

COMPANY NUMBER  
4061664

# Birmingham Airport (Finance) PLC

Directors' Report and Financial Statements

for the Year Ended 31 March 2012

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## **Birmingham Airport (Finance) PLC**

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## **Birmingham Airport (Finance) PLC**

### **Company Information**

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**Registration number** 4061664

**Chairman** J L Hudson

**Chief executive** P Kehoe

**Directors** M J Kelly  
G E Richards

**Company secretary** M J Kelly

**Registered office** Diamond House  
Birmingham Airport  
Birmingham  
West Midlands  
B26 3QJ

**Solicitors** Eversheds LLP  
115 Colmore Row  
Birmingham  
West Midlands  
B3 3AL

**Bankers** National Westminster Bank plc  
2 St Philips Place  
Birmingham  
West Midlands  
B3 3RB

**Auditors** PricewaterhouseCoopers LLP  
Chartered accountants and statutory auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
West Midlands  
B3 2DT

## **Birmingham Airport (Finance) PLC**

### **Directors' Report for the Year Ended 31 March 2012**

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The directors present their report and the audited financial statements for the year ended 31 March 2012

#### **Principle activity**

From the commencement of trading on 1 February 2001, the principle activity of the company has been the provision of financing facilities to Birmingham Airport Holdings Limited (the ultimate holding company of Birmingham Airport (Finance) PLC). During February 2001, the company issued a 20 year, £105 million corporate bond, the net proceeds of which have been lent to Birmingham Airport Holdings Limited at a commercial rate of interest.

As the company is a wholly owned subsidiary of Birmingham Airport Holdings Limited, a more detailed review of the business can be found within those accounts including a performance review, key performance indicators and information upon financial risk management.

#### **Small company provisions**

This report has been prepared in accordance with the small companies regime within part 15 of the Companies Act 2006.

#### **Future developments**

The directors expect the company to continue to provide financing facilities to Birmingham Airport Holdings Limited.

#### **Results and dividends**

The profit for the year after taxation amounted to £475,513 (2011 £443,596). A dividend of £8.88 (2011 £8.76) per ordinary share, amounting to £444,000 (2011 £438,000) was paid during the year.

The directors recommend a final dividend payment of £475,500 be made in respect of the financial year ended 31 March 2012. This dividend has not been recognised as a liability in the financial statements.

#### **Directors of the company**

The directors who held office during the year were as follows:

J L Hudson - Chairman

P Kehoe - Chief executive

M J Kelly - Company secretary and director

G E Richards

(Alternate: T L Huxtable - resigned 12/10/11, R A M Brew - appointed 14/11/11 and resigned 13/06/12, Sir A Bore - appointed 05/07/12)

## **Birmingham Airport (Finance) PLC**

### **Directors' Report for the Year Ended 31 March 2012 (*continued*)**

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#### **Statement of directors' responsibilities**

The directors are responsible for preparing the 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 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 company and of the profit or loss of the company 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

#### **Disclosure of information to the auditors**

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

Approved by the Board on 18 July 2012 and signed on its behalf by

  
M J Kelly  
Company secretary and director

## **Independent Auditor's Report to the Members of Birmingham Airport (Finance) PLC**

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We have audited the financial statements of Birmingham Airport (Finance) PLC for the year ended 31 March 2012, which comprises the Profit and Loss Account, the Balance Sheet and the related notes, set out on pages 6 to 13. 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).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement (set out on page 3), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

**Independent Auditor's Report to the Members of Birmingham Airport (Finance) PLC**  
**(continued)**

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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Stephen Snook (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered accountants and statutory auditors  
Birmingham

19 July 2012

**Birmingham Airport (Finance) PLC****Profit and Loss Account for the Year Ended 31 March 2012**

	Note	2012 £ 000	2011 £ 000
Turnover		-	-
Administrative expenses		(8)	(7)
Operating loss	2	(8)	(7)
Income from shares in group undertakings		7,313	7,286
Interest payable and similar charges	4	(6,662)	(6,663)
Profit on ordinary activities before taxation		643	616
Tax on profit on ordinary activities	5	(167)	(172)
Profit for the financial year	13	476	444

Turnover and operating loss derive wholly from continuing operations

There are no recognised gains and losses other than the profits for the year ended 31 March 2012 and 31 March 2011

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents

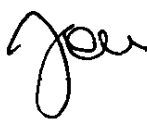
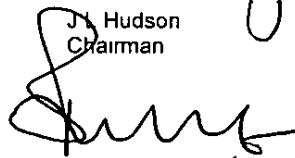


**Birmingham Airport (Finance) PLC**  
**Balance Sheet at 31 March 2012**

	Note	2012 £ 000	2011 £ 000
<b>Current assets</b>			
Debtors	7	105,982	105,855
Cash at bank and in hand		<u>1</u>	<u>1</u>
		105,983	105,856
Creditors Amounts falling due within one year	8	<u>(858)</u>	<u>(864)</u>
Net current assets		105,125	104,992
Creditors Amounts falling due after more than one year	9	<u>(104,114)</u>	<u>(104,013)</u>
Net assets		<u>1,011</u>	<u>979</u>
<b>Capital and reserves</b>			
Called up share capital	12	50	50
Profit and loss account	13	<u>961</u>	<u>929</u>
Total shareholders' funds	14	<u>1,011</u>	<u>979</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective 2008)

Approved by the Board on 18 July 2012 and signed on its behalf by

  
 J. Hudson  
 Chairman  
  
 P. Kehoe  
 Chief executive

## **Birmingham Airport (Finance) PLC**

### **Notes to the Financial Statements for the Year Ended 31 March 2012**

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#### **1 Accounting policies**

##### **Basis of preparation**

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

The Company is a wholly owned subsidiary company of a group headed by Birmingham Airport Holdings Limited, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the Company has taken advantage of the exemption with FRS 1 'Cash flow statements (revised 1996)' from preparing a cash flow statement.

##### **Deferred tax**

The tax charge for the year is based on the profits or losses on ordinary activities for the year and takes into account full provision for deferred tax in respect of timing differences.

##### **Financial instruments**

Amounts receivable from group companies are classified as "loans and receivables" and are measured at amortised cost. These are included in the current assets, except for maturities greater than 12 months after the end of the reporting date. The company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Borrowings are stated at the fair value of the consideration received after deduction of transaction costs. Transaction costs and finance charges are charged to the profit and loss account on a constant yield basis over the term of the borrowings.

#### **2 Operating loss**

Operating loss is stated after charging

	2012 £ 000	2011 £ 000
Auditor's remuneration - The audit of the company's annual accounts	<u>2</u>	<u>2</u>

#### **3 Directors' remuneration**

No emoluments were paid to any directors' by the company during the year (2011 nil). There are no employees of the company (2011 none).

**Birmingham Airport (Finance) PLC****Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)**

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**4 Interest payable and similar charges**

	2012 £ 000	2011 £ 000
Corporate Bond	6,662	6,663
	<u>6,662</u>	<u>6,663</u>

Interest payable includes the amortisation of the debt issue costs and launch discount over the life of the debt

**5 Taxation****Tax on profit on ordinary activities**

	2012 £ 000	2011 £ 000
<b>Current tax</b>		
Corporation tax charge	<u>167</u>	<u>172</u>

**Factors affecting current tax charge for the year**

Tax on profit on ordinary activities for the year is the same as (2011 - the same as) the standard rate of corporation tax in the UK of 26% (2011 - 28%)

The differences are reconciled below

	2012 £ 000	2011 £ 000
Profit on ordinary activities before taxation	<u>643</u>	<u>616</u>
Corporation tax at standard rate	<u>167</u>	<u>172</u>
Total current tax	<u>167</u>	<u>172</u>

**Factors that may affect future tax charges**

In his budgets of 2010, 2011 and 2012, the Chancellor of the Exchequer proposed a decrease in the rate of UK corporation tax from 26% to 22% falling by 2% in 2012 and a further 1% a year in 2013 and 2014. The first 1% reduction to 25% for 2012 was substantively enacted in July 2011 and in accordance with accounting standards, has been reflected in the Company's financial statements. The second 1% reduction to 24% for 2012 was substantively enacted on 29 March 2012 and, in accordance with accounting standards, will be reflected in the Company's financial statements in respect of the year ended 31 March 2012. Further proposed changes will only be reflected once the reductions are substantively enacted.

**Birmingham Airport (Finance) PLC****Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****6 Dividends**

	2012 £ 000	2011 £ 000
<b>Dividends paid</b>		
Prior year final dividend paid at £8.88 per share (2010: £8.76)	444	438
Recommended final dividend proposed for approval by shareholders	476	444
A dividend of £9.51 per share will be proposed at the Annual General Meeting to be paid in July 2012		

**7 Debtors**

	2012 £ 000	2011 £ 000
Loans and receivables	105,982	105,855
	<u>105,982</u>	<u>105,855</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 payable on demand. However, in practice this balance represents a long term advance and is unlikely to be repaid within one year. The interest receivable is based on a rate composed of current interest rate payable on the company's bond plus 0.5 per cent.

**8 Creditors: Amounts falling due within one year**

	2012 £ 000	2011 £ 000
Corporation tax	167	173
Other creditors	691	691
	<u>858</u>	<u>864</u>

**9 Creditors: Amounts falling due after more than one year**

	2012 £ 000	2011 £ 000
Loans (note 10)	<u>104,114</u>	<u>104,013</u>

**Birmingham Airport (Finance) PLC****Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****10 Loans**

	2012 £ 000	2011 £ 000
Bonds repayable 2021 - Original Principal	105,000	105,000
Less issue costs and discount	(886)	(987)
	<u>104,114</u>	<u>104,013</u>

The bond will mature, unless previously redeemed or purchased or cancelled, on 22nd February 2021. Interest on the bonds is payable annually on 22nd February at a fixed rate of 6.25 per cent on 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.

**11 Financial Instruments**

The company's principal financial instruments comprise bonds and inter-company loans. The main purpose of these financial instruments is to raise and provide finance for the parent's operations. The Company does not enter into any form of derivative financial instruments.

**Funding**

The Company's funding is provided by its £105,000,000 6.25 per cent, guaranteed bond issue, due for redemption on 22 February 2021. The funding issued to provide financing to the parent undertaking via interest bearing inter-company loans. The Company has no other funding facilities.

**Interest Rate Risk**

The Company's borrowing is fixed at a interest rate of 6.25 per cent through its £105,000,000 sterling bond issue. This equates to a rate of 6.349 per cent if the launch discount of 1.102 per cent is amortised back into the cashflow. The Company charges an interest rate of 6.75 per cent on the surplus funds which it lends to its parent undertaking (Birmingham Airport Holdings Limited) via an inter-company loan account.

**Interest risk profile of financial liabilities**

Financial Liabilities	Fixed Rate £000	Floating Rate £000	Total £000
2012 Sterling	105,000	-	105,000
2011 Sterling	105,000	-	105,000

The above financial liabilities do not include a deduction for the un-amortised issue costs and discount of £0.886 million (2011: £0.987 million).

**Fixed Rate Financial Liabilities**

	Interest Rate %	Fixed Rate Years
2012 Sterling	6.25%	9
2011 Sterling	6.25%	10

**Birmingham Airport (Finance) PLC****Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****11 Financial Instruments (continued)****Interest rate risk and profile of financial assets**

	<b>Floating rate financial assets</b>	<b>Financial assets on which no interest is earned</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>2012 Sterling</b>	105,982	-	105,982
<b>2011 Sterling</b>	105,855	-	105,855

Floating rate financial assets comprise cash lent to the parent undertaking (Birmingham Airport Holdings Limited) via the inter-company loan. The interest rate is set annually to cover the interest and other costs of the Company, and is currently 6.75 per cent.

**Fair value of financial assets and financial liabilities**

Set out below is a comparison of the book value and fair value of all the Company's financial assets and the financial liabilities as at 31 March 2012.

	<b>Book Value 2012 £000</b>	<b>Fair Value 2012 £000</b>	<b>Book Value 2011 £000</b>	<b>Fair Value 2011 £000</b>
Loans and receivables	105,982	119,224	105,855	111,672
Bonds	(104,114)	(115,557)	(104,013)	(106,649)

The fair value of the bonds is based on the market value at the balance sheet date. The fair value of the inter-company loan is based on future discounted cash flows.

**12 Share capital****Allotted, called up and fully paid shares**

	<b>2012</b>		<b>2011</b>	
	<b>No. 000</b>	<b>£ 000</b>	<b>No. 000</b>	<b>£ 000</b>
Ordinary Shares of £1 each	50	50	50	50

**Birmingham Airport (Finance) PLC****Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****13 Reserves**

	<b>Profit and loss account £ 000</b>	<b>Total £ 000</b>
At 1 April 2011	929	929
Profit for the financial year	476	476
Dividends	(444)	(444)
At 31 March 2012	<u>961</u>	<u>961</u>

**14 Reconciliation of movement in shareholders' funds**

	<b>2012 £ 000</b>	<b>2011 £ 000</b>
Profit for the financial year	476	444
Dividends	(444)	(438)
Net addition to shareholders' funds	<u>32</u>	<u>6</u>
Shareholders' funds at 1 April	<u>979</u>	<u>973</u>
Shareholders' funds at 31 March	<u>1,011</u>	<u>979</u>

**15 Contingent liabilities**

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 £45 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of 5 years, with an expiry date of 25 June 2015. At the date of signing these financial statements, the total amount outstanding under the facility was £nil. The amount guaranteed is £nil (2011 - £nil).

**16 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.

**17 Control**

The company is controlled by Birmingham Airport Holdings Limited, a company incorporated in England. Birmingham Airport Holdings Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2012. The consolidated financial statements of Birmingham Airport Holdings Limited are available from its registered office, Diamond House, Birmingham Airport, Birmingham, West Midlands, B26 3QJ.