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Birmingham Airport Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2014

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Birmingham Airport Holdings Limited

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Birmingham Airport Holdings Limited

Company Information

Chairman	J L Hudson
Chief executive	P Kehoe
Directors	T Ali H Banger H Bills M A Bird Sir A Bore D Calaca P Dransfield J D McNicholas M Morsillo R Piper G E Richards D M Stanton C Thomazi P Tilsley M Toms
Company secretary	M J Kelly
Registered office	Diamond House Birmingham Airport Birmingham West Midlands B26 3QJ
Auditors	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors Cornwall Court 19 Cornwall Street Birmingham West Midlands B3 2DT
Bankers	National Westminster Bank plc 2 St Philips Place Birmingham West Midlands B3 3RB
Solicitors	Eversheds LLP 115 Colmore Row Birmingham West Midlands B3 3AL

Birmingham Airport Holdings Limited

Strategic Report for year ending 31 March 2014

Review of the business and future outlook

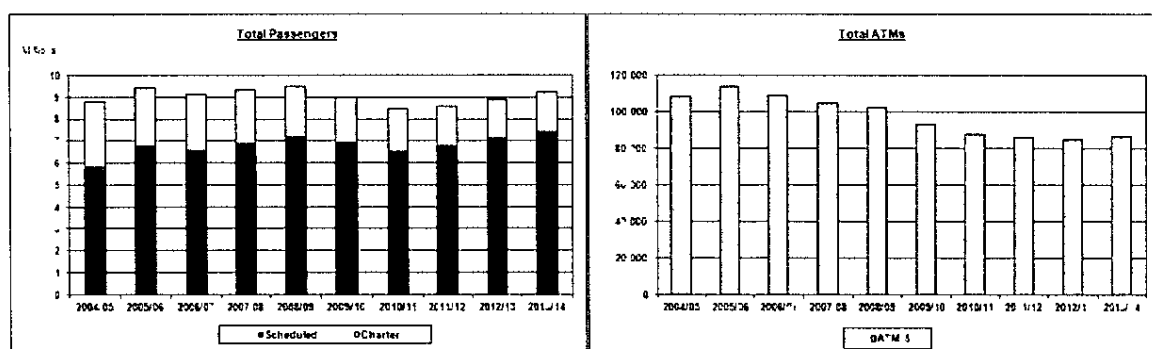
Market Position and Business Environment

During the year ending March 2014 Birmingham Airport achieved its third consecutive year of passenger growth, with passengers 3.7% above the previous year, outperforming UK GDP growth of 0.8% and marginally below the average UK aviation industry growth of 4.0%.

There were a number of milestones achieved during the year. In August 2013 the airport experienced the second busiest month in its history when it handled in excess of one million passengers, with the busiest day seeing 36,781 travellers through the terminals. Long haul traffic saw a rise of 23.8% and there was double digit growth in January 2014 for the first time since December 2005. Lufthansa celebrated another record year, with an increase of 2.5% to both Frankfurt and Munich volumes, and Air India returned to Birmingham, with direct flights serving Delhi and Amritsar with a 787 Dreamliner. Birmingham was the first UK airport outside London to operate scheduled Boeing 787 services. In addition, there was double digit year-on-year growth from full service carriers including Aer Arann Regional, Bm Regional, Emirates, SAS and Turkish Airlines, as well as low cost carriers such as Easyjet and Monarch.

Birmingham Airport processed 9,250,997 passengers in the year, an increase of 3.7%, made up of

- Long Haul +13.3%,
- Low Cost +3.5%,
- Full Service Schedule +3.3%,
- Charter +1.1%



Birmingham Airport continues to offer an extensive route network to the region and there were a number of new services and increased frequencies announced by airlines. These included, in the low cost sector, Flybe (Lyon year round daily, increased services to Edinburgh and Glasgow and new Knock), and Monarch Airlines (Daily Barcelona, Gibraltar, Bordeaux and Split). New full service scheduled carriers were Bm Regional (Gothenburg, Lyon, Toulouse and Billund), SAS (moved the afternoon Stockholm to the evening due to demand from the business passenger), and Turkish Airlines (increased frequencies to 10 per week serving an ever growing network of 221 global destinations). Finally in long haul were Air India (Delhi and Amritsar) and Air Malta returned with twice weekly charter services.

Dublin remained the most popular destination, marginally ahead of Dubai and Amsterdam.

During the year, Monarch Aircraft Engineering opened its new 110,000 square foot state of the art aircraft maintenance facility, creating 150 new jobs at Birmingham Airport, with a potential for a further 150, mainly through the highly regarded apprenticeship scheme, now in its 42nd year. It is the first UK hangar to have the capability for Boeing 787 Dreamliner maintenance, with sufficient capacity for other wide body aircraft, such as Boeing 777, 747 and Airbus A350. The facility is large enough to accommodate two Boeing 777-300ER aircraft or ten narrow-body aircraft.

Birmingham Airport Holdings Limited

Strategic Report for year ending 31 March 2014 (continued)

Looking forward to the year ahead, the airport continues to strive to serve its region and attract passengers within its catchment area rather than them travelling to the congested South East. The choices available are enhanced by the expansion of the Flybe network with eight new routes to Cologne, Toulouse, Bordeaux, Florence, Oporto, Reykjavik, Hamburg and Oslo, and additional capacity from other operators. This summer will also see another first at Birmingham as it becomes the first UK airport outside of London to offer direct flights to China, with China Southern Airlines. The Airport has invested £132 million over the last five years, with May 2014 seeing the first operations from the 400 metre extension of the existing runway which will allow aircraft to fly direct to the West Coast of the United States, South America, the Far East and South Africa.

The Davies Commission affirmed the importance of Birmingham Airport in the UK's long-term aviation strategy, and made three key points regarding the future growth of the Airport:

- The potential for a second runway as a long-term option,
- Making the most of Birmingham's capacity in the medium-term,
- The impact of the High Speed 2 rail development on Birmingham Airport's future development

Birmingham Airport has been recognised as integral to the UK's long-term aviation model, supporting the growth of aviation links across the UK, which is a positive step forward for the Midlands economy. Whatever the eventual conclusion of the Davies Commission, it has recognised that Birmingham Airport can provide capacity immediately. The Airport is now working with the Commission on their final policy recommendations.

Future developments

The group will continue to operate Birmingham Airport, providing additional facilities and infrastructure as required to maintain the successful operation of the airport.

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

Financial performance

Income

Income	2014 £m	2013 £m	% change over 2013
Aeronautical Income	49.2	47.2	4.2%
Commercial Income	64.6	60.3	7.1%
Total Revenue	113.8	107.5	5.9%

The airport's revenue is derived from two key income streams. Aeronautical income is generated from the charges to airlines, for both passengers and aircraft, for the use of the airport facilities. Commercial income is income generated from commercial activities on the airport site including car parking, retail, catering and property rental.

Aeronautical income grew by 4.2% in the year, marginally ahead of passenger growth, reflecting the changing mix of traffic. This resulted in an increase in the yield per passenger to £5.32 compared to £5.29 in the previous year. Commercial income continued its strong performance with growth of 7.1%, driven by car parking and car hire income, together with strong World Duty Free income and higher property income. The commercial yield has increased to £6.98 per passenger from £6.76. Further additions to the retail and catering estate are currently under construction and in summer 2014 new Hugo Boss and Victoria's Secrets shops will enhance the airport retail offering, whilst two new All Bar One units give passengers even more food and beverage options.

Birmingham Airport Holdings Limited

Strategic Report for year ending 31 March 2014 (continued)

Operating Costs

Operating Costs	2014 £m	2013 £m	% change over 2013
Employee Costs	23.0	21.1	9.0
Running Costs	42.6	39.7	7.3
Depreciation & other charges	20.3	22.0	(7.7)
Total operating costs	85.9	82.8	3.7

Total operating costs increased by 3.7% to £85.9m in the year. Employee costs increased by 9.0%, primarily, due to a one off contribution to the Employee Share Ownership plan (in lieu of dividends) of £1.3m, and bringing in-house the airport bussing operation from 1 November 2013. Excluding the one off contribution and bussing costs, like for like employee costs increased by 1.3%. Running costs were 7.3% higher, reflecting surface access transport support, runway extension planning obligations, a full year of rental costs for the NEC Western Car Park, together with higher costs for rates, Police and energy, these increases were mitigated by a variety of efficiency gains together with a reduction in the winter operational costs due to the milder weather. Depreciation and other costs reduced by 7.7% reflecting the release of the final £1.9m of historic land compensation act provision (2013 £0.6m), partially offset by higher depreciation from the airport development. The group's operating cost per passenger for the year was £9.28 and remained the same as the previous year.

The group's operating profit before exceptional items increased to £27.9m (2013 £24.7m) as a result of the higher aeronautical and commercial income exceeding the net increase in costs. Exceptional costs of £1.4m in the year included £1.2m, associated with transition costs for the start up of Birmingham Airport's Air Traffic operation, which is due to commence from 1 April 2015, and other restructuring costs. Also included are £0.2m exceptional consultancy costs associated with the re-financing which took place in the year. This resulted in an operating profit after exceptional items of £26.5m (2013 £24.2m), this equated to an operating profit per passenger of £2.86 a 5.5% increase on the previous year (2013 £2.71). The net interest costs were broadly in line with the previous year, but included an increase of £0.8m reflecting the interest cost associated with the £75m private placement senior notes from 3 December 2013, offset by an increase in capitalised interest of £0.8m as a result of the higher capital expenditure on the runway extension construction.

The group's tax charge for the year of £6.3m, includes a corporation tax charge of £4.7m (2013 £6.7m) and a deferred tax charge of £1.6m (2013 £1.1m credit), this equates to an effective tax rate of 33.6% (2013 34.2%) and remains significantly higher than the ordinary rate of UK corporation tax, reflecting the removal of the tax allowances for industrial buildings and the high level of non qualifying depreciation in the group as a result of asset revaluations.

During the year, a final dividend of £7.3m for the year ended 31 March 2013 was paid (2013 £5.3m) and an interim dividend of £6.1m was paid for the year ended 31 March 2014 (2013 4.4m). There was also a special dividend of £68.8m paid (2013 £nil), resulting in a total dividend payment of £82.2m (2013 £9.7m) and a net reduction in reserves of £69.7m (2013 £1.1m increase).

Capital expenditure increased to £28.4m in the year (2013 £19.3m). The main expenditure during the year related to the runway extension (completed in May 2014), resurfacing work to the existing runway, north airfield drainage facilities, completion of the infrastructure works for the new Monarch Hangar (which became operational in November 2013) and receipt of a new fleet of five Oshkosh fire vehicles. The sale of the existing fire vehicles and other assets generated £0.4m and a £0.2m grant was received towards the costs incurred for the 4G network on the primary radar project.

During the year, the group generated £38.5m cash from its operating activities (2013 £44.0m). The cash outflow from servicing of finance increased by £1.0m as a result of the fees associated with the drawdown of the private placement senior notes and the new bank facility. The corporation tax outflow reduced by £2.2m reflecting the lower corporation tax charge for the year together with the tax impact of the asset backed pension funding arrangement. With the capital expenditure and the dividend payments of £82.2m, there was a net cash outflow of £83.2m (2013 £0.8m inflow). On 3 December 2013 the group issued £75.0m of private placement senior notes (2013 £nil). Short term cash deposits reduced to £19.2m (2013 £28.4m) and net debt increased to £180.2m (2013 £95.9m). Looking forward, the group has strong operating cash flows and a committed bank facility to meet its ongoing liabilities as they fall due.

Birmingham Airport Holdings Limited

Strategic Report for year ending 31 March 2014 (continued)

Security

Overall the operation performed well throughout the year, with an additional 195,000 passengers queuing less than 10 minutes compared to the same period last year

Overall performance for 2013/14

- 83.4% less than 10 minutes (2013: 80.0%).
- 98.6% less than 20 minutes (2013: 97.1%)

The threat level remained at substantial and sustaining compliance remains a significant operational challenge. DfT carried out a full audit programme throughout the year, which focused on increased covert testing. The department performed in line with regulatory standards and continued to work with DfT to further enhance operational compliance.

Improved customer service and investment in personnel development remained further areas of focus for the department during the year. The department also started preliminary work to look at further enhancements in operational throughput, rostering and resources.

Health and Safety

Birmingham Airport is committed to operating responsibly in order to ensure the safety of everyone involved in our operations. We will never knowingly compromise our health and safety standards to meet operational objectives.

Our Health and Safety Policy recognises the need to:

- Encourage open and honest communication,
- Seek ways to continually improve our performance,
- Assess and manage risk,
- Learn from any incidents and ensure that the learning is implemented to prevent reoccurrence,
- Maintain systems and procedures that enable the Airport and our partners to operate in a safe and compliant way,
- Meet or surpass statutory requirements.

Our health and safety management philosophy is based on corporate safety objectives set annually and performance is closely monitored by our executive team on an ongoing basis to facilitate continuous improvement in performance. The safety objectives are a key part of our commitment to excellence and continuous improvement in health and safety performance.

Every Birmingham Airport employee is accountable and has a personal responsibility for health and safety. Employees are also expected to take action if they see or believe something that is unsafe or can be better controlled.

Birmingham Airport has achieved certification to BS OHSAS 18001, the international standard for occupational health and safety management.

The rigorous assessment and audit of Birmingham Airport is evidence of the airport's continued commitment to supporting the safety and well-being of the Airport's 500 employees and the nine million passengers who pass through its doors annually. There were 279 accidents during the year, a 14% increase on the previous year (2013: 245), of these 7% (2013: 7%) were reportable to the Health and Safety Executive. By implementing BS OHSAS 18001 Birmingham Airport can now confidently demonstrate that it has structured processes in place to manage and mitigate health & safety risks across its diverse operations. We continue to proactively manage health and safety performance with the aim of continually reducing incidents and improving employees' wellbeing.

Birmingham Airport Holdings Limited

Strategic Report for year ending 31 March 2014 (continued)

Airside Safety

The safe operation of the airfield infrastructure is a core business priority. During 2013/14 the Airport Company again demonstrated its commitment to the safety of the operation with significant investment in airfield safety-related infrastructure and assets including a new state of the art fleet of specialist airport fire appliances, giving Birmingham Airport one of the most advanced fleets of any UK airport. Major airfield projects included the completion and entry into service of the new air traffic control tower and the construction of the runway extension, with resurfacing of the existing runway also undertaken. The runway project also encompassed replacement of a significant proportion of the navigation aids and included investment by the Airport company in the very latest satellite-based navigation systems and additional approach aids to landing aircraft. Whilst the airfield has gone through some of the most significant changes in its history and much of this has happened concurrently, the airfield teams have remained resolutely focussed on the delivery of high standards of safety.

Although the winter was unusually mild the frequent rain and strong wind presented a different set of challenges for both the major projects and the day to day operation, in addition to regular planned navigation system outages to facilitate construction of the runway extension. Despite these challenges the airport managed to gain more movements from diversions into Birmingham Airport from other airports due to inclement weather, as well as seeing an improvement in the punctuality of departing aircraft, with 88% of aircraft departing on time (2013: 81%). Bird strikes involving those species classified as 'high' and 'medium' risk showed reduction for the sixth consecutive year and further improvements to the Aerodrome Safety Management System were implemented.

The Airport continues to work on a number of current safety priorities and is fully engaged with the changes that are happening in the regulatory environment as we move towards a single European regulatory authority, the European Aviation Safety Agency, (EASA) in 2014 and the developments driven by the Eurocontrol Single European Skies (SES) initiative including the implementation of Collaborative Decision Making (CDM).

Financial Risk Management

Objectives and policies

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

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

Interest Rate Risk

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

Liquidity Risk

It is the group's policy to ensure continuity of funding by active management of working capital and maintaining sufficient committed facilities to meet anticipated funding requirements, whilst ensuring that the group is not exposed to excessive refinancing in any one year. The £20m committed un-drawn loan facility and £19.2m cash are considered sufficient to meet the group's ongoing liquidity requirements.

Credit Risk

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

Price Risk

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

Birmingham Airport Holdings Limited

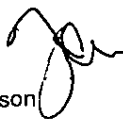
Strategic Report for year ending 31 March 2014 (*continued*)

Covenant Risk

The group continues to comply with the financial covenants, relating to net worth, gearing and interest cover which are included in the corporate bond, private placement senior notes and bank facility. These are monitored on an ongoing basis with formal testing reported to the Audit Committee and for the bond and bank facility these are certified by the auditors.

Approved by the Board on 16 July 2014 and signed on its behalf by

J L Hudson
Chairman

A handwritten signature in black ink, appearing to be 'JL Hudson', written over the printed name.

Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2014

The directors present their report and the audited consolidated financial statements for the year ended 31 March 2014

Principal activity

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

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

Going Concern

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

Directors of the company

The directors who held office during the year and up to the date of signing the financial statements were as follows

T Ali
H Bills
M A Bird
Sir A Bore
D Calaca
D C Cooper (resigned 25 June 2014)
P Dransfield
J L Hudson - Chairman
M Jaspal (resigned 25 June 2014)
P Kehoe - Chief executive
J D McNicholas
M Morsillo
G E Richards
D M Stanton
C Thomazi
P Tilsley
M Toms

The following directors were appointed after the year end

H Banger (appointed 25 June 2014)
R Piper (appointed 25 June 2014)

Employment of disabled persons

The group 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 group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. We continue to meet the Two Ticks Positive about Disabled People Standard. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the group continues employment, either in the same or an alternative position, where possible, with appropriate retraining being given if necessary

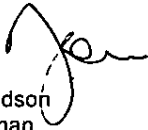
Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2014 (*continued*)

Employee involvement

Employee contribution to our business is key to our success. The company commits to meet the Investors in People Standard, ensuring the skills and knowledge of all our employees are updated to meet changes in our industry. The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group. The high level of employee take up of the All Employee Share Ownership Plan has continued this year enabling all employees to have the opportunity to share in the success of the company.

Approved by the Board on 16 July 2014 and signed on its behalf by



J L Hudson
Chairman

Registration number 03312673

Birmingham Airport Holdings Limited
Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to


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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.



M J Kelly
Company Secretary
16 July 2014

Independent Auditors' Report to the Members of Birmingham Airport Holdings Limited

Report on the financial statements

Our Opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's profit and the group's cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The group financial statements and parent company financial statements (the "financial statements"), which are prepared by Birmingham Airport Holdings Limited, comprise

- the consolidated balance sheet as at 31 March 2014,
- the parent company balance sheet as at 31 March 2014,
- the consolidated profit and loss account for the year then ended,
- the statement of group total recognised gains and losses for the year then ended,
- the note of historical cost profits and losses for the year then ended,
- the reconciliation of movements in group shareholders' funds for the year then ended,
- the consolidated cash flow statement for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

What an audit of financial statements involves

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

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent Auditors' Report to the Members of Birmingham Airport Holdings Limited
Report on the financial statements (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' remuneration

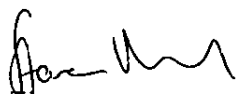
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

As explained more fully in the Statement of Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



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

16 July 2014

Birmingham Airport Holdings Limited

Consolidated Profit and Loss Account for the Year Ended 31 March 2014

	Note	2014 £ 000	2013 £ 000
Turnover	2	113,754	107,504
Net operating expenses		(85,866)	(82,792)
Group operating profit before exceptionals	3	27,888	24,712
Exceptional items	5	(1,391)	(539)
Group operating profit		26,497	24,173
Interest receivable and similar income	8	1,140	841
Interest payable and similar charges	9	(8,863)	(8,518)
Profit on ordinary activities before taxation		18,774	16,496
Tax on profit on ordinary activities	10	(6,312)	(5,647)
Profit for the financial year	23	12,462	10,849

Turnover and operating profit derive wholly from continuing operations

Statement of group total recognised gains and losses

	Note	2014 £ 000	2013 £ 000
Profit for the financial year		12,462	10,849
Asset revaluation		488	-
Actuarial gain/(loss) recognised on defined benefit pension scheme	26	2,867	(8,402)
Movement on current tax relating to pension contributions		-	2,016
Movement on deferred tax relating to pension scheme actuarial loss		(659)	-
Change in taxation rate		-	(76)
Total recognised gains and losses relating to the year		15,158	4,387

Note of Group historical cost profits and losses

	2014 £ 000	2013 £ 000
Reported profit on ordinary activities before taxation	18,774	16,496
Excess depreciation on revalued assets	4,318	4,371
Historical cost profit on ordinary activities before taxation	23,092	20,867
Historical cost profit for the year retained after taxation	16,780	15,220

Birmingham Airport Holdings Limited**Reconciliation of movements in Group Shareholders Funds for the Year Ended 31 March 2014**

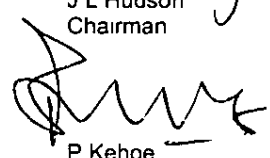
	2014 £ 000	2013 £ 000
Profit for the financial year	12,462	10,849
Other recognised gains and losses relating to the year	2,696	(6,462)
Dividends (Note 11)	(82,202)	(9,710)
Net sale of own shares from share trust	<u>(118)</u>	<u>(129)</u>
Net reduction to shareholders' funds	(67,162)	(5,452)
Shareholders' funds at 1 April	<u>263,489</u>	<u>268,941</u>
Shareholders' funds at 31 March	<u><u>196,327</u></u>	<u><u>263,489</u></u>

Birmingham Airport Holdings Limited
Consolidated Balance Sheet at 31 March 2014

	Note	£ 000	2014 £ 000	£ 000	2013 £ 000
Fixed assets					
Tangible fixed assets	12		438,523		428,033
Current assets					
Stocks	14	1,162		1,116	
Debtors	15	15,594		16,784	
Cash at bank and in hand		19,213		28,411	
		35,969		46,311	
Creditors: Amounts falling due within one year	16	(40,113)		(38,474)	
Net current (liabilities)/assets			(4,144)		7,837
Total assets less current liabilities			434,379		435,870
Creditors: Amounts falling due after more than one year	17		(207,546)		(133,119)
Provisions for liabilities	21		(7,163)		(9,802)
Net assets excluding pension asset/liability			219,670		292,949
Net pension liability	26		(23,343)		(29,460)
Net assets			196,327		263,489
Capital and reserves					
Called up share capital	22	3,240		3,240	
Share premium account	23	43,644		43,644	
Revaluation reserve	23	111,663		115,493	
Merger reserves	23	25,588		25,588	
Profit and loss account	23	12,192		75,524	
Total shareholders' funds			196,327		263,489

Approved by the Board on 16 July 2014 and signed on its behalf by


J L Hudson
Chairman


P Kehoe
Chief executive

Company registration number 03312673

Birmingham Airport Holdings Limited
Parent Company Balance Sheet at 31 March 2014

	Note	2014 £ 000	2013 £ 000
Fixed assets			
Investments	13	<u>289,577</u>	<u>290,617</u>
Current assets			
Debtors	15	257	201
Cash at bank and in hand		<u>13</u>	<u>9</u>
		270	210
Creditors Amounts falling due within one year	16	<u>(2,884)</u>	<u>(1,928)</u>
Net current liabilities		<u>(2,614)</u>	<u>(1,718)</u>
Total assets less current liabilities		286,963	288,899
Creditors Amounts falling due after more than one year	17	<u>(179,233)</u>	<u>(149,016)</u>
Net assets		<u>107,730</u>	<u>139,883</u>
Capital and reserves			
Called up share capital	22	3,240	3,240
Share premium account	23	43,644	43,644
Merger reserves	23	51,380	51,380
Profit and loss account	23	<u>9,466</u>	<u>41,619</u>
Total shareholders' funds		<u>107,730</u>	<u>139,883</u>

Approved by the Board on 16 July 2014 and signed on its behalf by

J L Hudson
Chairman

P Kehoe
Chief executive

Birmingham Airport Holdings Limited

Consolidated Cash Flow Statement for the Year Ended 31 March 2014

Cash flow statement

	Note	2014 £ 000	2013 £ 000
Net cash inflow from operating activities	24	38,505	44,044
Returns on investments and servicing of finance			
Interest received		652	548
Interest paid		(8,910)	(7,829)
		(8,258)	(7,281)
Taxation paid		(4,055)	(6,281)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(28,410)	(19,314)
Sale of tangible fixed assets		426	1
Receipts of grants		180	-
Development Loan		639	(639)
		(27,165)	(19,952)
Equity dividends paid to shareholders	11	(82,202)	(9,710)
Net cash (outflow)/inflow before management of liquid resources and financing		(83,175)	820
Management of liquid resources			
Increase in short term deposits		9,358	(5,407)
Financing			
Value of new loans obtained during the period		75,000	-
Lease and leaseback premium	25	(905)	(557)
Net sale of own shares from share trust		(118)	(129)
		73,977	(686)
Increase/(decrease) in cash	25	160	(5,273)

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014

1 Accounting policies

Basis of preparation

The financial statements are prepared on a going concern basis under the historical cost convention modified to include the revaluation of certain assets in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year are set out below.

Basis of consolidation

The group accounts consolidate the financial statements of Birmingham Airport Holdings Limited and its subsidiary undertakings drawn up to 31 March 2014.

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006. Its profit for the financial year was £50,167,000 (2013 - £12,766,000).

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's principal activity of the operation and management of Birmingham Airport and its related activities. All revenue 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.

Concessions and property income - concessions rentals net of value added tax relating to retail activities on the site and revenues relating to property lettings, service charges, utility recharges and usage charges for operational systems. Concession income for car parking is recognised at the end of the parking stay and income from all other activities is recognised in the period to which it relates on an accrual basis.

Government grants

European Regional Development Fund (ERDF) grants, Trans European Network (TENS) grants and Local Transport Plan (LTP) 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.

Capitalised interest

Interest on funding obtained to finance capital projects is capitalised subject to valuation exceeding cost. Once projects have been commissioned no further interest is capitalised.

Fixed asset revaluations

The group revalues land, buildings and infrastructure of a subsidiary in accordance with Financial Reporting Standard 15 ('FRS 15') 'Tangible Fixed Assets', with independent valuations being undertaken every five years. An independent valuation was undertaken in 2011 (Note 12).

Depreciation

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

Asset class

Buildings
Infrastructure
Plant and machinery
Motor vehicles (included in plant & machinery)

Depreciation method and rate

between 5 and 50 years
between 10 and 50 years
between 4 and 30 years
between 4 and 15 years

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

Accounting policies (continued)

Investment properties

Freehold land and buildings (primarily off-site residential properties) belonging to certain subsidiary companies are held as investment properties and are accounted for in accordance with SSAP 19. Consequently their open market value is reviewed internally on an annual basis, with an external valuation every five years performed by an appropriately qualified valuer. If any identified deficit is expected to be permanent it is recognised in the profit and loss account for the year. Depreciation has not been provided as the directors believe this is necessary in order for the financial statements to give a true and fair view. If it had been provided, it would not be material. Depreciation is one of the many factors reflected in the annual valuation.

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Stock and work in progress

Stores of consumable items and development land held within stock are valued at the lower of purchase cost and estimated net realisable value. Costs associated with holding the land are expensed as incurred.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated at the balance sheet date, but not reversed except for the following:

Deferred tax assets are only recognised where, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which they can be recovered.

In respect of fixed asset revaluations, deferred tax is not provided unless there is a binding agreement to sell the assets at the balance sheet date. However, no provision is made if any gain is to be rolled over into replacement assets.

The group has elected not to discount the deferred tax assets and liabilities. Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leases

Payments under contract hire agreements and operating leases are charged to the profit and loss account as incurred.

Assets obtained under finance lease contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over the shorter of the lease term or their useful lives. The interest element of such contracts is charged to the profit and loss account over the period of the lease in proportion to the outstanding balance of repayments. Rentals receivable under operating leases are included in turnover on an accruals basis.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the group is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (*continued*)

Accounting policies (*continued*)

Pensions

The group operates a defined benefit pension scheme that requires contributions to be made to a separately administered fund. The accounting for the pension scheme is in accordance with Financial Reporting Standard 17 ('FRS 17').

The pension cost is determined by an independent qualified actuary on the basis of a triennial valuation using the projected unit method using assumptions agreed between the Trustees and the company. Actuarial gains and losses are recognised in full on the Balance Sheet. Actuarial gains and losses are also recognised through the Statement of Total Recognised Gains and Losses as incurred. Payments to the defined contributions scheme are charged against profits as incurred.

The most recent full actuarial valuation was at 31 October 2012, the company currently pays contributions of 11%. The scheme was fully funded from 28 March 2013, following the introduction of the asset backed funding arrangement.

2 Turnover

An analysis of turnover by class of business is given below

	2014	2013
	£ 000	£ 000
Aeronautical income	49,184	47,181
Concessions, property income and recharges	64,570	60,323
	<u>113,754</u>	<u>107,504</u>

3 Operating profit

Operating profit is stated after charging/(crediting)

	2014	2013
	£ 000	£ 000
Auditors' remuneration (note 4)	134	90
Depreciation of owned assets (note 12)	22,835	22,789
Capital grant releases (note 16)	(179)	(179)
Operating leases - plant and machinery	83	94
Operating leases - other assets	450	450
Profit on sale of tangible fixed assets	<u>(400)</u>	<u>(1)</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

4 Auditors' remuneration

During the year the group obtained the following services from the company's auditors

	2014 £ 000	2013 £ 000
Fees payable to company's auditors for the audit of parent company and consolidated financial statements	15	15
Fees payable to the company's auditors and its associates for other services		
The audit of the company's subsidiaries	66	66
Other services	53	9
	<u>134</u>	<u>90</u>

5 Exceptional items

	2014 £ 000	2013 £ 000
Reorganisation or restructuring	1,198	161
Other exceptional costs	193	378
	<u>1,391</u>	<u>539</u>

During the year restructuring costs (being mostly Birmingham Airport Air Traffic Limited start up costs and severance pay and related costs) of £1 199m (2013 £0 161m) were incurred. Other exceptional costs relate to consultancy fees for the group refinancing (2013 £0 378m set up costs associated with the asset backed pension funding arrangement).

6 Particulars of employees

Staff costs for the group during the year

	2014 £ 000	2013 £ 000
Wages and salaries	19,371	17,351
Social security costs	1,823	1,754
Staff pensions	1,852	1,959
	<u>23,046</u>	<u>21,064</u>

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

	2014 Number	2013 Number
Engineering	55	54
Operations and security	377	329
Support services	105	104
Terminal services	49	48
	<u>586</u>	<u>535</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

7 Directors' emoluments

The directors' emoluments for the year were as follows

	2014	2013
	£ 000	£ 000
Directors emoluments (excluding pension contributions)	<u>474</u>	<u>425</u>
Company contributions to money purchase pension schemes	<u>50</u>	<u>42</u>

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

	2014	2013
	No	No
Holding shares in the Employee Share Ownership Plan	1	1
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director

	2014	2013
	£ 000	£ 000
Salary	257	210
Benefits in kind	29	23
Bonus	99	95
Long-term incentive plan	48	57
Total emoluments	<u>433</u>	<u>385</u>

Company contributions to money purchase pension schemes

<u>50</u>	<u>42</u>
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8 Interest receivable and similar income

	2014	2013
	£ 000	£ 000
Bank interest receivable	308	455
Other interest receivable	271	13
Pension scheme other finance income	<u>561</u>	<u>373</u>
Group interest receivable	<u>1,140</u>	<u>841</u>

9 Interest payable and similar charges

	2014	2013
	£ 000	£ 000
Bank loans and overdrafts	236	304
Preference share dividends	971	971
Corporate bond	6,663	6,663
Private placement senior notes	1,106	-
Other interest payable	937	833
Capitalised Interest	<u>(1,050)</u>	<u>(253)</u>
Group interest payable and similar charges	<u>8,863</u>	<u>8,518</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

10 Taxation

Tax on profit on ordinary activities

	2014	2013
	£ 000	£ 000
Current tax		
Corporation tax charge	5,378	7,460
Adjustments in respect of previous years	(691)	(760)
UK Corporation tax	<u>4,687</u>	<u>6,700</u>
Deferred tax		
Origination and reversal of timing differences	619	(1,030)
Deferred tax adjustment relating to previous years	227	9
Deferred tax relating to FRS 17	969	-
Effect of changes in tax rates	(190)	(32)
Group deferred tax	<u>1,625</u>	<u>(1,053)</u>
Total tax on profit on ordinary activities	<u><u>6,312</u></u>	<u><u>5,647</u></u>

Tax on recognised gains and losses not included in the profit and loss account

	2014	2013
	£ 000	£ 000
STRGL Current Tax	-	(2,016)
P&L reserve - Deferred tax on actuarial (loss)/gain recognised in pension	659	-
STRGL - change in tax rate	-	76
	<u>659</u>	<u>(1,940)</u>

Deferred tax credited to provisions for liabilities and charges (Note 21)

Origination and reversal of timing differences	619	(1,030)
Deferred tax adjustment relating to previous years	227	9
Effect of changes in tax rates	(365)	(85)
Asset backed funding arrangement timing difference	(1,160)	-
	<u>(679)</u>	<u>(1,106)</u>

Deferred tax credited to pension liability (Note 26)

Deferred tax on pension deficit movement charged in the profit and loss account	969	-
Deferred tax charged to statement of total recognised gains and losses	659	-
Deferred tax - change in rate	175	129
Asset backed funding arrangement timing difference	1,160	-
	<u><u>2,963</u></u>	<u><u>129</u></u>

Birmingham Airport Holdings Limited**Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)****Taxation (continued)****Factors affecting current tax charge for the year**

Tax on profit on ordinary activities for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 23% (2013 - 24%)

The differences are reconciled below

	2014 £ 000	2013 £ 000
Profit on ordinary activities before taxation	<u>18,774</u>	<u>16,496</u>
Corporation tax at standard rate	4,318	3,959
Depreciation in excess of capital allowances	798	1,394
Movement on pension liability	(2,384)	(322)
Short term timing differences	(2)	(42)
Disallowed expenses	2,648	2,471
Adjustments in respect of prior years	<u>(691)</u>	<u>(760)</u>
Total current tax	<u><u>4,687</u></u>	<u><u>6,700</u></u>

Factors that may affect future tax charges

The standard rate of corporation tax in the UK reduced from 24% to 23% with effect from 01 April 2013. Accordingly the company's profits for this accounting period are taxed at a rate of 23%. Finance Act 2013 also included legislation to reduce the main rate of corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015, and was substantively enacted on 2 Jul 2013. The relevant deferred tax balances have been remeasured accordingly.

11 Dividends

	2014 £ 000	2013 £ 000
Dividends paid		
Prior year final dividend paid at 2 299p per share (2013 1 648p)	7,330	5,254
Current year interim dividend paid at 1 9139p per share (2013 1 397p)	6,105	4,456
Special Dividend paid at 21 5592p per share (2013 nil)	<u>68,767</u>	<u>-</u>
	<u><u>82,202</u></u>	<u><u>9,710</u></u>

A dividend of 2 716p per share will be proposed at the Annual General Meeting to be paid in July 2014 (2013 2 299p). This will amount to -

Recommended final dividend proposed for approval by shareholders	<u>8,799</u>	<u>7,449</u>
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The ESOP Trust waived its right to the payment of a dividend on the 5,009,441 ordinary shares that it owns

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

12 Tangible fixed assets

	Freehold 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 2013	317,356	200	89,114	132,939	22,419	562,028
Additions	-	-	-	-	31,813	31,813
Capitalised interest	-	-	-	-	1,050	1,050
Transfers	5,906	-	1,678	11,140	(18,724)	-
Disposals	-	-	-	(2,965)	-	(2,965)
Revaluation	472	-	-	-	-	472
At 31 March 2014	323,734	200	90,792	141,114	36,558	592,398
Depreciation						
At 1 April 2013	20,491	-	10,953	102,551	-	133,995
Charge for the year	10,236	-	5,381	7,218	-	22,835
Disposals	-	-	-	(2,939)	-	(2,939)
Revaluation	(16)	-	-	-	-	(16)
At 31 March 2014	30,711	-	16,334	106,830	-	153,875
Net book value						
At 31 March 2014	293,023	200	74,458	34,284	36,558	438,523
At 31 March 2013	296,865	200	78,161	30,388	22,419	428,033

Group

The group's land, buildings and infrastructure (excluding the investment properties held by First Castle Developments Limited, a subsidiary company) were revalued as at 31 March 2011 by DTZ Debenham Tie Leung Limited, Chartered Surveyors. The valuations were undertaken in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors and with Financial Reporting Standard 15 (Tangible Fixed Assets) issued by the Accounting Standards Board. Due to the specialist nature of the airport's assets, the depreciated replacement cost methodology was used for operational assets, and the existing use methodology was used for other assets and land. These revaluations were incorporated into the financial statements and the resulting revaluation surplus of £18 231m was taken to the revaluation reserve. The valuation was reviewed internally during the current year and the directors are of the opinion the carrying values brought forward are still appropriate.

Investment properties held by First Castle Developments Limited have been revalued at their open market value in accordance with the appraisal and valuation manual of the Royal Institute of Chartered Surveyors on 31 March 2014 by Ruxton Chartered Surveyors and Fisher German LLP. The valuation has been incorporated into the accounts and identified impairments of £15,686 and revaluation gains of £487,500.

Included in land and buildings is land at a value of £54 381m (2013 £54 381m) and investment properties at a value of £5 825m (2013 £5 353m) which are not depreciated.

Interest capitalised in the year amounted to £1 050m (2013 £0 253m) at a capitalisation rate of 6.5% (2013 6.5%). The cumulative amount of £12 230m (2013 £11 180m) is included within the cost of fixed assets.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

Tangible fixed assets (continued)

On the historical cost basis, tangible fixed assets would have been included as follows

	Freehold Land and Buildings £ 000	Leasehold Land and Buildings £ 000	Infrastructure £ 000	Plant and Equipment £ 000	Assets in the course of construction £ 000	Total £ 000
At 31 March 2014						
Cost	292,731	202	140,863	141,114	36,558	611,468
Accumulated depreciation	(96,525)	-	(81,093)	(106,830)	-	(284,448)
Net Book Value	196,206	202	59,770	34,284	36,558	327,020
At 31 March 2013						
Cost	286,825	202	139,184	132,939	22,419	581,569
Accumulated depreciation	(89,440)	-	(76,878)	(102,551)	-	(268,869)
Net Book Value	197,385	202	62,306	30,388	22,419	312,700

13 Investments

Details of subsidiary undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Birmingham Airport Limited	Ordinary Shares	100%	Airport terminal management & operation
Euro-Hub (Birmingham) Limited	Ordinary & Preference Shares	100%	Non trading
Birmingham Airport (Finance) PLC	Ordinary Shares	100%	Financing
First Castle Developments Limited	Ordinary Shares	100%	Property holding company
Birmingham Airport Developments Limited	Ordinary Shares	100%	Site development
BHX Fire and Rescue Limited	Ordinary Shares	100%	Airport rescue and fire fighting services
Birmingham Airport Air Traffic Limited *	Ordinary Shares	100%	Provision of air traffic services
Birmingham Airport Services Limited	Ordinary Shares	100%	Provision of services at Birmingham Airport
BHX (Scotland) Limited	Ordinary Shares	100%	Property holding and investment
BHX Limited Partnership	Capital Contribution	100%	Property holding and investment

* dormant company

Birmingham Airport Limited, Eurohub (Birmingham) Limited and Birmingham Airport (Finance) Limited are direct subsidiaries of Birmingham Airport Holdings Limited. Birmingham Airport Limited is the parent undertaking of Birmingham Airport Developments Limited, BHX Fire and Rescue Limited, Birmingham Airport Air Traffic Limited, Birmingham Airport Services Limited, BHX (Scotland) Limited and BHX Limited Partnership

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

Investments (continued)

Company

	2014 £ 000	2013 £ 000
Shares in group undertakings and participating interests	143,745	143,745
Loans to group undertakings and participating interests	145,832	146,872
	<u>289,577</u>	<u>290,617</u>

Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000
Cost	
At 1 April 2013	143,745
At 31 March 2014	143,745
Net book value	
At 31 March 2014	143,745
At 31 March 2013	143,745

Loans to group undertakings and participating interests

	£ 000
At 1 April 2013	146,872
Repaid	(1,040)
At 31 March 2014	<u>145,832</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets

The inter-company loans are unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. However in practice this balance represents long term advances and is unlikely to be repaid within one year and treated as an investment

14 Stocks and development land

	Group		Company	
	2014 £ 000	2013 £ 000	2014 £ 000	2013 £ 000
Stocks	522	416	-	-
Development land	640	700	-	-
	<u>1,162</u>	<u>1,116</u>	<u>-</u>	<u>-</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

15 Debtors

	Group		Company	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Trade debtors	8,584	8,140	-	-
Other debtors	87	724	-	-
Prepayments and accrued income	6,923	7,920	257	201
	<u>15,594</u>	<u>16,784</u>	<u>257</u>	<u>201</u>

Other debtors includes £nil (2013 - £639,000) receivable after more than one year. The prior year debtor related to a development loan for an on site construction project. The loan was originally due to be repaid by November 2017, and was paid on 6 March 2014. The parent company debtors includes £nil (2013 - £nil) receivable after more than one year.

16 Creditors Amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Trade creditors	1,754	1,225	-	-
Corporation tax	3,572	2,938	350	536
Other taxes and social security	502	573	-	-
Deferred income	6,016	6,841	-	-
Capital grants	179	179	-	-
Accruals	28,090	26,718	2,534	1,392
	<u>40,113</u>	<u>38,474</u>	<u>2,884</u>	<u>1,928</u>

17 Creditors Amounts falling due after more than one year

	Group		Company	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Preference shares	15,384	15,384	15,384	15,384
Amounts owed to subsidiary undertakings	-	-	163,849	133,632
Other loans	179,314	104,213	-	-
Net premium arising on lease and leaseback	4,732	4,732	-	-
Deferred income	3,182	3,858	-	-
Capital grants	4,934	4,932	-	-
	<u>207,546</u>	<u>133,119</u>	<u>179,233</u>	<u>149,016</u>

The inter-company loan is unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. However in practice this balance represents a long term advance and is unlikely to be repaid within one year.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

18 Loans

	Group		Company	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Loans falling due in one year or less	-	-	-	-
Loans falling due in two to five years	-	-	163,003	133,632
Loans falling due in over five years	180,000	105,000	-	-
	180,000	105,000	163,003	133,632
less un-amortised issue costs and discounts	(686)	(787)	-	-
	<u>179,314</u>	<u>104,213</u>	<u>163,003</u>	<u>133,632</u>

Loans not wholly repayable within 5 years

	Group		Company	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Series A Senior Notes repayable on 03 December 2023	30,000	-	-	-
Series B Senior Notes repayable on 03 December 2028	45,000	-	-	-
Bonds repayable on 22 February 2021	105,000	105,000	-	-
Less un-amortised issue costs and discount	(686)	(787)	-	-
	<u>179,314</u>	<u>104,213</u>	<u>-</u>	<u>-</u>

The private placement senior notes A and senior notes B will mature, unless previously redeemed, purchased or cancelled, on 3 December 2023 and 3 December 2028 respectively. Interest on the senior notes is payable on 3 June and 3 December at a fixed rate of 4.472 per cent for the senior A notes and 4.557 per cent for the senior B notes.

The corporate bonds will mature unless previously redeemed or purchased or cancelled on 22 February 2021. Interest on the bonds is payable on 22 February at a fixed rate of 6.25 per cent in the par value. The bonds are listed on the London Stock Exchange. The bonds were issued at a discount of 1.102 per cent, which, if amortised into the cashflow, gives an interest rate of 6.349 per cent.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

19 Derivatives and other financial instruments

The group's principal financial instruments comprise bonds, private placement senior notes, bank loans and cash. The main purpose of these financial instruments is to raise and provide finance for the group's operations. The group does not enter into any form of derivative financial instruments. As permitted by FRS 13 'Derivatives and other financial instruments', the following financial information excludes all of the group's short term debtors and creditors.

Funding

The group's funding is provided by its £105m bond issue, £75m private placement senior notes, £20m loan facility, £1m overdraft facility and £19.2m cash reserves.

Interest rate risk

The group's borrowings are a combination of fixed and floating rate liabilities. The bond is at a fixed interest rate of 6.25 per cent equating to a rate of 6.349 per cent if the launch discount of 1.102 per cent is amortised back into the cashflow. The private placement notes are at a fixed interest rate of 4.472 per cent for senior A notes and 4.557 per cent for senior B notes. The bank revolving credit facility is based upon LIBOR (fixed at each draw-down) and a defined mark up.

Currency Exposure

The group has no overseas investments and all invoicing is carried out in sterling. Currency exposure relates to ongoing operating costs when materials and services are sourced from overseas. These are not considered to be a significant part of the group's business. Future capital projects may include some element of currency exposure in which case consideration will be given to hedging the exposure.

Borrowing facilities

The group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2014 £ 000	2013 £ 000
Expiring in one year or less	-	-
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years	20,000	45,000
	<u>20,000</u>	<u>45,000</u>

Preference shares

The company has in issue £15,383,600 of cumulative redeemable preference shares with a fixed coupon rate of 6.31% and no voting rights.

Interest rate risk and profile of financial assets

The interest rate profile of the financial assets of the group as at 31 March was as follows:

	Floating Rate £ 000	No interest is earned £ 000	Total £ 000
2014 Sterling	18,701	512	19,213
2013 Sterling	30,969	(2,558)	28,411

Floating rate financial assets comprise surplus cash balances deposited on the overnight and short term money markets. The interest rate is based upon prevailing market rates and is set upon deposit. The financial assets on which no interest is earned comprise surplus cash balances and uncleared transactions.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

Derivatives and other financial instruments (continued)

Interest rate risk and profile of financial liabilities

	Financial liabilities			Total	Fixed rate liabilities	
	Fixed rate	Floating rate	No rate		Interest rate	Fixed period
	£ 000	£ 000	£ 000	£ 000	%	Years
2014 Sterling Senior Notes series A	30,000	-	-	30,000	4.472%	10
2013 Sterling Senior Notes series A	-	-	-	-	-	-
2014 Sterling Senior Notes series B	45,000	-	-	45,000	4.557%	15
2013 Sterling Senior Notes series B	-	-	-	-	-	-
2014 Sterling Bond	125,116	-	65	125,181	6.25%	7
2013 Sterling Bond	125,116	-	2,025	127,141	6.25%	8

The above financial liabilities do not include a deduction for the un-amortised issue costs and discount of £0.686m (2013: £0.787m)

Maturity profile of the group's financial liabilities

	2014	2013
	£ 000	£ 000
In one year or less, or on demand	65	2,025
In more than one year but not more than two years	-	-
In more than two years but not more than five years	-	-
In more than five years	200,116	125,116
	<u>200,181</u>	<u>127,141</u>

Fair value of financial assets and financial liabilities

Set out below is a comparison of book value and fair value of all the group's financial assets and financial liabilities as at 31 March 2014

	Book Value	Fair Value	Book Value	Fair Value
	2014	2014	2013	2013
	£ 000	£ 000	£ 000	£ 000
Cash (including short term deposits)	19,213	19,213	28,411	28,411
Bonds	(104,314)	(114,652)	(104,213)	(117,655)
Private placement senior notes	(75,000)	(72,116)	-	-
Preference shares	(15,384)	(16,736)	(15,384)	(17,030)
Development provisions	(65)	(65)	(2,025)	(2,025)
Pension scheme liability	<u>(23,343)</u>	<u>(23,343)</u>	<u>(29,460)</u>	<u>(29,460)</u>

Market value has been used to determine the fair value of the bonds and discounted cashflows for the fair value of the private placement senior notes and preference shares. A fair value for the lease and leaseback liability cannot be determined due to the nature of the transaction (note 29) and its predominantly non financial nature. Trade creditors, accruals and deferred income, as disclosed in note 16 and 17, are excluded from the analysis above.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

20 Obligations under lease contracts (Group)

	Land and Buildings		Other	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Annual commitments under leases which expire				
- Within one year	-	-	26	15
- In the second to fifth year inclusive	450	450	50	42
- After five years	-	-	-	-
	<u>450</u>	<u>450</u>	<u>76</u>	<u>57</u>

21 Provisions for liabilities

Group

	Deferred tax £ 000	Other provision £ 000	Total £ 000
At 1 April 2013	<u>7,777</u>	<u>2,025</u>	<u>9,802</u>
Credited to the profit and loss account	(679)	(1,844)	(2,523)
Utilised during the year	<u>-</u>	<u>(116)</u>	<u>(116)</u>
	<u>(679)</u>	<u>(1,960)</u>	<u>(2,639)</u>
At 31 March 2014	<u>7,098</u>	<u>65</u>	<u>7,163</u>

Development Related Provisions

The group 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 provisions for payments under the Land Compensation Act 1973. Provisions are made in line with foreseen liabilities. There is currently no outstanding provision for Land Compensation Act claims. With regards to the noise insulation scheme, the future liability for the next twelve months is estimated at £200,000 (2013: £200,000) and is charged in the year to which it relates.

Analysis of deferred tax

	2014 £ 000	2013 £ 000
Capital allowances in advance of depreciation	5,038	6,454
Other timing differences	<u>2,060</u>	<u>1,323</u>
	<u>7,098</u>	<u>7,777</u>

Deferred tax has not been provided on the revaluation surplus as there is no present intention to dispose of any of the revalued fixed assets. The above does not include deferred tax assets disclosed in Note 26.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

22 Share capital

Allotted, called up and fully paid shares

			2014		2013	
			Number	£ 000	Number	£ 000
A Ordinary shares of	£0 01	each	315,082,900	3,151	315,082,900	3,151
B Ordinary shares of	£0 01	each	8,909,700	89	8,909,700	89
1 special (non participating) voting share of	£1 00	each	1	-	1	-
			<u>323,992,601</u>	<u>3,240</u>	<u>323,992,601</u>	<u>3,240</u>

The 'B' ordinary shares carry the same rights as the 'A' ordinary shares except they have no voting rights. The preference shares carry no voting rights. On a winding up of the company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, 1p per share plus any accrued dividend. The holder of the special voting share is not entitled to participate in any dividend or any other distribution of income declared, made or paid by the company. On winding up, the holder of the special voting share has a right to receive the nominal value following payments to preference and ordinary shareholders.

23 Reserves

Group

	Share premium account £ 000	Revaluation reserve £ 000	Merger reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2013	43,644	115,493	25,588	75,524	260,249
Profit for the financial year	-	-	-	12,462	12,462
Dividends (note 11)	-	-	-	(82,202)	(82,202)
Transfer of realised profits	-	(4,318)	-	4,318	-
Surplus on property revaluation	-	488	-	-	488
Actuarial gain on pension schemes	-	-	-	2,867	2,867
Movement on deferred tax on pension scheme	-	-	-	(659)	(659)
Net sale of own shares from share trust	-	-	-	(118)	(118)
At 31 March 2014	<u>43,644</u>	<u>111,663</u>	<u>25,588</u>	<u>12,192</u>	<u>193,087</u>

Birmingham Airport Holdings Limited**Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)****Reserves (continued)****Company**

	Share premium account £ 000	Merger reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2013	43,644	51,380	41,619	136,643
Profit for the year	-	-	50,167	50,167
Dividends	-	-	(82,202)	(82,202)
Net sale of own shares from share trust	-	-	(118)	(118)
At 31 March 2014	<u>43,644</u>	<u>51,380</u>	<u>9,466</u>	<u>104,490</u>

Birmingham Airport Holdings Limited is the sponsoring company of an ESOP Trust. 'B' ordinary shares to the value of £2 750m were issued on 26 March 1997 by Birmingham Airport Holdings Limited and they were financed by the ESOP Trust by way of a loan from the group's syndicated facility. The loan is guaranteed by Birmingham Airport Holdings Limited and its subsidiary companies.

The shares and funding liabilities of the Trust are recognised on the company's balance sheet because the company is deemed to have de facto control until such time as the shares held by the Trust vest unconditionally with the employees. A scheme has been agreed with the Inland Revenue under the All Employee Share Ownership Plan (AESOP) legislation with the first shares being bought by and gifted to employees in September 2001. The Trust bears its own expenses and has waived its right to the payment of a dividend in the year.

ESOP Shares

	Own Shares Number	Own Shares £ 000
Investment at 1 April 2013	4,957,539	2,845
Shares vested in employees	(295,118)	(169)
Shares purchased from employees	347,020	287
Investment at 31 March 2014	<u>5,009,441</u>	<u>2,963</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

24 Reconciliation of operating profit to net cash flow from operating activities

	2014	2013
	£ 000	£ 000
Operating profit	26,497	24,173
Depreciation, amortisation and impairment charges	22,835	22,789
Profit on disposal of fixed assets	(400)	(1)
Amortisation of deferred income and grants	(179)	(179)
Difference between defined benefit pension charge and cash contributions	(5,654)	(3,035)
(Increase)/decrease in stocks	(46)	67
Increase in debtors	(659)	(959)
(Decrease)/increase in creditors	(1,929)	1,714
Decrease in provisions	(1,960)	(525)
Net cash inflow from operating activities	<u>38,505</u>	<u>44,044</u>

25 Reconciliation of net cash flow to movement in net debt

	2014	2013
	£ 000	£ 000
Increase/(decrease) in cash	160	(5,273)
Movement in short term deposits	(9,358)	5,407
Net movement in long term borrowing	(75,000)	-
Lease and leaseback premium	905	557
Change in net debt resulting from cash flows	<u>(83,293)</u>	<u>691</u>
Lease and leaseback - accrued interest	(905)	(557)
Movement in corporate bond - non cash	<u>(101)</u>	<u>(100)</u>
Movement in net debt	<u>(84,299)</u>	<u>34</u>
Net debt at 1 April	<u>(95,918)</u>	<u>(95,952)</u>
Net debt at 31 March	<u>(180,217)</u>	<u>(95,918)</u>

	1 April		Non - cash	31 March
	2013	Cash flow	movements	2014
	£ 000	£ 000	£ 000	£ 000
Cash at bank and in hand	2,824	160	-	2,984
Short term deposits	25,587	(9,358)	-	16,229
Lease and leaseback premium	(4,732)	905	(905)	(4,732)
Corporate bond	(104,213)	-	(101)	(104,314)
Private placement senior notes	-	(75,000)	-	(75,000)
Preference shares	(15,384)	-	-	(15,384)
	<u>(95,918)</u>	<u>(83,293)</u>	<u>(1,006)</u>	<u>(180,217)</u>

Short term deposits are included within cash at bank and in hand in the balance sheet. The amounts included for finance leases are net of prepayments.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

26 Pension schemes

Birmingham Airport Limited pension scheme

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

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

On 28 March 2013 Birmingham Airport Limited agreed an asset backed funding arrangement with the trustees of the pension scheme to help address the pension funding deficit. In connection with the arrangement, property with a fair value of £33.3m was leased and subsequently leased back to a limited partnership established by the group. The partnership is controlled by and consolidated by the group. On 28 March 2013, Birmingham Airport Limited made a special contribution to the pension scheme of £25.3m and on the same day the pension scheme used this contribution to acquire an interest in the partnership for its fair value of £25.3m. This interest entitles the pension scheme to a distribution from the income of the partnership of £2m 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 balance sheet date are as follows:

	2014 %	2013 %
Discount rate	4.50	4.40
Future salary increases	3.20	3.60
Future pension increases	3.45	3.35
Inflation (CPI)	2.45	2.35
Expected return on scheme assets - equity	7.50	7.50
Expected return on scheme assets - cash	0.50	0.50
Expected return on scheme assets - corporate bonds	4.50	4.30
Expected return on scheme assets - target return funds	7.50	7.50

Following recent government announcements, within the scheme there are different categories of members to which either CPI or RPI applies. The RPI inflation figure at 31 March 2014 was 3.45% (2013: 3.35%).

	2014 Based on S1PA tables with CMI projections and long term rates of improvement of 1.5% pa	2013 Based on S1PA tables with CMI projections and long term rates of improvement of 1.5% pa
Post retirement mortality assumption		

Birmingham Airport Holdings Limited**Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)****Pension scheme (continued)****Reconciliation of scheme assets and liabilities to assets and liabilities recognised**

The amounts recognised in the balance sheet are as follows

	2014 £ 000	2013 £ 000
Fair value of scheme assets	114,449	104,017
Present value of scheme liabilities	(143,628)	(142,276)
Defined benefit pension scheme deficit	(29,179)	(38,259)
Related deferred tax asset	5,836	8,799
Net liability in the balance sheet	(23,343)	(29,460)

Scheme assets

Changes in the fair value of scheme assets are as follows

	2014 £ 000	2013 £ 000
Fair value at start of year	104,017	91,207
Expected return on assets	6,784	6,432
Actuarial gains and losses	(318)	4,996
Employer contributions	7,267	4,589
Contributions by scheme participants	181	288
Benefits paid	(3,482)	(3,495)
Fair value at end of year	114,449	104,017

Analysis of assets

The major categories of scheme assets are as follows

	2014 £ 000	2013 £ 000
Equity instruments	46,055	40,908
Debt instruments	34,248	33,868
Cash	826	741
Other assets	33,320	28,500
	114,449	104,017

The assets do not include any investment in the shares of the company. The assets do not include any provisions that may be in the company accounts for unfunded benefits.

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity and property returns are developed based on the selection of an appropriate risk premium above the rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the scheme's holdings of these instruments.

The actual return on scheme assets in the year was a £6 466m (2013 £11 428m)

Birmingham Airport Holdings Limited**Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)****Pension scheme (continued)*****Scheme liabilities***

Changes in the present value of scheme liabilities are as follows

	2014 £ 000	2013 £ 000
Present value at start of year	142,276	124,472
Current service cost	1,615	1,545
Actuarial gains and losses	(3,185)	13,398
Interest cost	6,223	6,059
Benefits paid	(3,482)	(3,495)
Contributions by scheme participants	181	288
Liabilities extinguished on settlements	-	9
Present value at end of year	143,628	142,276

Amounts recognised in the profit and loss account

	2014 £ 000	2013 £ 000
Amounts recognised in operating profit		
Current service cost	(1,615)	(1,545)
(Gains)/losses on curtailments and settlements	-	(9)
Recognised in arriving at operating profit	(1,615)	(1,554)
Amounts recognised in other finance income		
Interest cost	(6,223)	(6,059)
Expected return on scheme assets	6,784	6,432
Recognised in other finance income/(cost)	561	373
Total recognised in the profit and loss account	(1,054)	(1,181)

Amounts recognised in the statement of total recognised gains and losses

	2014 £ 000	2013 £ 000
Actual return less expected return on scheme assets	(318)	4,996
Changes in assumptions	3,185	(17,470)
Experience adjustments arising on scheme liabilities	-	4,072
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	2,867	(8,402)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and (losses) since 1 January 2002 is (£48,964,000) (2013 - (£51,831,000))

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

Pension Scheme (continued)

History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous 4 periods are as follows

	2014 £ 000	2013 £ 000	2012 £ 000	2011 £ 000	2010 £ 000
Fair value of scheme assets	114,449	104,017	91,207	85,932	78,300
Present value of scheme liabilities	(143,628)	(142,276)	(124,472)	(113,703)	(107,129)
Deficit in scheme	(29,179)	(38,259)	(33,265)	(27,771)	(28,829)
Experience adjustments					
	2014 £ 000	2013 £ 000	2012 £ 000	2011 £ 000	2010 £ 000
Experience adjustments arising on scheme assets	(318)	4,996	(3,109)	(500)	14,147
Experience adjustments arising on scheme liabilities	-	4,072	-	-	(606)

27 Contingent liabilities

On 13 February 2001, guarantees were provided by Birmingham Airport Holdings Limited, Birmingham Airport Limited and Euro-hub (Birmingham) Limited in support of a £105m Corporate Bond issued by Birmingham Airport (Finance) PLC. The bond is for a period of 20 years maturing on the 22 February 2021 and carries a fixed interest rate of 6.25 per cent per annum.

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

On 25 June 2010 the company along with other group members of Birmingham Airport Holdings Limited provided guarantees to Santander UK plc and The Royal Bank of Scotland plc in support of a £45m banking facility made available to Birmingham Airport Holdings Limited. The facility was for a period of five years, with an expiry date of 25 June 2015. The facilities and associated guarantees were cancelled on 28 November 2013.

On 3 December 2013 the company along with other group members of Birmingham Airport Holdings Limited provided guarantees to the Royal Bank of Scotland plc and Lloyds Bank plc in support of a £20m banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of five years with an expiry date of 3 December 2018. At the date of signing these financial statements, the total amount outstanding under the facility was £nil.

28 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £7,434,901 (2013 - £28,887,000).

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

29 Related party transactions

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group

In accordance with section 479C of the Companies Act 2006, Birmingham Airport Holdings Limited has provided guarantees for the year ended 31 March 2014, to enable BHX Fire and Rescue Limited, Birmingham Airport Developments Limited, First Castle Developments Limited, Birmingham Airport Services Limited and Eurohub (Birmingham) Limited to take advantage of the audit exemption in section 479A of the Companies Act 2006

With regards to other related parties, all the existing shareholders except the ESOP Trust have rights to appoint directors and have done so. They have therefore been considered as related parties under FRS8 and any transactions between them and the Birmingham Airport Holdings Limited group during the year ended 31 March 2014 are disclosed below

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. The dividends paid to The Districts in the year amounted to £42.375m (2013: £5.805m)

In 1995 Birmingham Airport Limited entered into arms-length lease arrangements 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 £100m 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 £96.5m

In accordance with SSAP 21 "Accounting for leases and hire purchase contracts", 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 Group and is disclosed at Note 17

Under the lease arrangement, the Company pays a basic rent of £600,000 p.a. 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 paid in 2013 was £730,039 (2013: £706,849). The amount at the end of the year was £4.732m (2013: £4.732m), all of which is due after more than one year.

In February 2002 the Group completed a 150 year lease agreement with Birmingham City Council for land adjacent to the airport site. A lease premium of £200,000 was paid with a peppercorn rent for the remaining lease term along with costs of £2,000. In accordance with SSAP21 "Accounting for leases and hire purchase contracts", the lease payments have been treated as a finance lease in the financial statements of the Group. The amount due at the end of the year was £nil.

Solihull Metropolitan Borough Council

Solihull Metropolitan Borough Council provided a grant during 2002/03 of £5.237m from the West Midlands Local Transport Plan fund towards the cost of building a Multi Modal Interchange. The building has been capitalised in the Company's financial statements and the grant will be released to income on a straight line basis over the life of the asset. At the 31 March 2014, £4.076m was held within deferred income (2013: £4.181m).

Solihull Metropolitan Borough Council is the local authority for the airport and transacts with the Company in a number of areas including business rates, planning applications and building control services. All of these transactions are carried out on an arms length basis at a full commercial rate.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2014 (continued)

Related party transactions (continued)

Birmingham City Council

In support of the A45 transport corridor improvement scheme the Airport Company is contributing up to £7m to cover the cost of the realignment of the improved A45 corridor. This transaction is carried out on an arms length basis at a full commercial rate.

Airport Group Investments Limited

Airport Group Investments Limited are shareholders and received dividends of £40.289m during the year (2013: £4.760m).

30 Control

Birmingham Airport Holdings Limited is owned by the West Midlands District Councils, who hold 49 per cent of the ordinary shares, Airport Group Investments Limited, who hold 48.25 per cent of the ordinary shares and the Employee Share Ownership Plan who hold 2.75 per cent of the shares. No party or group of parties have ultimate control of the group.