

COMPANY NUMBER: 4061664

Birmingham Airport (Finance) PLC

Directors' Report and Financial Statements

for the Year Ended 31 March 2013



Birmingham Airport (Finance) PLC

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Birmingham Airport (Finance) PLC

Company Information

Registration number 4061664

Chairman J L Hudson

Directors P Kehoe
M J Kelly
G E Richards

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 2013

The directors present their report and the audited financial statements for the year ended 31 March 2013

Principal activity

From the commencement of trading on 1 February 2001, the principal 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.

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 £478,878 (2012 £475,513). A dividend of £9.51 (2012 £8.88) per ordinary share, amounting to £475,500 (2012 £444,000) was paid during the year. A interim dividend of £4.88 (2012 nil) per ordinary share amounting to £244,000 (2012 nil) was also paid during the year.

The directors recommend a final dividend payment of £234,000 be made in respect of the financial year ended 31 March 2013. In accordance with UK GAAP 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

M J Kelly

G E Richards

(Alternate: 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 2013 (*continued*)

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 17 July 2013 and signed on its behalf by


M J Kelly
Director

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

We have audited the financial statements of Birmingham Airport (Finance) PLC for the year ended 31 March 2013, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 Statement of Directors' Responsibilities (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 and Financial Statements 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 2013 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

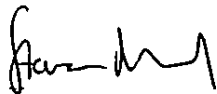
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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



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

Date 17 July 2013

Birmingham Airport (Finance) PLC**Profit and Loss Account for the Year Ended 31 March 2013**

	Note	2013 £ 000	2012 £ 000
Turnover		-	-
Administrative expenses		(7)	(8)
Operating loss	2	(7)	(8)
Interest receivable and similar income		7,300	7 313
Interest payable and similar charges	4	(6,663)	(6,662)
Profit on ordinary activities before taxation		630	643
Tax on profit on ordinary activities	5	(151)	(167)
Profit for the financial year	13	479	476

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 2013 and 31 March 2012

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 2013

	Note	2013 £ 000	2012 £ 000
Current assets			
Debtors	7	105,825	105,982
Cash at bank and in hand		<u>1</u>	<u>1</u>
		105,826	105,983
Creditors Amounts falling due within one year	8	<u>(843)</u>	<u>(858)</u>
Net current assets		104,983	105,125
Creditors Amounts falling due after more than one year	9	<u>(104,213)</u>	<u>(104,114)</u>
Net assets		<u>770</u>	<u>1,011</u>
Capital and reserves			
Called up share capital	12	50	50
Profit and loss account	13	<u>720</u>	<u>961</u>
Total shareholders' funds	14	<u>770</u>	<u>1,011</u>

Approved by the Board on 17 July 2013 and signed on its behalf by

J L Hudson
Chairman

P Kehoe
Director

Registered Number 4061664

Birmingham Airport (Finance) PLC

Notes to the Financial Statements for the Year Ended 31 March 2013

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

	2013	2012
	£ 000	£ 000
Auditor's remuneration - The audit of the company's annual accounts	<u>3</u>	<u>2</u>

3 Directors' remuneration

No emoluments were paid to any directors' by the company during the year (2012 nil). There are no employees of the company (2012 none).

Birmingham Airport (Finance) PLC**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****4 Interest payable and similar charges**

	2013 £ 000	2012 £ 000
Corporate Bond	<u>6,663</u>	<u>6,662</u>
	<u>6,663</u>	<u>6,662</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**

	2013 £ 000	2012 £ 000
Current tax		
Corporation tax charge	<u>151</u>	<u>167</u>

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is the same as (2012 - the same as) the standard rate of corporation tax in the UK of 24% (2012 - 26%)

The differences are reconciled below

	2013 £ 000	2012 £ 000
Profit on ordinary activities before taxation	<u>630</u>	<u>643</u>
Corporation tax at standard rate	<u>151</u>	<u>167</u>
Total current tax	<u>151</u>	<u>167</u>

Factors that may affect future tax charges

In his recent budgets the Chancellor of the Exchequer proposed a decrease in the rate of UK corporation tax from 26% to 20% falling by 2% in 2012, a further 1% in 2013, 2% in 2014 and 1% in 2015. The 1% reduction to 23% for 2013 was enacted on 3 July 2012 and in accordance with accounting standards, has been reflected in the Company's financial statements. The reductions for 2014 and 2015 were substantively enacted on 3 July 2013 and will be reflected in the 2014 financial statements.

Birmingham Airport (Finance) PLC**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****6 Dividends**

	2013 £ 000	2012 £ 000
Dividends paid		
Prior year final dividend paid at £9.51 per share (2012: £8.88)	476	444
Current year interim dividend paid: £4.88 (2012: nil) per ordinary share	244	-
	<u>720</u>	<u>444</u>
Recommended final dividend proposed for approval by shareholders	<u>234</u>	<u>476</u>

Current year information to follow

A dividend of £4.68 per share will be proposed at the Annual General Meeting to be paid in July 2013

7 Debtors

	2013 £ 000	2012 £ 000
Loans and receivables	<u>105,825</u>	<u>105,982</u>
	<u>105,825</u>	<u>105,982</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

	2013 £ 000	2012 £ 000
Corporation tax	152	167
Other creditors	<u>691</u>	<u>691</u>
	<u>843</u>	<u>858</u>

Birmingham Airport (Finance) PLC**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****9 Creditors Amounts falling due after more than one year**

	2013 £ 000	2012 £ 000
Loans (note 10)	<u>104,213</u>	<u>104,114</u>

10 Loans

	2013 £ 000	2012 £ 000
Bonds repayable 2021 - Original Principal	105,000	105,000
Less issue costs and discount	<u>(787)</u>	<u>(886)</u>
	<u>104,213</u>	<u>104,114</u>

The corporate bonds 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
2013 Sterling	<u>105,000</u>	<u>-</u>	<u>105,000</u>
2012 Sterling	<u>105,000</u>	<u>-</u>	<u>105,000</u>

Birmingham Airport (Finance) PLC

Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)

11 Financial Instruments (continued)

The above financial liabilities do not include a deduction for the un-amortised issue costs and discount of £0 787 million (2012 £0 886million)

Fixed Rate Financial Liabilities

	Interest Rate	Fixed Rate
	%	Years
2013 Sterling	6.25%	8
2012 Sterling	6.25%	9

Interest rate risk and profile of financial assets

	Floating rate financial assets	Financial assets on which no interest is earned	Total
	£000	£000	£000
2013 Sterling	105,825	-	105,825
2012 Sterling	105,982	-	105,982

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 2013.

	Book Value 2013 £000	Fair Value 2013 £000	Book Value 2012 £000	Fair Value 2012 £000
Loans and receivables	105,825	121,222	105,982	119,224
Bonds	(104,213)	(118,446)	(104,114)	(115,557)

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

	2013		2012	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £1 each	50	50	50	50

Birmingham Airport (Finance) PLC**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****13 Reserves**

	Profit and loss account £ 000	Total £ 000
At 1 April 2012	961	961
Profit for the financial year	479	479
Dividends	(720)	(720)
At 31 March 2013	<u>720</u>	<u>720</u>

14 Reconciliation of movement in shareholders' funds

	2013 £ 000	2012 £ 000
Profit for the financial year	479	476
Dividends	(720)	(444)
Net (reduction)/addition to shareholders' funds	(241)	32
Shareholders' funds at 1 April	<u>1,011</u>	<u>979</u>
Shareholders' funds at 31 March	<u>770</u>	<u>1 011</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 (2012 - £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 2013. The consolidated financial statements of Birmingham Airport Holdings Limited are available from its registered office, Diamond House, Birmingham Airport, Birmingham, West Midlands, B26 3QJ.