birmingham Airport Limited**  
**(Registration number: 02078273)**  
**Statement of Financial Position as at 31 March 2018**

		2018	As restated 2017
	Note	£ 000	£ 000
<b>Fixed assets</b>			
Tangible assets	13	442,435	447,033
Investment property	14	5,324	2,689
Investments	15	15,494	15,494
		<u>463,253</u>	<u>465,216</u>
<b>Current assets</b>			
Inventories	16	429	507
Debtors: amounts falling due within one year	17	25,153	23,913
Debtors: amounts falling due after more than one year	17	6,220	6,907
Investments	18	-	9,553
Cash at bank and in hand		45,737	41,922
		<u>77,539</u>	<u>82,802</u>
<b>Creditors: Amounts falling due within one year</b>	19	<u>(229,411)</u>	<u>(239,079)</u>
<b>Net current liabilities</b>		<u>(151,872)</u>	<u>(156,277)</u>
<b>Total assets less current liabilities</b>		<b>311,381</b>	<b>308,939</b>
Creditors: Amounts falling due after more than one year	19	(35,094)	(36,268)
Provisions for liabilities	23	(23,679)	(22,677)
Post-employment benefits	24	(27,386)	(38,139)
<b>Net assets</b>		<u><b>225,222</b></u>	<u><b>211,855</b></u>
<b>Capital and reserves</b>			
Called up share capital	25	142	142
Revaluation reserve	26	30,059	31,139
Retained earnings	26	195,021	180,574
<b>Total equity</b>		<u><b>225,222</b></u>	<u><b>211,855</b></u>

The financial statements on pages 12 to 35 were approved and authorised by the Board and signed on its behalf on 11 July 2018 by:



Mr T Clarke  
Chairman



**Birmingham Airport Limited**  
**Statement of Changes in Equity for the Year Ended 31 March 2018**

	Note	Called up share capital £ 000	Revaluation reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 April 2016		142	31,915	188,497	220,554
Prior period adjustment		-	-	3,218	3,218
Restated at 1 April 2016		142	31,915	191,715	223,772
Profit for the financial year		-	-	34,066	34,066
Other comprehensive expense for the year		-	-	(24,502)	(24,502)
Total comprehensive income for the year		-	-	9,564	9,564
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	180,574	211,855
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	27	-	-	(28,880)	(28,880)
Transfer of realised profits		-	(1,080)	1,080	-
At 31 March 2018		142	30,059	195,021	225,222

The retained earnings opening balance as at 1 April 2016 has been restated to include £3.924 million return on asset backed funding defined benefit pension asset, with an associated deferred tax charge of £0.706 million (see note 24).

## **Birmingham Airport Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2018**

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#### **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 14 within the critical accounting judgements and estimation uncertainty section.

The fair value of the defined benefit pension scheme assets has been restated to correct an error of omission of the return the asset backed pension scheme asset in the financial statements for prior periods. The impact of correcting the error is to increase the pension asset by £5.142 million and increase the deferred tax provided by £0.875 million. The adjustments have been made to the Income Statement and Other Comprehensive Income Statement and Statement of Changes in Equity the details of the corrections are shown on those statements.

##### **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.

## **Birmingham Airport Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

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

##### **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, who's key driver is inter-company loans, hence they continue to adopt the going concern basis in preparing the financial statements.

##### **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.

##### **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.

## **Birmingham Airport Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

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

##### **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.

##### **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:

<b>Asset class</b>	<b>Depreciation method and rate</b>
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

## **Birmingham Airport Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

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

##### **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.

##### **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.

## **Birmingham Airport Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

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

##### **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.

##### **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 2018 (continued)**

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#### **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.

##### **(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 2018 (continued)**

**4 Turnover**

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

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Aeronautical income	64,192	60,851
Concession income	66,713	63,104
Property income and recharges	24,576	21,853
	<b>155,481</b>	<b>145,808</b>

**5 Operating exceptional items**

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Reorganisation or restructuring	384	244
Master plan	676	609
Other exceptional costs	16	33
Dilapidations	-	461
Hotel development lease	-	(3,103)
	<b>1,076</b>	<b>(1,756)</b>

During the year £0.384 million (2017: £0.244 million) restructuring costs were incurred. A further £0.676 million (2017: £0.609 million) exceptional items were incurred in relation to the master plan review. Other exceptional costs include demolition costs of £0.016 million associated with time expired assets, held at £nil net book value, which were beyond economic use including Outer marker beacons (2017: £0.033 million including Rapide building and former sports club). Included in the prior year were £0.461 million of dilapidation costs relating to Concorde House and a finance lease was granted for the site of a hotel development resulting in a net gain of £3.103 million. Included within taxation on profit on ordinary activities is tax on exceptional items at the current UK tax rate of 19% (2017: 20%) amounting to £0.201 million (2017: £0.269 million).

**6 Operating profit**

Arrived at after charging/(crediting):

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Depreciation expense (note 13)	24,826	24,409
Capital grant	(10)	(10)
Fair value of investment property (note 14)	(2,726)	(299)
Foreign exchange gains	(79)	-
Prior years rates refunds	-	(4,625)
Operating lease expense - property	688	791
Operating lease expense - plant and machinery	92	77
Profit on disposal of tangible assets	(7)	(34)
Impairment of trade receivables	562	132
Inventory recognised as an expense	435	349



**Birmingham Airport Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

**7 Auditors' remuneration**

	2018 £ 000	2017 £ 000
Audit fee payable to the company's auditors	89	58
<b>Other fees to auditors</b>		
All other non-audit services	-	5

**8 Staff costs**

The aggregate payroll costs were as follows:

	2018 £ 000	2017 £ 000
Wages and salaries	15,025	13,470
Social security costs	1,417	1,426
Other pension costs, defined contribution scheme	517	449
Other pension costs, defined benefit scheme	872	558
	<u>17,831</u>	<u>15,903</u>

The aggregate payroll costs include exceptional items of £0.384 million (2017: £0.075 million).

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

	2018 No.	2017 No.
Administration and support	125	103
Security, Terminal and Operations	249	265
Engineering	51	49
	<u>425</u>	<u>417</u>

**9 Directors' emoluments**

The directors' emoluments for the year was as follows:

	2018 £ 000	2017 £ 000
Emoluments	75	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 (2017: 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**

	2018 £ 000	2017 £ 000
Interest income on financial assets	26	79
Interest income from group companies	234	234
Interest income on bank deposits	165	249
	<u>425</u>	<u>562</u>

**Birmingham Airport Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

**11 Interest payable and similar expenses**

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Interest on obligations under finance leases and hire purchase contracts	791	766
Intercompany interest payable	7,312	9,732
Other interest payable	1,665	1,708
Pension scheme net finance cost (note 24)	1,106	359
Less: Capitalised interest	(411)	(532)
	<b>10,463</b>	<b>12,033</b>

**12 Tax on profit**

**(a) Tax charged in the income statement**

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current taxation</b>		
UK corporation tax	10,015	10,659
UK corporation tax adjustment to prior years	(165)	(500)
	<b>9,850</b>	<b>10,159</b>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	(9)	(638)
Arising from changes in tax rates and laws	2	59
Deferred tax adjustment to prior years	(332)	289
	<b>(339)</b>	<b>(290)</b>
<b>Tax on profit</b>	<b>9,511</b>	<b>9,869</b>

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

	<b>2018</b>	<b>As restated 2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Arising from origination and reversal of timing difference	2,196	(5,937)
Arising from changes in tax rates and laws	(221)	753
	<b>1,975</b>	<b>(5,184)</b>

**(c) Tax credited in equity**

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Arising from changes in tax rates and laws	-	(1,359)
	<b>-</b>	<b>(1,359)</b>

**(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 (2017: higher than the standard rate of corporation tax in the UK) of 19% (2017: 20%).

**Birmingham Airport Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

**12 Tax on profit (continued)**

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Profit before tax	42,114	43,935
Corporation tax at standard rate	8,002	8,787
Effect of expense not deductible in determining taxable profit	2,729	1,987
Effect of income exempt from taxation	(725)	(754)
Deferred tax credit relating to changes in tax rates or laws	2	59
Decrease in UK current tax from adjustment for prior years	(497)	(210)
Total tax charge	9,511	9,869

**(e) 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
<b>Cost or valuation</b>						
At 1 April 2017	293,471	200	113,891	159,930	21,100	588,592
Additions	-	-	-	-	19,725	19,725
Capitalised interest	-	-	-	-	411	411
Disposals	-	-	-	(83)	-	(83)
Transfers to/from investment property	69	-	-	-	-	69
Transfers	3,361	-	3,633	5,257	(12,251)	-
At 31 March 2018	296,901	200	117,524	165,104	28,985	608,714
<b>Accumulated depreciation</b>						
At 1 April 2017	9,752	-	8,387	123,420	-	141,559
Charge for the year	11,532	-	7,322	5,971	-	24,825
Eliminated on disposal	-	-	-	(83)	-	(83)
Eliminated on transfer to investment property	(22)	-	-	-	-	(22)
At 31 March 2018	21,262	-	15,709	129,308	-	166,279
<b>Carrying amount</b>						
At 31 March 2018	275,639	200	101,815	35,796	28,985	442,435
At 31 March 2017	283,719	200	105,504	36,510	21,100	447,033

## Birmingham Airport Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

#### 13 Tangible assets (continued)

Included within the net book value of land and buildings above is £275.639 million (2017: £283.719 million) in respect of freehold land and buildings and £0.2 million (2017: £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 (2017: £80.734 million) which is not depreciated.

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. 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 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 £307.360 million (2017: £304.063 million) and the net book value would have been £169.728 million (2017: £173.727 million). The gross cost of infrastructure assets would have been £185.916 million (2017: £182.283 million) and the net book value would have been £83.844 million (2017: £85.761 million).

#### Capitalised interest

Within Capitalised Interest are capitalised borrowing costs of £0.411 million (2017: £0.532million). The capitalisation rate used to determine the amount of finance costs capitalised during the year was 6.5% (2017: 6.5%).

#### 14 Investment property

	<b>2018</b>
	<b>£ 000</b>
At 1 April 2017	2,689
Transfers to property, plant and equipment	(91)
Fair value adjustments	<u>2,726</u>
At 31 March 2018	<u><u>5,324</u></u>

Investment properties held by Birmingham Airport Limited have been revalued at 31 March 2018, 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 2.726 million (2017: £0.299 million) which has been recognised in the income statement.

**Birmingham Airport Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

**15 Investments**

	2018 £ 000	2017 £ 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	
			2018	2017
<b>Subsidiary undertakings</b>				
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%
<b>Associates</b>				
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 2018 (continued)**

**16 Inventories**

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Raw materials and consumables	429	507

No provision for impairment of stocks has been provided for in the year (2017: £nil).

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

**17 Debtors**

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Trade debtors	8,349	9,371
Amounts owed by group undertakings	3,556	3,569
Other debtors	201	125
Prepayments and accrued income	13,047	10,848
Debtors: amounts falling due after more than one year	6,220	6,907
	<u>31,373</u>	<u>30,820</u>

Trade debtors are stated after provisions for impairment of £0.979 million (2017: £0.859 million).

Debtors falling due after more than one year relates to the prepaid Control Tower lease premium £6.220 million (2017: £6.907 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**

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
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 nil (2017: 4 months). The average interest rate was nil (2017: 0.63 per cent).

**Birmingham Airport Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

**19 Creditors**

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Amounts falling due within one year</b>		
Trade creditors	4,706	4,936
Amounts owed to group undertakings	158,177	167,664
Loans and borrowings	932	792
Other taxation and social security	449	1,285
Corporation tax	6,969	7,871
Accruals and deferred income	58,178	56,531
	<b>229,411</b>	<b>239,079</b>
<b>Amounts falling due after more than one year</b>		
Loans and borrowings	34,387	35,319
Accruals and deferred income	707	949
	<b>35,094</b>	<b>36,268</b>

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**

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Non-current loans and borrowings</b>		
Finance lease liabilities	29,655	30,587
Net premium arising on lease and leaseback	4,732	4,732
	<b>34,387</b>	<b>35,319</b>
<b>Current loans and borrowings</b>		
Finance lease liabilities	932	792

**21 Obligations under leases and hire purchase contracts**

**Finance leases**

The total of future minimum lease payments is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Not later than one year	3,372	3,247
Later than one year and not later than five years	14,551	14,011
Later than five years	135,777	136,336
Total gross payments	153,700	153,594
Less: finance charges	(118,381)	(117,483)
Carrying amount of liability	<b>35,319</b>	<b>36,111</b>

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 2018 (continued)**

**22 Financial instruments**

The Company has financial assets of £23.234 million (2017: £31.136 million) and financial liabilities of £250.083 million (2017: £259.864 million) held at amortised cost.

**23 Provisions for liabilities**

	<b>As restated Deferred tax £ 000</b>	<b>Other provisions £ 000</b>	<b>Total £ 000</b>
At 1 April 2017	20,020	2,657	22,677
Release in existing provisions	(432)	(417)	(849)
Additions through statement of comprehensive income	2,067	-	2,067
Provisions used	-	(216)	(216)
At 31 March 2018	<u>21,655</u>	<u>2,024</u>	<u>23,679</u>

The company is fully committed to a positive environmental policy including the provision of a defined noise insulation scheme, financial penalties to support night flying restrictions and payments under the Land Compensation Act 1973. Provisions are made in line with foreseen liabilities and a £2 million provision has been provided in the 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 (2017: £0.2 million) and will be charged in the year to which it relates.

**Deferred tax**

Deferred tax assets and liabilities

<b>2018</b>	<b>Asset £ 000</b>	<b>Liability £ 000</b>
Capital allowances in excess of depreciation	-	5,015
Other timing differences	521	-
Revaluation of land, buildings and infrastructure	-	21,031
Revaluation of investment property	-	786
Post-employment benefits	4,656	-
	<u>5,177</u>	<u>26,832</u>
<b>2017</b>	<b>Asset £ 000</b>	<b>Liability £ 000</b>
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	6,483	-
	<u>7,161</u>	<u>27,181</u>

The value of deferred tax liabilities expected to reverse in the next year is £0.528 million.



## Birmingham Airport Limited

### Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)

#### 24 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 £0.517 million (2017: £0.449 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:

	2018	2017
	%	%
Discount rate	2.70	2.80
Future salary increases	3.05	3.20
Future pension increases (RPI)	3.30	3.45
Future pension increases (CPI)	2.30	2.45

##### Post retirement mortality assumptions

	2018	2017
	Years	Years
Current UK pensioners at retirement age - male	22.00	23.00
Current UK pensioners at retirement age - female	24.00	25.00
Future UK pensioners at retirement age - male	24.00	25.00
Future UK pensioners at retirement age - female	26.00	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:

	2018	As restated 2017
	£ 000	£ 000
Fair value of scheme assets	167,490	165,339
Present value of defined benefit obligation	(194,876)	(203,478)
Defined benefit pension scheme deficit	(27,386)	(38,139)

**Birmingham Airport Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

**24 Post employment benefits (continued)**

**Defined benefit obligation**

Changes in the defined benefit obligation are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Present value at the start of the year	(203,478)	(158,480)
Current service cost	(1,661)	(1,283)
Interest cost	(5,653)	(5,888)
Actuarial gains/(losses)	11,084	(42,056)
Benefits paid	4,939	4,351
Contributions by scheme participants	(107)	(122)
Present value at end of year	<u>(194,876)</u>	<u>(203,478)</u>

**Fair value of scheme assets**

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

	<b>2018</b>	<b>As restated 2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Fair value at the start of the year	165,339	145,371
Interest income	4,547	5,529
Actuarial (losses)/gains	535	12,370
Employer contributions	1,901	6,298
Contributions by scheme participants	107	122
Benefits paid	(4,939)	(4,351)
Fair value at end of year	<u>167,490</u>	<u>165,339</u>

**Analysis of assets**

The major categories of scheme assets are as follows:

	<b>2018</b>	<b>As restated 2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Cash and cash equivalents	995	1,012
Equity instruments	63,173	60,169
Debt instruments	43,109	42,434
Other assets	60,213	61,724
	<u>167,490</u>	<u>165,339</u>

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

During the year an adjustment relating to the expected return on scheme assets, for the the asset backed pension asset was required, resulting in a restatement of the prior year scheme assets opening balance of £3.924 million and an increase in the prior year interest of £0.860 million and actuarial gains of £0.362 million respectively.

**Birmingham Airport Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2018 (continued)**

**24 Post employment benefits (continued)**

**Return on scheme assets**

	2018 £ 000	As restated 2017 £ 000
Return on scheme assets	5,082	17,899

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 £1.661 million (2017: £1.283 million) for current service cost and £1.648 million (2017: £1.219 million) for interest cost. Included in the service cost is £0.163 million (2016: £0.128 million) relating to salary sacrificed and £0.626 million (2016: £0.597 million) for other group entities.

**25 Called up share capital**

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

	No. 000	2018 £ 000	No. 000	2017 £ 000
Ordinary Shares of £0.001 each	142,112	142	142,112	142

**26 Reserves**

The revaluation reserve was created in March 2016 when land, buildings and infrastructure assets were revalued, details are 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 £1.080 million (2017: £1.165 million).

**27 Dividends**

	2018 £ 000	2017 £ 000
Final dividend of £0.1042 (2017 - £0.0603) per ordinary share	14,808	8,566
Interim dividend of £0.099 (2017 - £0.1004) per ordinary share	14,072	14,274
	28,880	22,840

The directors are proposing a final dividend of £0.11953 (2017: £0.10417) per share totalling £16.987 million (2017: £14.802 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 £6.377 million (2017: £7.796 million).

**Operating leases**

The total of future minimum lease payments is as follows:

	2018 £ 000	2017 £ 000
Not later than one year	73	92
Later than one year and not later than five years	51	58
	124	150

The amount of non-cancellable operating lease payments recognised as an expense during the year was £0.092 million (2017: £0.352 million).

**Birmingham Airport Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2018 (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:

	2018	2017
	£ 000	£ 000
Not later than one year	873	923
Later than one year and not later than five years	3,597	3,616
Later than five years	41,185	42,125
	<u>45,655</u>	<u>46,664</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.

**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 2018, 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 2018 (continued)**

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#### **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 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 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 £0.791 million (2017: £0.766 million). The amount at the end of the year was £4.732 million (2017: £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 (2017: £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 (2017: £2.567million).

##### **Airport Group Investments Limited**

The company has paid Airport Group Investments Limited £0.769 million during the year (2017: £0.937 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.