

Birmingham Airport Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2021



Registration number: 02078273

Birmingham Airport Limited

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Birmingham Airport Limited Company Information

Chairman	T Clarke
Chief Executive	N Barton
Directors	N Barton T Clarke S L C Richards
Company Secretary	F Penhallurick
Registered office	Diamond House Birmingham Airport Birmingham West Midlands B26 3QJ
Solicitors	Eversheds LLP 115 Colmore Row Birmingham West Midlands B3 3AL
Independent Auditors	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors One Chamberlain Square Birmingham West Midlands B3 3AX
Bankers	National Westminster Bank plc 2 St Phillips Place Birmingham West Midlands B3 3RB

Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2021

The Directors present their strategic report for the year ended 31 March 2021.

Principal activity

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

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

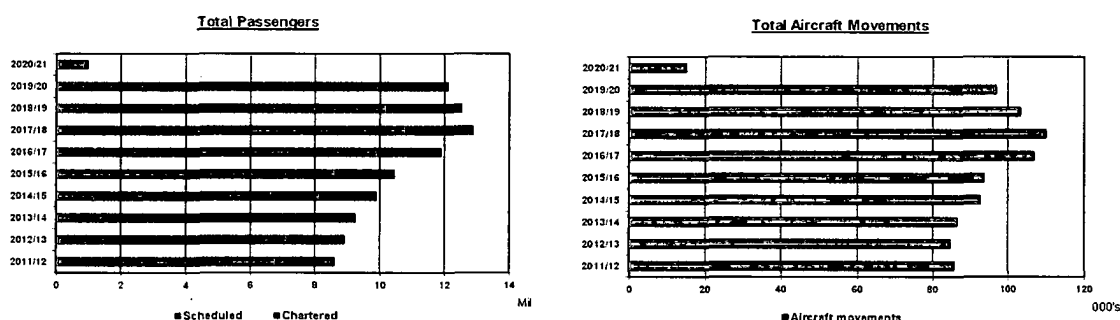
The Airport is a key economic accelerator for the Midlands region, providing the air connectivity vital for international trade, investment and employment, the growth of inbound tourism, and access to outbound leisure destinations. Under normal conditions 7,000 people are directly employed by companies located within the Airport boundary, a further 9,900 people are employed indirectly to supply goods and services to the Airport and the Airport's net economic impact including catalytic effects in the region is estimated as £1.5 billion GVA (Gross Value Added) and 30,900 jobs. In the year ended 31 March 2021 the Airport and other aviation partners have been severely affected by the Covid-19 pandemic but it is expected that a recovery will take place from 2021/22.

Market position and business environment

Review of the business and future outlook

The global aviation market has suffered considerably during 2020/21 as a result of the Covid-19 pandemic. The UK aviation market has seen a year on year decrease of 89.8%. During the year, the Airport processed 980,576 passengers, a decrease of 91.9% on 2019/20 (12,120,236). The fall in passenger numbers was driven by Government restrictions and guidelines which changed throughout the year, as the Covid-19 pandemic expanded and contracted.

Looking back over the last 10 years, prior to the Covid-19 pandemic the Airport had seen growth of 51.1% since 2010/11 and following the demise of Thomas Cook in 2019, growth was expected to return in 2020/21 and continue into future years, driving significant expansion plans to meet the growing passenger demand. The timing of the recovery from the Covid-19 pandemic is still unclear and the aviation market is not expected to fully recover until at least 2023, therefore expansion plans have been halted until passenger demand returns.



Birmingham Airport Limited Strategic Report for the Year Ended 31 March 2021 (continued)

The Covid-19 pandemic and the Government restrictions on international travel have impacted the route dynamics in 2020-21, with the most popular destination this year being Belfast (previously Dublin), followed by Amsterdam, Dubai and then Dublin.

The priority throughout the Covid-19 pandemic has been to ensure that the business is able to maintain liquidity and where possible mitigate outflows of cash, to put the Airport in a strong position to support passenger demand as soon as travel restrictions are lifted.

Throughout the financial year 2020/21 a number of significant actions have been taken by the Directors to reduce the cost base and cash outflow of the Airport. These actions include a staff restructuring programme, delaying capital expenditure, temporarily mothballing large parts of the Airport including all of the South Terminal, halting dividend payments and utilising the support offered by the Government through the Coronavirus Job Retention Scheme and the Airport & Ground Operations Support Scheme. The Airport's intention throughout the Covid-19 pandemic has been to maintain a core level of operations to support those airlines and passengers who were able to continue to fly. The runway and main operating terminal therefore remained open throughout 2020/21.

The Airport played a significant role in providing facilities to support to the region through the pandemic and the post Brexit challenges. It supported the repatriation of both UK and International citizens, provided facilities for an NHS Covid-19 testing centre on one car park and provided facilities for an inland border facility on another car park.

The Government provided additional grant support through the Airport & Ground Operations Support Scheme (AGOSS). The Airport received £6.4m from this scheme in April 2021 and anticipate a further £3.2m in 2021/22 following the extension of the scheme announced in the Budget. The grant income will be recognised in 2021/22.

Looking forward to 2021/22, we are expecting another challenging year with continuing uncertainty created by the impact of the Covid-19 pandemic and the actions taken by UK and overseas governments. However, as a result of the actions taken by management to reduce operating costs, we believe the Airport is in a good position to recover once restrictions on air travel are lifted.

Whilst the duration and impact of the Covid-19 pandemic is still unknown, we remain confident that the Airport will return to the passenger volumes we have seen in previous years, leading to a successful long-term future for the Airport.

Future developments

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

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

Our Master Plan, published in 2019, sets out £500 million of investment over the next 15 years to modernise and extend our facilities so they are fit for the future. The key elements of this investment are to expand and modernise our departure lounge, enlarge our passenger security search area and equip it with the latest x-ray equipment, introduce further self-service bag-drop technology at check-in, increase capacity in our baggage make-up hall and install additional arrivals baggage carousels.

Whilst we are still planning to carry out this investment, the impact of the Covid-19 pandemic on our passenger volumes means that the timing of the investment programme will be revisited once the rate of recovery in passenger volumes becomes clear.

We published our Sustainability Strategy in November 2019 which set out the airport's commitment to become a net zero carbon airport by the year 2033, prioritising zero carbon airport operations and minimising carbon offsets. Recognising that climate change is happening, we saw the need to set an ambitious target ahead of the UK's target, to reduce its carbon footprint further and quicker.

Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2021 (continued)

In addition to climate change mitigation, the strategy focuses on our priorities to reduce its other environmental impacts and make improvements in areas, such as local air quality, waste, supply chain and the circular economy, water and biodiversity.

Whilst the Airport's trading was significantly impacted in 2020-21 by the Covid-19 pandemic, it has continued to focus on its journey planning in becoming a net zero carbon airport by the year 2033.

Financial Performance

Income

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

Aeronautical income declined by 87.9% during 2020/21 including release of prior year provisions, with underlying income falling 91.5%. Income fell by less than passenger volume principally due to the mix of airlines flying and higher than normal cargo traffic as the Airport supported medical and protective equipment supplies during the Covid-19 pandemic and provided an alternative to potential sea and rail port congestion following the UK leaving the EU. The underlying average Aeronautical yield per passenger increasing by 5.3% to £5.30 compared with £5.04 for the previous year.

Commercial income declined by 90.6%, but was 1.3% ahead of the decline in passenger volume. Due to the considerable passenger decline and Government restrictions on shops, bars and restaurants, a large number of outlets were temporarily closed in the year including some car parks.

Property Income and Recharges declined by 65.7% due to reduced charges to Airlines as a result of the reduction in passengers and closure of a number of sites in the year leading to reduced rental income.

The Company received £3.3m Government support through the furloughing of staff under the Coronavirus Job Retention Scheme, this is shown in Other Operating Income.

Following the UK's departure from the EU, there is an opportunity once passenger volumes return with Duty Free prices on alcohol and tobacco now open to all international passengers. However, there is also a risk from the Government's decision to remove tax-free shopping on other goods for all passengers.

Operating costs

Total operating costs before exceptional items decreased by 26.0% to £84.7 million (2020: £114.5 million). Within this, staff costs decreased by 8.8% compared to the previous year due to a restructuring programme which saw 43% of staff leaving part way through the year across the group, along with furloughed staff receiving 80% of salary and other reductions in working hours and pay for the remaining workforce. Non-staff costs decreased by 39.9%, achieved by working collaboratively with third parties to minimise costs driven by lower passengers.

Depreciation remained in line with last year with increases in depreciation from new assets completed, offset by assets reaching end of life.

One of our key performance indicators is Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA), which fell by 142.2% to a loss of £30.7m (2020: £72.7m profit), reflecting the income decline driven by the significant drop in passenger volume as a result of the Covid-19 pandemic, partly offset by actions taken to reduce operating costs.

The company's operating profit, before exceptional items, reduced by 227.3% to a loss of £57.4 million (2020: £45.1 million profit).

The exceptional charge of £3.3 million (2020: £0.1 million) was principally due to staff redundancy costs but also includes the legal costs of agreeing covenant waivers with our lenders. This resulted in an operating loss, post exceptional items, of £60.6 million (2020: £45.0 million profit).

The company's net interest cost increased by £1.9 million to £7.4 million (2020: £5.5 million) as a result of securing financing early to repay the Corporate Bond in February 2021, along with the drawdown of a £25m bank facility to ensure liquidity during the Covid-19 pandemic.

The tax credit for the year was £10.7 million (2020: £9.4 million charge), including a corporation tax credit of £0.4 million (2020: £9.4 million charge) and a deferred tax credit of £10.3 million (2020: £0.01 million credit). This equates to an effective tax rate of 15.8% (2020: 23.5%) which is lower than the ordinary rate of UK corporation tax, reflecting the past ineligibility of industrial buildings for tax allowances.

Birmingham Airport Limited Strategic Report for the Year Ended 31 March 2021 (continued)

During the year, there was no final dividend paid for the year ended 31 March 2020 (2020: £16.5 million) and no interim dividend was paid for the year ended 31 March 2021 (2020: £15.1 million). This resulted in a total dividend of £nil (2020: £31.6 million).

The Directors recommend that no final dividend payment be made in respect of the financial year ended 31 March 2021 due to the uncertainty facing the Airport as a result of the Covid-19 pandemic.

Security

The UK threat level remains at Substantial but was temporarily increased to Severe between November 2020 and February 2021 as a precautionary measure due to attacks in France and Austria.

We work very closely with the Department for Transport, the Civil Aviation Authority, West Midlands Police, Border Force, the Centre for the Protection of National Infrastructure and other agencies to continuously improve our Security Excellence Culture, focussing on personnel, equipment and processes to maintain high security standards and proactively address emerging security threats.

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

The significant reduction in footfall at the Airport due to the Covid-19 pandemic prompted regular reviews of the site security measures with the Airport Police Unit to ensure our site remained safe and secure in the context of the changed threat environment and proportionate to the perceived risk.

The department underwent a significant restructure predominantly to reflect the lower passenger volumes due to the Covid-19 pandemic, however this new structure will form the basis for a team-focussed Security operating model, with a clear focus on Compliance, Customer Service and Performance standards. This model also drives efficiency by enabling a better allocation of staff.

Our IT system security, particularly the security of our customer data, is extremely important to us. We have extensive defences within our IT environment and continuously review and upgrade our infrastructure and systems to the latest security standards. This year we have completed our first CAA Cyber Security Audit which outlines the risks, mitigations and controls around our critical systems. We continue to build on our compliance with the General Data Protection Regulations (GDPR), adding measures to ensure compliance is robust and embedded into the culture of Birmingham Airport.

Health and Safety

Birmingham Airport is committed to providing a safe and secure workplace and operational environment for all who use the Airport. Our Occupational Health and Safety Management System has been developed to meet the ISO 45001 standard and as such was successfully certified in March 2021.

The Health, Safety and Fire team's primary focus has been to work with the wider Airport Community to respond to the Covid-19 pandemic and to ensure a safe and secure environment. In April 2021, the Airport is proud to have been awarded the Airports Council International (ACI) Airport Health Accreditation.

There were 27 staff accidents during the year (2019/20: 117) The accident frequency rate was 1.9 accidents per 100,000 hours worked (2019/20: 7.2). The lost time injury frequency rate for the year was 0.14 lost time accidents per 100,000 hours worked (2019/20: 0.80). The reduction in incidents is primarily due to lower levels of staffing on site due to the Covid-19 pandemic.

To accelerate the development of an even stronger safety culture a 'Just Culture' Policy statement was developed which emphasises that mistakes are generally a product of organisational failures, rather than solely brought about by the persons or persons directly involved.

This policy is therefore to encourage an open environment where people can feel empowered and confident to freely report health and safety concerns.

Greenhouse Gas Emissions, Energy Consumption and Energy Efficiency Action

Information on greenhouse gas emissions, energy consumption and energy efficiency actions for Birmingham Airport Limited is reported by the group and can be found within the Birmingham Airport Holdings accounts.

Statement by the Directors on performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of Birmingham Airport Limited have acted in a way they consider to be most likely to promote the success of the company for the benefit of its members as a whole in the decisions taken during the year ended 31 March 2021.

Birmingham Airport Limited Strategic Report for the Year Ended 31 March 2021 (continued)

(i) the likely consequences of any decision in the long term,

The Airport's Master Plan, published in 2019, sets out our strategy for the Airport over the next 15 years within the context of the Midlands region. This important strategic document guides our internal decision-making and how we work with our many stakeholders to balance sometimes competing priorities and find mutually acceptable ways forward.

A number of key decisions have been made in the year to preserve cash and ensure as far as possible that the Airport emerges in a strong position from the Covid-19 pandemic. These includes deferring capital expenditure, mothballing facilities, reducing employee hours through use of the Coronavirus Job Retention Scheme, as well as a significant restructuring programme to reduce the number of employees in the business. For each of these decisions a proposal was made to the Board of Directors to discuss and agree the best way forward. All proposals follow internal policy, whereby the report is prepared by one of the Directors, the written proposal is distributed to all members in advance and the proposal is concluded with a clear action point for approval.

For each of the above decisions s172 has been considered and all decisions made are to achieve the strongest possible position when the aviation market emerges from the Covid-19 pandemic, considering the long-term interests of the Company's remaining employees, as well as suppliers, customers and all other stakeholders.

(ii) the interests of the company's employees,

Our employees are fundamental to the delivery of our Master Plan and our day-to-day operations. In the year 2020/21 a number of difficult decisions have been made which had a direct impact on our employees. The two key decisions were to furlough staff when the Government supported Coronavirus Job Retention Scheme was introduced and, regrettably, a restructuring program which resulted in a large number of staff leaving the Airport through redundancy.

In deciding to furlough staff a number of options were also considered, including significantly reduced working hours and/or salaries for a large proportion of the workforce, however it was concluded that the Coronavirus Job Retention Scheme was the best way forward for the Airport and for employees. We also consulted with and agreed this position with both employees and the unions who represent many of them.

The headcount reduction was in two phases and each phase involved extensive consultation with the Board and with employees and unions. After considering all its options to reduce its cash outflow, the Airport had no option but to reduce its workforce, but at this stage has set out to retain sufficient skilled resources to recover quickly when passenger volumes return. We were very pleased to be able to agree innovative secondment arrangements with other local employers to retain staff in employment and able to return to work at the Airport when required.

The Health and Safety of our employees is our number one priority, supported by our dedicated Health and Safety team. During the year there has been an increased focus on the mental health and wellbeing of our staff as the Covid-19 pandemic has affected them in many ways. Some staff have been furloughed (or a family member has been furloughed); some staff have been working on site throughout the pandemic with additional duties; others have been working from home with the additional challenges that brings; many staff have been home schooling their children; and sadly, some staff have lost a loved one to Covid-19 or suffered illness themselves.

To support staff the Airport carried out mental health and wellbeing awareness training and recruited and trained Mental Health First Aiders and Ambassadors within the business. As we recover from the Covid-19 pandemic and staff start to return to the workplace, whether from furlough or working from home, the Airport is providing return to work tool kits including safety measures and mental health and wellbeing support.

Our "have your say" annual employee survey did not take place in 2020 due to the pandemic but the response rate in our Autumn 2019 survey was high at 88% and a number of initiatives which came from the survey will be implemented once recovery is underway.

The survey identified that employees wanted a greater understanding of the wider business and decision-making. As a result, Employee Roadshows were launched where Directors would meet with small groups of staff to talk through the latest plans for the Airport and listen to staff feedback about the Business. These were unable to continue in the normal way due to the Covid-19 pandemic, but have been replaced temporarily by fortnightly online CEO broadcasts through which all employees can hear the latest developments directly from the CEO.

Birmingham Airport Limited Strategic Report for the Year Ended 31 March 2021 (continued)

Employee development is also a key factor and whilst we regrettably had to suspend many of the training initiatives planned during the restructuring programme, looking ahead as we recover from the Covid-19 Pandemic, we have launched a number of new initiatives to support our employees' personal development in 2021/22. This includes a new leadership development programme, launched in June 2021, which focusses on soft skills and is delivered by a mix of e-learning and classroom-based training, this is in addition to employees technical training and we continue to train and support our apprentices whilst utilising the Apprenticeship Levy.

(iii) the need to foster the company's business relationships with suppliers, customers and others,

We know that a great customer experience is not only about our facilities but also how our staff operate every day to consistently deliver a great service. During the year, we have implemented extensive measures, in line with Government guidance, to protect the Health and Safety of everyone at the Airport in light of the Covid-19 pandemic, and to ensure that any passengers travelling through the Airport felt safe and comfortable doing so.

Despite the pandemic, we continue to work closely with the business community across the region, including major corporates, the Chambers of Commerce and travel management companies, to understand their plans and make sure we are meeting their demand for additional destinations and frequency of service. Any plans are currently extremely uncertain but we are continually updating our view of the recovery of air travel and revising our aviation strategy.

We have strong relationships with a wide range of airlines from each of the three leading airline alliances (Star Alliance, Oneworld & SkyTeam) serving domestic, short-haul and long-haul markets. In normal times we provide a diverse and balanced choice of scheduled, low cost and charter flights. Our aviation development team are ambassadors for the region, constantly engaged with existing airline partners and with potential new carriers to Birmingham, raising their awareness of the Midlands and focussing their attention on the opportunities to fulfil route demand from our region. Dialogue with our airline partners is almost continuous at present as we work together to plan flexibly for the easing of restrictions and recovery in passenger volumes.

We consider our supply chain as critical to enabling the Airport to achieve its objectives. The Procurement Strategy seeks to segment our supply chain by criticality and level of expenditure so that procurement activities can be focused on delivering best practice supply chain solutions which represent value for money, are innovative and have an emphasis on sustainability and health and safety and deliver outcomes which meet our requirements. Through the delivery of effective procurement, there is also a commitment to engaging with local small and medium enterprises with a recognition of the need to be socially responsible. We are particularly grateful to all our suppliers for their flexibility during the pandemic, which has necessitated them taking significant actions within their own businesses by furloughing staff and taking other cost-cutting measures.

(iv) the impact of the company's operations on the community and the environment,

We take our community responsibilities seriously and work closely with local residents, who are represented on our Airport Consultative Committee, on a wide range of projects and initiatives. The Airport makes annual contributions to a Community Trust Fund, and its independent trustees allocate the funds to worthwhile causes in the areas surrounding the Airport and this work has continued throughout the pandemic. We also have a partnership with Solihull Council on the Youth Promise Plus Programme and operate a Learning Hub in partnership with the Schools of King Edward VI, supporting young people in gaining valuable experience of the aviation industry.

We also take our environmental responsibilities very seriously across all areas such as noise, carbon reduction, water and waste. Our objectives in these areas are set out in our Sustainability Strategy which was published in 2019.

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

Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2021 (continued)

Another key part of our Sustainability Strategy is our commitment to becoming a net zero carbon Airport by 2033, prioritising zero carbon Airport operations and minimising carbon offsets. The mothballing of some of our facilities during the pandemic has led to significant reductions in carbon emissions in 2020/21. Whilst all these reductions will not be retained once all facilities re-open, we expect a number of the steps we have taken to reduce power consumption to continue in future.

Our strategy is to make the best use of our existing runway, in line with the Department for Transport's policy. The significant amount of investment planned for the Airport focuses on ensuring that we maximise the potential of the existing site and runway.

(v) the desirability of the company maintaining a reputation for high standards of business conduct, and

The Airport is a public-private partnership that has a high profile and generates significant public interest, particularly in the Midlands region. This makes it particularly important that the standards of business conduct are maintained at a high standard. This is achieved through a suite of company policies which are regularly reviewed and subject to internal audit reporting to the Audit Committee.

(vi) the need to act fairly as between members of the company.

The relationship between the company and its members is primarily guided by a Shareholder Agreement and the trust deeds which govern the employee share scheme. The limited number of members also enables each to be represented on the Board of Directors.

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.

Assessment of principal risks

Interest rate risk

The company's policy is to maintain an appropriate mix of credit facilities within Board approved parameters. The interest costs are fixed for the long-term borrowings with the only variable being on the revolving credit facility which was fully drawn down in March 2020, this was part of the contingency planning as a result of the Covid-19 pandemic. 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. Throughout the year, cash is invested in the money market which, whilst exposing the company to interest rate risk, does maximise returns, whilst maintaining 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 cash or committed facilities to meet anticipated funding requirements, whilst ensuring that the company is not exposed to excessive refinancing in any one year. In addition to the £72.5 million cash balance, shareholders have put in place a £65.0 million loan facility and these 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 frequent 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. This year the low trading revenues has also led to correspondingly low trade debtors.

Birmingham Airport Limited

Strategic Report for the Year Ended 31 March 2021 (continued)

Cost 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. Due to the impact of the Covid-19 pandemic, agreement has been reached with unions and employees that a pay review will be carried out after the summer season where it is hoped there will be sufficient confidence in the recovery and the company's financial position to consider a pay increase. Other cost exposures relate to general market inflation and building costs during periods of expansion, the programme for which has been significantly reduced.

Competition risk

The key competitive risks are passengers and/or airline operators switching to other airports. These risks are mitigated by maintaining strong relationships with our airline customers and through continuous improvements targets to improve the customer experience.

Covenant risk

The group, of which the company is a part of, has financial covenants relating to gearing and interest cover which are required by the private placement senior loan note holders and the bank Revolving Credit Facility.

As a result of the prolonged traffic disruption it became clear these covenant tests would not be passed in 2020/21, therefore an agreement was reached with lenders to waive the covenants at the 30 September 2020 and 31 March 2021 testing dates. As the impact of the pandemic has continued a further waiver of these covenant tests has been agreed for the 30 September 2021, 31 March 2022 and 30 September 2022 test dates. The next covenant test date is 31 December 2022.

An alternative liquidity covenant test has been introduced which compares cash and undrawn facilities against six months' projected costs on a monthly basis.

Brexit risk

The UK successfully negotiated a new trade deal with the EU which came into effect on 1 January 2021, therefore the risks associated with Brexit have reduced and any potential impact on the Airport has been overshadowed by the severe disruption caused by Covid-19.

Travel restrictions

Whilst there has been some easing of the travel restrictions from 17 May 2021, there remains a significant risk that either further easing is delayed or travel restrictions are reinstated, should there be any flare-ups of the disease in the UK or destination countries.

In addition, the current restrictions imposed on passengers have created additional documentation and therefore increased processing time on arrivals, which could create delays or additional staffing requirements when more destinations are permitted.

Passenger demand

The rate at which demand for air travel returns remains uncertain, however the Airport is confident that the demand will return and that the long-term prospects remain positive. We are continually reviewing and updating passenger projections for the near-term, to ensure we are well prepared for the recovery when it takes hold. Following the actions taken by the Airport in 2020/21, it is in a strong position to recover when restrictions on air travel are lifted.

We would like to take this opportunity to thank all colleagues who have worked so hard for the Airport over the past year. It has been challenging for everyone, both at work and at home, and their dedication to helping the Airport through the Covid-19 pandemic and preparing for the recovery has been exemplary and very much appreciated.

Approved and authorised by the Board on 7 July 2021 and signed on its behalf by:



F Penhallurick
Company secretary

Birmingham Airport Limited Directors' Report for the Year Ended 31 March 2021

The Directors present their report and the audited financial statements of the company for the year ended 31 March 2021.

Future developments, dividends and financial risk management

The Strategic Report on pages 2 to 9 include details of the Company's financial performance, dividends, future developments, statement of engagement with suppliers, customers and others in a business relationship which is covered by s.172, stakeholder engagement, financial risk management objectives and policies, and its greenhouse gas emissions, energy consumption and energy efficiency action.

Directors of the company

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

N Barton - Chief Executive

T Clarke - Chairman

S L C Richards

Company Secretary

F Penhallurick

Directors liabilities

The Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained Directors' and Officers' liability insurance in respect of itself and its Directors throughout the financial year.

Going concern

The group of companies to which the company belongs has external debt facilities in the form of £371 million of private placement loan notes and a bank loan of £25 million, for which the company has cross guarantees.

The Directors have reviewed the prospects for the group and company to March 2023 (twenty-four months from the balance sheet date) in the context of the ongoing Covid-19 pandemic. At the balance sheet date the group had strong liquidity, with a cash balance of £73.212 million, and this was bolstered on 1 April by receipt of the £6.3 million AGOSS grant from Government (note 35). Actions taken since the start of the pandemic to reduce expenditure have led to average cash outflows in the second half of 2020/21 (excluding the now matured corporate bond) averaging £5.5 million per month. Therefore, on a simple basis the group has sufficient cash to operate for 13 months. To further support the group, a £65 million shareholder loan facility has been put in place. Together with the cash balance, the group therefore has liquidity sufficient for almost two years from the date of signing these financial statements.

The Directors have also considered the continuing uncertainties facing the group over the next two years and carried out financial modelling of a range of trading scenarios along with the actions which could be taken in response. In assessing the going concern position, the Directors have considered:

- the potential impact of Covid-19 on the group's cash flow and liquidity over the next 24 months, and
- the associated impact on the covenants in the group's financing arrangements.

Due to the uncertainty over the timing of when UK and international travel restrictions will be lifted, along with the uncertainty over airlines' capacity plans and passenger demand, in addition to a Base Case scenario of 4.4 million passengers in 2021/22 and 9.9 million passengers in 2022/23, a severe but plausible Low Case has been created against which to assess liquidity and covenants. This assumes continued low activity of 1.0 million passengers in 2021/22, with correspondingly low revenues, followed by a delayed recovery to 6.0 million passengers in 2022/23 and 9.9 million passengers in 2023/24.

Birmingham Airport Limited

Directors' Report for the Year Ended 31 March 2021 (continued)

Going concern (continued)

The group has significantly reduced cash outflows in both operating and capital expenditure throughout 2020/21 as the impact of the pandemic continued. The Government's Coronavirus Job Retention Scheme has been utilised to fund the cost of up to two-thirds of employees who have been furloughed. Regrettably, the duration of the pandemic has led to 43% of employees leaving the group during the year. The majority of these were made redundant but some security staff have been seconded to other organisations and are expected to return to the Airport once passenger volumes recover.

The group has no debt maturities until £30 million of private placement loan notes mature in December 2023.

Waivers on covenant compliance were granted by lenders in May 2020 to avoid events of default arising from the potential failures against the leverage and interest cover tests at September 2020 and March 2021. A new testing date was introduced for June 2021 together with a six month forward liquidity covenant, tested monthly. Due to the continuing pandemic a further extension of the waivers until December 2022 was sought and granted by lenders in May 2021.

It is the December 2022 covenant test which therefore represents the key uncertainty in the going concern assessment because compliance relies on the timing and pace of recovery in the sector. The group forecasts to pass this covenant test under the base case scenario with 9.9 million passengers in 2022/23. The group forecasts to retain a satisfactory cash balance but the Low Case scenario shows it will not comply with EBITDA-based covenant ratios unless passenger volumes and revenues recover quickly enough. If the pace of recovery is not quick enough then a combination of a further waiver and shareholder support or alternative funding will be required to avoid a covenant breach, which is not certain.

The Directors have kept shareholders fully informed regarding the projected finances of the group and the risks around the lending covenants. Shareholders are fully supportive of actions taken to date and are ready to engage in further discussion should further support be required in due course.

After due consideration of the matters set out above, the Directors are satisfied that it remains appropriate to prepare the financial statements on a going concern basis. However, the uncertain course of the Coronavirus pandemic and its impact on the ability of the group to meet its covenant tests, and to take corrective measures should it not be able to do so, continue to cast some doubt in the medium-term on the group and company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. These financial statements do not contain any adjustment that would arise if the financial statements were not drawn up on a going concern basis.

Political donations

There were no political donations during the year.

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 are committed to being a Disability Confident employer. 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, where possible, 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 to 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 company is encouraged to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company.

Birmingham Airport Limited
Directors' Report for the Year Ended 31 March 2021 (continued)

Reappointment of auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved and authorised by the Board on 7 July 2021 and signed on its behalf by:



F Penhallurick
Company secretary

Birmingham Airport Limited

Statement of Directors' Responsibilities in respect of the financial statements

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are 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.

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.

Directors' confirmations

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

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

Approved and authorised by the Board on 7 July 2021 and signed on its behalf by:



F Penhallurick
Company secretary

Birmingham Airport Limited

Independent auditors' report to the members of Birmingham Airport Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared 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); 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 2021; the Income Statement; the Statement of Comprehensive Income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Reporting on other information

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

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

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2021 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 in respect of the financial statements, 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.

Birmingham Airport Limited

Independent auditors' report to the members of Birmingham Airport Limited

(continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Civil Aviation Authority (CAA) regulations, employment law including the Coronavirus Job Retention Scheme (CJRS) requirements, health and safety laws, pensions legislation and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of fraudulent journals and manipulating the Group's key performance indicators to meet externally communicated targets. Audit procedures performed by the engagement team included:

- Inquiring of management and those charged with governance, as to whether the entity is in compliance with such laws and regulations, including consideration of actual or potential litigation and claims;
- Inspecting correspondence with the relevant authorities and obtaining direct confirmations from third party advisors;
- Review of evidence including the involvement of pension experts to review financial assumptions and fair values of assets;
- Identifying and testing journal entries focussing on entries with unusual account combinations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing minutes of meetings of those charged with governance, reviews of legal expenses and discussion with legal counsel;
- Review of estimates for evidence of bias; and
- Incorporating elements of unpredictability within audit procedures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.



.....
Paul Norbury (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
Birmingham
7 July 2021

Birmingham Airport Limited
Income Statement for the Year Ended 31 March 2021

	Note	2021 £ 000	2020 £ 000
Turnover	4	24,078	159,585
Other operating income	7	3,263	-
Employee expense	9	(15,666)	(17,178)
Depreciation and amortisation expense	6	(26,533)	(26,568)
Other operating charges		(42,525)	(70,748)
Exceptional administrative expenses	5	(3,252)	(105)
Operating (loss)/profit		(60,635)	44,986
Income from shares in group undertakings		132	335
Other interest receivable and similar income	11	4,641	2,337
Interest payable and similar charges	12	(12,007)	(7,796)
		(7,234)	(5,124)
(Loss)/profit before tax		(67,869)	39,862
Taxation	13	10,693	(9,382)
(Loss)/profit for the year		(57,176)	30,480

The above results were derived from continuing operations.

The Income Statement has been re-presented in the current year to show expenses by nature.

Birmingham Airport Limited
Statement of Comprehensive Income for the Year Ended 31 March 2021

	2021 £ 000	2020 £ 000
(Loss)/profit for the financial year	(57,176)	30,480
Deficit on property, plant and equipment revaluation	-	(2,162)
Deferred tax on tangible assets revaluation	-	411
Deferred tax change in rate on tangible asset revaluations	-	(2,857)
Remeasurement (loss)/(gain) of net defined benefit pension liability	(14,921)	9,051
Deferred tax effect on actuarial (loss)/gain recognised on net defined benefit pension scheme	2,835	(1,266)
Other comprehensive (expense)/income for the year	(12,086)	3,177
Total comprehensive (expense)/income for the year	(69,262)	33,657

Birmingham Airport Limited
(Registration number: 02078273)
Statement of Financial Position as at 31 March 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Tangible assets	14	462,007	473,989
Investment property	15	4,120	4,275
Investments	16	15,494	15,494
		<u>481,621</u>	<u>493,758</u>
Current assets			
Inventories	17	610	514
Debtors: amounts falling due within one year	18	156,205	70,095
Debtors: amounts falling due after more than one year	18	4,158	4,845
Cash at bank and in hand		72,491	211,407
		<u>233,464</u>	<u>286,861</u>
Creditors: Amounts falling due within one year	19	<u>(460,437)</u>	<u>(452,695)</u>
Net current liabilities		(226,973)	(165,834)
Total assets less current liabilities		254,648	327,924
Creditors: Amounts falling due after more than one year	19	(33,253)	(34,938)
Provisions for liabilities	22	(15,704)	(28,834)
Post-employment benefits	23	<u>(30,891)</u>	<u>(20,090)</u>
Net assets		174,800	244,062
Capital and reserves			
Called up share capital	24	142	142
Revaluation reserve	25	40,410	41,341
Retained earnings		<u>134,248</u>	<u>202,579</u>
Total equity		174,800	244,062

The financial statements on pages 18 to 44 were approved and authorised by the Board on 7 July 2021 and signed on its behalf by:



N Barton
Chief Executive



T Clarke
Chairman

Birmingham Airport Limited
Statement of Changes in Equity for the Year Ended 31 March 2021

	Note	Called up share capital £ 000	Revaluation reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 April 2019		142	45,228	196,652	242,022
Profit for the financial year		-	-	30,480	30,480
Other comprehensive income for the year		-	(2,841)	6,018	3,177
Total comprehensive income for the year		-	(2,841)	36,498	33,657
Dividends	26	-	-	(31,617)	(31,617)
Transfer of realised profits	25	-	(1,046)	1,046	-
At 31 March 2020		142	41,341	202,579	244,062
At 1 April 2020		142	41,341	202,579	244,062
Loss for the financial year		-	-	(57,176)	(57,176)
Other comprehensive expense for the year		-	-	(12,086)	(12,086)
Total comprehensive expense for the year		-	-	(69,262)	(69,262)
Transfer of realised profits	25	-	(931)	931	-
At 31 March 2021		142	40,410	134,248	174,800

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2021

1 General information

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

The address of its registered office is:

Diamond House
Birmingham Airport
Birmingham
West Midlands
B26 3QJ

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.

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.

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', taking into account updates of the 2018 triennial review and the Companies Act 2006.

Basis of preparation

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

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3 within the critical accounting judgements and estimation uncertainty section.

Summary of disclosure exemptions

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

- the requirement to prepare a statement of cash flows (FRS 102 para 1.12(b));
- the requirement to disclose transactions with group members (FRS 102 para 33.1A);
- the non-disclosure of key management personnel compensation in total (FRS 102 para 33.7); and
- the requirement to complete a reconciliation of the number of shares outstanding at the beginning and end of the period (FRS 102 para 4.12(a)(iv)).

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

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (*continued*)

2 Accounting policies (continued)

Going concern

The group of companies to which the company belongs has external debt facilities in the form of £371 million of private placement loan notes and a bank loan of £25 million, for which the company has cross guarantees.

The Directors have reviewed the prospects for the group and company to March 2023 (twenty-four months from the balance sheet date) in the context of the ongoing Covid-19 pandemic, as outlined in the Directors Report on page 2. At the balance sheet date the group had strong liquidity, with a cash balance of £73.212 million, and this was bolstered on 1 April by receipt of the £6.3 million AGOSS grant from Government (note 31). Actions taken since the start of the pandemic to reduce expenditure have led to average cash outflows in the second half of 2020/21 (excluding the now matured corporate bond) averaging £5.5 million per month. Therefore, on a simple basis the group has sufficient cash to operate for 13 months. To further support the group, a £65 million shareholder loan facility has been put in place. Together with the cash balance, the group therefore has liquidity sufficient for almost two years from the date of signing these 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.

Revenue recognition

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

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

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

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

Government grants

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

Other grants

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

Exceptional administrative expenses

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional administrative expenses'. These are disclosed separately in note 5 to provide further understanding of the financial performance of the company.

Tax

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

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

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. The Directors have revalued certain operational assets where their fair value is based on income at 31 March 2020. An independent valuation was undertaken at 31 March 2019.

Tangible assets are revalued with sufficient regularity so as to ensure there are no significant differences between carrying and fair value. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and the revaluation reserve. However, the increase shall be recognised in the income statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement. The decrease of an asset's carrying amount as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in the revaluation reserve, in respect of that asset. If a revaluation decrease exceeds the accumulated revaluation gains accumulated in the revaluation reserve in respect of that asset, the excess shall be recognised in the income statement.

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

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

Depreciation

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

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

Investment property

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

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Investments

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

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 debtors

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.

Financial instruments

The company's financial instruments are all categorised as basic financial instruments under section 11 of FRS 102. The company has chosen not to measure the basic financial instruments at fair value through the Income Statement.

Provisions

Provisions are recognised when the Company has a legal or constructive obligation at the reporting date as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Details of provisions are disclosed in note 22.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

2 Accounting policies (continued)

Leases

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

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

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

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

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

Share capital

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

Dividends

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

Employee benefits

Share incentive plan

The Birmingham Airport Holdings Limited Group has a Share Incentive Plan (SIP) which is available to all permanent employees of the group companies. The All Employees Share Ownership Plan (AESOP) was set up to enable employees to have a greater involvement in the company and share in its future success and has been approved by HM Revenue and Customs. Most years 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 2021 (continued)

2 Accounting policies (continued)

Defined benefit pension obligation

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

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of the plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in sterling, and that have terms to maturity approximation to the terms of the related pension liability. The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

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

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

3 Critical accounting judgements and estimations of uncertainty

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

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

i) Provisions

Provision is made for site development related liabilities relating to land compensation act 1973 payments and other matters as they arise. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. Details of provisions are disclosed in note 22.

(ii) Defined benefit pension scheme

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

(iii) Tangible assets

The Company's tangible fixed assets are carried at either their fair value at date of valuation or cost, less any accumulated depreciation. Management estimates the useful economic life of assets based on historical experience and professional guidance from suppliers and subject matter experts. Asset impairments are based on estimates of current and future development plans. Details of the tangible assets are disclosed in note 14.

(iv) Impairment of trade debtors

A provision for the impairment of trade debtors is established when there is objective evidence that the group or company will not be able to collect all amounts due according to the original terms of the receivables. The provision is based on historical loss experience on a probability weighted basis to quantify.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

3 Critical accounting judgements and estimations of uncertainty (continued)

(v) Customer rebates

The Company has accruals for expected rebates with customers. Such estimates are based on analyses of existing contractual obligations, historical trends and the Group experience. After assessment by management, the total accruals for these items are adequate, based upon currently available information and contractual positions. As these deductions are based on management estimates, the actual rebate costs might differ from these estimates.

(vi) Going concern

The Directors have also considered the continuing uncertainties facing the group over the next two years and carried out financial modelling of a range of trading scenarios along with the actions which could be taken in response, as outlined in the Directors' report on page 10. In assessing the going concern position, the Directors have considered:

- the potential impact of Covid-19 on the group's cash flow and liquidity over the next 24 months, and
- the associated impact on the covenants in the group's financing arrangements.

Due to the uncertainty over when UK and international travel restrictions will be lifted, along with the uncertainty over airlines capacity plans and passenger demand, in addition to a base case scenario of 4.4 million passengers in 2021/22 and 9.9 million passengers in 2022/23, a severe but plausible downside scenario has been created to assess liquidity and covenants. This assumes continued low activity of 1.0 million passengers in 2021/22, with correspondingly low revenues, followed by a delayed recovery to 6.0 million passengers in 2022/23 and 9.9 million passengers in 2023/24.

4 Turnover

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

	2021 £ 000	2020 £ 000
Aeronautical income	7,640	63,179
Concession income	6,294	66,843
Property income and recharges	10,144	29,563
	<u>24,078</u>	<u>159,585</u>

All turnover is generated in the United Kingdom.

5 Exceptional administrative expenses

	2021 £ 000	2020 £ 000
Restructuring	2,996	105
Covenant waiver legal cost	234	-
Other exceptional costs	<u>22</u>	<u>-</u>
	<u>3,252</u>	<u>105</u>

During the year £2.996 million (2020: £0.105 million) restructuring costs, including £0.065 million legal fees, were incurred for employees leaving the business as a result of redundancy programmes. During the year covenant waiver legal costs of £0.234 million (2020: £nil) and other exceptional costs, associated with HS2 people mover safeguarding of £0.022 million (2020: £nil) were incurred. Included within taxation on (loss)/profit is tax on exceptional items at the current UK tax rate of 19% (2020: 19%) amounting to £0.618 million (2020: £0.020 million).

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

6 Operating (loss)/profit

Arrived at after charging/(crediting):

	2021 £ 000	2020 £ 000
Depreciation expense (note 14)	26,769	26,796
Capital grant release	(9)	(10)
Government capital grant release (note 7)	(227)	(218)
Government furlough grant release (note 7)	(3,263)	-
Decrease in fair value of investment property (note 15)	155	1,045
Operating lease expense - property	688	687
Operating lease expense - plant and machinery	54	70
Profit on disposal of tangible assets	(84)	(25)
(Reversal of impairment)/Impairment of trade receivables	(278)	672

7 Government grants

Government grant income has been received in the year in relation to the Coronavirus Job Retention Scheme (CJRS) of £3.263 million (2020: £nil) and is recognised as other operating income on a systematic basis over the period in which the company recognises the related costs for which the grant is intended to compensate. During the prior year the group received a grant of £1.375 million from the Department of Transport for the deployment and operation of ultra-low emission buses, including any supporting infrastructure and also received the final instalment of £1.353 million grant from the European Commission Innovation and Networks Executive Agency for collaborative decision making. The grants are being amortised to the Income Statement over the life of the assets.

	2021 £ 000	2020 £ 000
Opening balance at 1 April	2,509	583
Utilised	(3,490)	(219)
Additions	3,263	2,145
Closing balance at 31 March	2,282	2,509

8 Auditors' remuneration

	2021 £ 000	2020 £ 000
Audit fee payable to the company's auditors	117	65
Other fees to auditors		
Audit-related assurance services	6	-

Other fees includes audit of costs for service charges and passengers with reduced mobility.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

9 Staff costs

The aggregate payroll costs were as follows:

	2021	2020
	£ 000	£ 000
Wages and salaries	16,373	15,050
Social security costs	1,496	1,572
Other pension costs, defined contribution scheme (note 23)	689	796
Other pension costs, defined benefit scheme (note 23)	552	902
	<u>19,110</u>	<u>18,320</u>

The aggregate payroll costs include exceptional items of £2.931 million (2020: £0.105 million) and employee costs capitalised of £0.513 million (2020: £1.037 million).

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

	2021	2020
	No.	No.
Administration and support	187	187
Security, Terminal and Operations	156	195
Engineering	36	52
	<u>379</u>	<u>434</u>

10 Directors' emoluments

The directors' emoluments for the year were as follows:

	2021	2020
	£ 000	£ 000
Emoluments	<u>98</u>	<u>103</u>

No directors are part of a share options scheme or accrued post-employment benefits under defined benefits plan or as a member of defined contribution pension scheme (2020: £nil).

Two directors are remunerated by the ultimate parent company (2020: two), Birmingham Airport Holdings Limited, and the costs are not recharged. Please see disclosure of the aggregated key management personnel where these costs are disclosed.

11 Other interest receivable and similar income

	2021	2020
	£ 000	£ 000
Interest income from group companies	4,248	1,318
Interest income on bank deposits	252	1,019
Pension scheme net finance income (note 23)	141	-
	<u>4,641</u>	<u>2,337</u>

12 Interest payable and similar expenses

	2021	2020
	£ 000	£ 000
Interest on obligations under finance leases and hire purchase contracts	859	837
Intercompany interest payable	10,219	5,964
Other interest payable	1,516	1,574
Pension scheme net finance cost (note 23)	-	185
Less: Capitalised interest	(587)	(764)
	<u>12,007</u>	<u>7,796</u>

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

13 Tax on (loss)/profit

(a) Tax (credited)/charged in the income statement

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax	(512)	9,446
Adjustment in respect of prior years	96	(76)
	<u>(416)</u>	<u>9,370</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(10,302)	(108)
Arising from changes in tax rates and laws	-	328
Adjustment in respect of prior years	25	(208)
	<u>(10,277)</u>	<u>12</u>
Tax on (loss)/profit	<u>(10,693)</u>	<u>9,382</u>

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

	2021 £ 000	2020 £ 000
Arising from origination and reversal of timing difference	(2,835)	1,309
Arising from changes in tax rates and laws	-	2,403
	<u>(2,835)</u>	<u>3,712</u>

(c) Reconciliation of tax (credit)/charge

The tax on (loss)/profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020: higher than the standard rate of corporation tax in the UK) of 19% (2020: 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
(Loss)/profit before tax	<u>(67,869)</u>	<u>39,862</u>
Corporation tax at standard rate	(12,895)	7,574
Effect of expense not deductible in determining taxable profit	2,106	2,255
Effect of income exempt from taxation	(25)	(491)
Deferred tax credit relating to changes in tax rates or laws	-	328
Adjustment in respect of prior years	121	(284)
Total tax (credit)/charge	<u>(10,693)</u>	<u>9,382</u>

(d) Tax rate changes

Deferred tax balances are measured at a Corporation Tax rate of 19%, being the prevailing rate of tax at the balance sheet date. In the March 2021 UK Budget it was announced that legislation will be introduced in the Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 01 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 March 2021 continue to be measured at a rate of 19%. If the amended tax rate had been used, the net deferred tax liability would have been higher by £4.491 million.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

14 Tangible assets

	Land and buildings £ 000	Leasehold land and buildings £ 000	Infrastructure £ 000	Plant and machinery £ 000	Assets in the course of construction £ 000	Total £ 000
Cost or valuation						
At 1 April 2020	288,523	200	110,685	184,992	56,493	640,893
Additions	-	-	-	-	14,279	14,279
Capitalised interest	-	-	-	-	587	587
Disposals	-	-	-	(815)	-	(815)
Transfers	1,252	-	6,260	10,946	(18,458)	-
At 31 March 2021	289,775	200	116,945	195,123	52,901	654,944
Accumulated depreciation						
At 1 April 2020	13,609	-	10,213	143,082	-	166,904
Charge for the year	10,461	-	7,310	8,998	-	26,769
Eliminated on disposal	-	-	-	(736)	-	(736)
At 31 March 2021	24,070	-	17,523	151,344	-	192,937
Carrying amount						
At 31 March 2021	265,705	200	99,422	43,779	52,901	462,007
At 31 March 2020	274,914	200	100,472	41,910	56,493	473,989

Included within the net book value of land and buildings above is £265.705 million (2020: £274.914 million) in respect of freehold land and buildings and £0.200 million (2020: £0.200 million) in respect of long leasehold land and buildings. Included in land and buildings is land at a value of £92.076 million (2020: £92.076 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 29. The company entered into a finance lease arrangement in 2015 to acquire infrastructure and plant and machinery assets for the runway extension and paid a lease premium of £30.315 million.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

14 Tangible assets (continued)

Revaluation

Following advice from Knight Frank LLP, the Directors have determined that the net book value of tangible assets is appropriate. In the prior year certain operational assets whose fair value is based on income were revalued, due to changes in market value at 31 March 2020, this revaluation resulted in a revaluation reduction of £2.162 million which was taken to the revaluation reserve (net of £0.411 million deferred tax). The company's operational property assets were revalued on 31 March 2019 by an independent valuer, Knight Frank LLP, in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors and with FRS 102. Due to the specialist nature of the airport's property assets, the fair value is based on income and the depreciated replacement cost methodology for land, buildings and infrastructure assets. These revaluations were incorporated into the financial statements and the resulting revaluation surplus of £19.467 million, net of deferred tax, was taken to the revaluation reserve.

Historical cost

On a historical cost basis the gross cost of land and buildings assets would have been included as £315.880 million (2020: £314.629 million) and the net book value would have been £156.250 million (2020: £161.992 million). The gross cost of infrastructure assets would have been £203.325 million (2020: £197.064 million) and the net book value would have been £85.437 million (2020: £83.661 million).

Capitalised interest

Within Capitalised Interest are capitalised borrowing costs of £0.587 million (2020: £0.764million). The capitalisation rate used to determine the amount of finance costs capitalised during the year was 3.64% (2020: 6.5%).

15 Investment property

	£ 000
At 1 April 2020	4,275
Fair value adjustments	(155)
At 31 March 2021	4,120

Investment properties held by Birmingham Airport Limited have been revalued at 31 March 2021, by Knight Frank LLP, undertaken in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors and with FRS 102. The valuation identified a reduction of £0.155 million (2020: £1.045 million reduction) which has been recognised in the income statement.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

16 Investments

	2021	2020
	£ 000	£ 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 2021	2020
Subsidiary undertakings				
First Castle Developments Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Developments Limited	England	Ordinary Shares	100%	100%
BHX Fire & Rescue Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Air Traffic Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Services Limited	England	Ordinary Shares	100%	100%
BHX (Scotland) Limited	Scotland	Ordinary Shares	100%	100%
BHX Limited Partnership	Scotland	Capital Contribution	100%	100%
Associates				
Euro-hub (Birmingham) Limited	England	Ordinary Shares	25%	25%
Euro-hub (Birmingham) Limited	England	Preference Shares	30%	30%

The registered address of these investments are the same as the parent company with the exception of BHX (Scotland) Limited and BHX Limited Partnership 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 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 BHX (Scotland) Limited is Management Company.

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

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

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

17 Inventories

	2021	2020
	£ 000	£ 000
Raw materials and consumables	610	514

There is no provision for impairment of stock in the year (2020: £nil).

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

18 Debtors

	2021	2020
	£ 000	£ 000
Trade debtors	2,953	13,055
Amounts owed by group undertakings	142,706	43,162
Other debtors	1,344	192
Corporation tax	2,235	-
Other taxation	611	-
Prepayments and accrued income	6,356	13,686
Debtors: amounts falling due after more than one year	4,158	4,845
	<u>160,363</u>	<u>74,940</u>

Trade debtors are stated after provisions for impairment of £1.714 million (2020: £2.083 million).

Debtors falling due after more than one year relate to the prepaid Control Tower lease premium £4.158 million (2020: £4.845 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 group's blended third party interest payable plus 0.5 per cent. An intercompany loan has been re-presented in the current year to disclose the net intercompany position, compared to gross in the prior year.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

19 Creditors

	2021 £ 000	2020 £ 000
Amounts falling due within one year		
Trade creditors	6,915	2,805
Amounts owed to group undertakings	419,263	386,675
Loans and borrowings	1,424	1,247
Other taxation and social security	407	687
Corporation tax	-	537
Accruals and deferred income	32,428	60,744
	<u>460,437</u>	<u>452,695</u>
Amounts falling due after more than one year		
Loans and borrowings	30,632	32,056
Accruals and deferred income	2,621	2,882
	<u>33,253</u>	<u>34,938</u>

The amounts owed to group undertakings are unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. The interest payable is based on a rate composed of the current interest rate payable on the group's blended third party interest payable plus 0.5 per cent. An intercompany loan has been re-presented in the current year to disclose the net intercompany position, compared to gross in the prior year. Details of loans and borrowings are included at note 20 and payment obligations are included at note 21.

20 Loans and borrowings

	2021 £ 000	2020 £ 000
Current loans and borrowings		
Finance lease liabilities	1,424	1,247
	<u>1,424</u>	<u>1,247</u>
Non-current loans and borrowings		
Finance lease liabilities	25,900	27,324
Net premium arising on lease and leaseback	4,732	4,732
	<u>30,632</u>	<u>32,056</u>

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

21 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2021	2020
	£ 000	£ 000
Not later than one year	3,745	3,622
Later than one year and not later than five years	16,179	15,639
Later than five years	130,123	132,811
Total gross payments	150,047	152,072
Less: finance charges	(117,991)	(118,769)
Carrying amount of liability	32,056	33,303

Within the above one lease is repayable after more than five years and includes contingent rent clauses, see note 29 for further information. The other lease is repayable in instalments over the life of the lease and is fully repayable after more than five years.

22 Provisions for liabilities

	Deferred tax	Other	Total
	£ 000	provisions	£ 000
At 1 April 2020	27,144	1,690	28,834
Increase in existing provisions	(10,277)	2	(10,275)
Additions through statement of comprehensive income	(2,835)	-	(2,835)
Provisions used	-	(20)	(20)
At 31 March 2021	14,032	1,672	15,704

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 £1.687 million provision has been provided 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 £0.200 million (2020: £0.200 million) and will be charged in the year to which it relates.

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

22 Provisions for liabilities (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000
2021		
Capital allowances in excess of depreciation	-	(7,577)
Other timing differences	595	-
Revaluation of land, buildings and infrastructure	-	(23,531)
Revaluation of investment property	-	(649)
Post-employment benefits	5,869	-
Tax Losses	9,723	-
Non trading timing differences	1,538	-
	<u>17,725</u>	<u>(31,757)</u>
2020		
Capital allowances in excess of depreciation	-	(6,411)
Other timing differences	839	-
Revaluation of land, buildings and infrastructure	-	(24,710)
Revaluation of investment property	-	(679)
Post-employment benefits	3,817	-
Tax Losses	-	-
Non trading timing differences	-	-
	<u>4,656</u>	<u>(31,800)</u>

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

23 Post employment benefits

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £0.689 million (2020: £0.796 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 2018 using the projected unit method. Members pay 5.5 per cent of pensionable earnings, and the group pays contributions so that overall contributions of 23.7 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:

	2021	2020
	%	%
Discount rate	2.00	2.40
Future salary increases	3.15	2.65
Future pension increases (RPI)	3.40	2.90
Future pension increases (CPI)	2.40	1.90

Post retirement mortality assumptions

	2021	2020
	Years	Years
Current UK pensioners at retirement age - male	22.00	22.00
Current UK pensioners at retirement age - female	24.00	24.00
Future UK pensioners at retirement age - male	24.00	24.00
Future UK pensioners at retirement age - female	26.00	26.00

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2021	2020
	£ 000	£ 000
Fair value of scheme assets	200,295	172,916
Present value of defined benefit obligation	(231,186)	(193,006)
Defined benefit pension scheme deficit	(30,891)	(20,090)

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

23 Post employment benefits (continued)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2021	2020
	£ 000	£ 000
Present value at the start of the year	(193,006)	(210,295)
Current service cost	(1,319)	(1,669)
Past service cost	(465)	-
Interest cost	(4,558)	(5,208)
Actuarial (losses)/gains	(37,894)	18,490
Benefits paid	6,120	5,762
Contributions by scheme participants	(64)	(86)
Present value at end of year	<u>(231,186)</u>	<u>(193,006)</u>

Fair value of scheme assets

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

	2021	2020
	£ 000	£ 000
Fair value at the start of the year	172,916	178,192
Interest income	4,699	5,023
Actuarial gain/(losses)	22,973	(9,439)
Employer contributions	5,763	4,816
Contributions by scheme participants	64	86
Benefits paid	(6,120)	(5,762)
Fair value at end of year	<u>200,295</u>	<u>172,916</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2021	2020
	£ 000	£ 000
Cash and cash equivalents	2,246	4,205
Other assets	198,049	168,711
	<u>200,295</u>	<u>172,916</u>

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

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

23 Post employment benefits (continued)

Return on scheme assets

	2021 £ 000	2020 £ 000
Return on scheme assets	27,673	(4,416)

Total cost recognised as an expense totalled £1.319 million (2020: £1.669 million) for current service cost, £0.465 million (2020: £nil) for past service cost and £0.141 million net interest income (2020: £0.185 million net interest cost). Included in the service cost is £0.147 million (2020: £0.185 million) relating to salary sacrificed and £0.621 million (2020: £0.624 million) for other group entities.

24 Called up share capital

Allotted, called up and fully paid shares

	No. 000	2021 £ 000	No. 000	2020 £ 000
Ordinary Shares of £0.001 each	142,112	142	142,112	142

There is a single class of allotted, called up and fully paid ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

25 Revaluation reserve

The revaluation reserve was created in March 2016 when land, buildings and infrastructure assets were revalued. These assets have been revalued in March 2019 with details included in note 14. Certain operational assets whose fair value is based on income have been revalued in March 2020 with details included in note 14. The revaluation reserve transfer relating to the additional depreciation incurred in the income statement as a result of this revaluation was £0.931 million (2020: £1.046 million). In the prior year the substantively enacted tax rate changed in March 2020 to 19% from 17%, resulting in a £1.090 million transfer from revaluation reserve to increase the deferred tax provision.

26 Dividends

	2021 £ 000	2020 £ 000
Final dividend of £nil (2020 - £0.1162) per ordinary share	-	16,512
Interim dividend of £nil (2020 - £0.1063) per ordinary share	-	15,105
	-	31,617

The directors are proposing that no final dividend is paid for 2020/21 (2020: no dividend).

27 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £1.483 million (2020: £8.667 million).

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

27 Commitments (continued)

Operating leases

The total of future minimum lease payments is as follows:

	2021 £ 000	2020 £ 000
Not later than one year	33	80
Later than one year and not later than five years	12	55
	<u>45</u>	<u>135</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £0.080 million (2020: £0.090 million).

Operating lease arrangements where the company is the lessor

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

	2021 £ 000	2020 £ 000
Not later than one year	1,013	959
Later than one year and not later than five years	4,301	4,080
Later than five years	37,971	41,127
	<u>43,285</u>	<u>46,166</u>

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

28 Contingent liabilities

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

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

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

On 23 January 2020, the company, along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £85 million private placement senior notes Series A issued by Birmingham Airport (Finance) PLC on 24 January 2020. The senior notes are for a period of 30 years maturing 24 January 2050 and carry a fixed interest rate of 2.44 per cent per annum.

On 21 May 2020, the company, along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £45 million private placement senior notes Series B issued by Birmingham Airport (Finance) PLC on 21 May 2020. The senior notes are for a period of 30 years maturing 21 May 2050 and carry a fixed interest rate of 2.94 per cent per annum.

On 16 January 2019, the company along with other group members of Birmingham Airport Holdings Limited, provided a guarantees to Royal Bank of Scotland PLC in support of a £25 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of five years with an expiry date of 16 January 2024, with an option to extend by 2 further 12 month periods. At the date of signing these financial statements, the total amount of the facility has been drawn down.

Birmingham Airport Limited

Notes to the Financial Statements for the Year Ended 31 March 2021 (*continued*)

29 Related party transactions

The following entities conducted transactions with Birmingham Airport Limited during the year ended 31 March 2021, and were considered related parties as defined by FRS 102, related party transactions. The company has taken advantage of the exemption under paragraph 33.1A of FRS 102 from disclosing transactions with group members, on the grounds that it is a wholly owned subsidiary of a group headed by Birmingham Airport Holdings Limited, whose financial statements are publicly available.

West Midlands District Councils

Birmingham City Council, Coventry City Council, Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council, Walsall Metropolitan Borough Council and Wolverhampton City Council ("The Districts") are shareholders in the parent undertaking.

In 1995, Birmingham Airport Limited entered into an arm's length lease arrangement with Solihull Metropolitan Borough Council on behalf of The Districts, all of which were shareholders in the company at that time. Under such arrangements, the company granted a 999 year lease over land and buildings situated at Birmingham Airport in exchange for a total fair value premium of £100 million and a peppercorn rent. At the same time the shareholders granted Birmingham Airport Limited a 150 year lease over the same property for a total fair value premium of £96.5 million. The net premium arising as adjusted for associated stamp duty and legal costs has been treated as a finance lease in the financial statements of the company and is disclosed in note 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 £0.859 million (2020: £0.837 million). The amount at the end of the year was £4.732 million (2020: £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 £0.002 million. 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 (2020: £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. The business rates payable for 2020/21 were £5.678 million (2020: £5.026 million). At the end of the year the company had prepaid £0.522 million of the 2021/22 business rates (2020: £0.513 million).

Birmingham City Council

In support of the A45 transport corridor improvement scheme the airport company has contributing circa £7 million as part of the cost of the realignment of the improved A45 corridor, in the prior year there was an accrued creditor of £2.567 million relating to this transaction, which was paid in 2021.

Sandwell Metropolitan Borough Council

During the year Sandwell Metropolitan Borough Council have occupied a property at the Airport. They have incurred rent and recharges associated with this occupation of £0.164 million (2020: £nil). All of these transactions are carried out on an arms length basis at a full commercial rate. The amount due at the end of the year was £0.086 million (2020: £nil).

In 2021/22 all the group's shareholders have provided a £65 million loan facility to support the group's waivers on covenant compliance (see note 31).

Birmingham Airport Limited
Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

30 Parent and ultimate parent undertaking

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

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

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

31 Non adjusting events after the financial period

The Government provided grant support through the Airport & Ground Operations Support Scheme (AGOSS). The Airport received £6.4m from this scheme in April 2021 and anticipate a further £3.2m in 2021/22 following the extension of the scheme announced in the Budget. The grant income will be recognised in 2021/22. To further support the group on 1st June 2021, a £65 million shareholders loan facility has been put into place to support the waivers on covenant compliance.