

Birmingham Airport (Finance) PLC

Annual Report and Financial Statements

for the Year Ended 31 March 2015

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Birmingham Airport (Finance) PLC

Contents

Company Information	1
Strategic Report	2
Directors' Report	3 to 4
Independent Auditor's Report	5 to 6
Profit and Loss Account	7
Balance Sheet	8
Notes to the Financial Statements	9 to 16

Birmingham Airport (Finance) PLC
Company Information

Registration number 4061664

Chairman J L Hudson

Directors P Kehoe
S L C 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

Strategic Report for the Year Ended 31 March 2015

The directors present their strategic report on the company for the year ended 31 March 2015.

Review of the business and 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. During December 2013 the company entered into Private Placement Senior Notes agreements for £30 million and £45 million with terms of 10 years and 15 years respectively. The net proceeds for this transaction have been lent to Birmingham Airport Holdings Limited (£32.2 million) and Birmingham Airport Limited (£41.8 million), both at a commercial rate of interest.

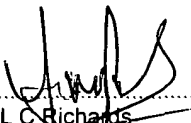
As the company is a wholly owned subsidiary of Birmingham Airport Holdings Limited, a more detailed review of Birmingham Airport Group can be found within those financial statements including a performance review, key performance indicators and information upon financial risk management.

Principal Risks and Uncertainties

The company is risk averse in its principal activities as detailed above. The principal risks are:

The company is risk averse in its principal activities as detailed above. The principal risk for the company is interest rates. The company has limited exposure, as both the corporate bond and private placement senior notes have fixed interest rates. The amounts owed by group undertakings attracts interest at a rate composed of current interest rate payable on the company's bond plus 0.5 per cent.

Approved by the Board on 15 July 2015 and signed on its behalf by:


.....
S L C Richards
Director

Birmingham Airport (Finance) PLC
Directors' Report for the Year Ended 31 March 2015

The directors present their report and the audited financial statements for the year ended 31 March 2015.

Future developments

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

Corporate Governance

The board are appointed by shareholders of the parent company (Birmingham Airport Holdings Limited) and meet annually to discuss the financial and operational performance of the business. The company was specifically established to provide structured finance to the group as noted in its principal activities within the Strategic report.

The board has an experienced operational management and finance team who monitor the company's performance and covenant compliance.

Share Capital Structure

The company has a single class of ordinary shares, all of which rank equally. The company appoints directors nominated by the shareholders of the holding company.

Results and dividends

The profit for the year after taxation amounted to £1,580,000 (2014: £721,000). During the year a final dividend was paid for the year ended 31 March 2014 of £8.77 (2014: £4.68) per ordinary share, amounting to £439,000 (2014: £234,000). An interim dividend for the year ending 31 March 2015 of £16.91 (2014: £5.68) per ordinary share, amounting to £846,000 (2014: £284,000) was also paid during the year.

The directors recommend a final dividend payment of £735,000 be made in respect of the financial year ended 31 March 2015. 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 and up to the date of signing the financial statements were as follows:

J L Hudson - Chairman

P Kehoe

S L C Richards (appointed 31 January 2015)

M J Kelly (resigned 31 January 2015)

G E Richards (resigned 28 February 2015)

Sir A Bore (resigned 28 February 2015)

Birmingham Airport (Finance) PLC

Directors' Report for the Year Ended 31 March 2015 (*continued*)

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 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 15 July 2015 and signed on its behalf by:


.....
S. L. Richards
Director

Report on the financial statements

Our opinion

In our opinion, Birmingham Airport (Finance) PLC's financial statements, (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 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.

What we have audited

Birmingham Airport (Finance) PLC's financial statements comprise:

- the Balance Sheet as at 31 March 2015
- the Profit and Loss Account 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 the preparation of the financial statements 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.

Opinions on other matters 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.

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, 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.

We have no exceptions to report arising from this responsibility.

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

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

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, 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 & Ireland) ("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.

What an audit of financial statements involves

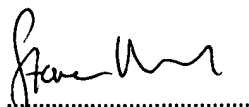
We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

- whether the accounting policies are appropriate to the 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 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.



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

15 July 2015

Birmingham Airport (Finance) PLC**Profit and Loss Account for the Year Ended 31 March 2015**

	Note	2015 £ 000	2014 £ 000
Turnover		-	-
Administrative expenses		(6)	(10)
Operating loss	2	(6)	(10)
Interest receivable and similar income		12,136	8,740
Interest payable and similar charges	4	(10,130)	(7,794)
Profit on ordinary activities before taxation		2,000	936
Tax on profit on ordinary activities	5	(420)	(215)
Profit for the financial year	13	<u>1,580</u>	<u>721</u>

The operating loss is derived wholly from continuing operations.

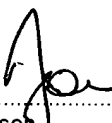
There are no recognised gains and losses other than the profits for the year ended 31 March 2015 and 31 March 2014.

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.

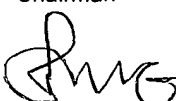
Birmingham Airport (Finance) PLC
Balance Sheet at 31 March 2015

	Note	2015 £ 000	2014 £ 000
Current assets			
Debtors	7	182,907	182,374
Cash at bank and in hand		<u>8</u>	<u>-</u>
		182,915	182,374
Creditors: Amounts falling due within one year	8	<u>(2,232)</u>	<u>(2,086)</u>
Net current assets		180,683	180,288
Creditors: Amounts falling due after more than one year	9	<u>(179,415)</u>	<u>(179,315)</u>
Net assets		<u>1,268</u>	<u>973</u>
Capital and reserves			
Called up share capital	12	50	50
Profit and loss account	13	<u>1,218</u>	<u>923</u>
Total shareholders' funds	14	<u>1,268</u>	<u>973</u>

Approved by the Board on 15 July 2015 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 2015

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 principal 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 within FRS 1 'Cash flow statements (revised 1996)' from preparing a cash flow statement.

Related party

The company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the Birmingham Airport Holdings group.

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 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 amortised cost after deduction of transaction costs. Transaction costs and finance charges are charged to the profit and loss account on a straight line basis over the term of the borrowings.

The company has not applied Financial Reporting Standard 29, 'Financial Instruments Disclosures' and Financial Reporting Standard 26, 'Financial Instruments Recognition and Measurement'. Fair value disclosures are included in note 11 in accordance with the Companies Act 2006.

2 Operating loss

Operating loss is stated after charging:

	2015	2014
	£ 000	£ 000
Auditor's remuneration - The audit of the company's annual financial statements	<u>3</u>	<u>5</u>

Birmingham Airport (Finance) PLC**Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)**

3 Directors' remuneration

No emoluments were paid to any directors' by the company during the year (2014: nil). There are no employees of the company (2014: none), other than the directors.

4 Interest payable and similar charges

	2015 £ 000	2014 £ 000
Corporate Bond	6,663	6,663
Other interest payable	3,467	1,131
	<u>10,130</u>	<u>7,794</u>

Interest payable includes the amortisation of the debt issue costs and launch discount over the life of the debt of £0.2m (2014: £0.1m)

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

	2015 £ 000	2014 £ 000
Current tax		
Corporation tax charge	<u>420</u>	<u>215</u>

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is the same as (2014 - the same as) the standard rate of corporation tax in the UK of 21% (2014 - 23%).

The differences are reconciled below:

	2015 £ 000	2014 £ 000
Profit on ordinary activities before taxation	<u>2,000</u>	<u>936</u>
Corporation tax at standard rate	<u>420</u>	<u>215</u>
Total current tax	<u>420</u>	<u>215</u>

Birmingham Airport (Finance) PLC

Notes to the Financial Statements for the Year Ended 31 March 2015 (*continued*)

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 2012/13, a further 1% in 2013/14, 2% in 2014/15 and 1% in 2015/16. The reductions for 2014 and 2015 were substantively enacted on 2 July 2013 and in accordance with accounting standards, has been reflected in the company's financial statements.

6 Dividends

	2015 £ 000	2014 £ 000
Dividends paid		
Prior year final dividend paid at £8.77 per share (2014: £4.68)	439	234
Current year interim dividend paid: £16.91 (2013: £5.68) per ordinary share	846	284
	<u>1,285</u>	<u>518</u>
Recommended final dividend proposed for approval by shareholders	<u>735</u>	<u>439</u>

A dividend of £14.69 per share will be proposed at the Annual General Meeting to be paid in July 2015 (2014: £8.77 per share).

7 Debtors

	2015 £ 000	2014 £ 000
Amounts owed by group undertakings	182,149	181,484
Prepayments and accrued income	<u>758</u>	<u>890</u>
	<u>182,907</u>	<u>182,374</u>

The inter-company loans are unsecured and there are no formal arrangements for the repayment of these amounts and consequently these amounts are 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 the current interest rate payable on the company's bond plus 0.5 per cent. This interest rate has also been applied to the funds loaned out from the Private Placements.

Birmingham Airport (Finance) PLC**Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)****8 Creditors: Amounts falling due within one year**

	2015 £ 000	2014 £ 000
Corporation tax	420	215
Accruals and deferred income	<u>1,812</u>	<u>1,871</u>
	<u>2,232</u>	<u>2,086</u>

9 Creditors: Amounts falling due after more than one year

	2015 £ 000	2014 £ 000
Other loans	<u>179,415</u>	<u>179,315</u>

10 Loans

	2015 £ 000	2014 £ 000
Bonds repayable 2021 - Original Principal	105,000	105,000
Private Placement Series A Senior Notes - Original Principal	30,000	30,000
Private Placement Series B Senior Notes - Original Principal	45,000	45,000
Less: issue costs and discount	<u>(585)</u>	<u>(685)</u>
	<u>179,415</u>	<u>179,315</u>

The private placement senior notes A and senior notes B will mature, unless previously redeemed or 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 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.

Birmingham Airport (Finance) PLC

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

11 Financial Instruments

The company's principal financial instruments comprise bonds, private placement senior notes and inter-company loans. The main purpose of these financial instruments is to raise and provide finance for the parent's and its subsidiaries 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, £30,000,000 4.472 per cent Series A Senior Note private placement maturing on 3 December 2023 and £45,000,000 4.557 per cent Series B Senior Note private placement maturing on 3 December 2028. The funding provided financing to the parent undertaking via interest bearing inter-company loans. The Company has no further funding.

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 interest rates on both Series A and Series B senior notes are fixed at 4.472 per cent and 4.557 per cent. The Company charges an interest rate of 6.75 per cent on all funds which it lends to its parent undertaking (Birmingham Airport Holdings Limited) and group subsidiary (Birmingham Airport Limited) via an inter-company loan account.

Interest risk profile of financial liabilities

Financial Liabilities	Fixed Rate £000	Floating Rate £000	Total £000
2015: Sterling	180,000	-	180,000
2014: Sterling	180,000	-	180,000

The above financial liabilities do not include a deduction for the un-amortised issue costs and discount of £0.585 million (2014: £0.685million)

Fixed Rate Financial Liabilities	Interest Rate %	Fixed Rate Years
2015: Sterling Private Placement Senior Notes Series A	4.472%	9
2014: Sterling Private Placement Senior Notes Series A	4.472%	10
2015: Sterling Private Placement Senior Notes Series B	4.557%	14
2014: Sterling Private Placement Senior Notes Series B	4.557%	15
2015: Sterling Bond	6.25%	6
2014: Sterling Bond	6.25%	7

Birmingham Airport (Finance) PLC**Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)****11 Financial Instruments (continued)****Interest rate risk and profile of financial assets**

	Floating rate financial assets	Financial assets on which no interest is earned	Total
	£000	£000	£000
2015: Sterling	179,051	-	179,051
2014: Sterling	179,838	-	179,838

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. This figure does not include amounts owed by group undertakings in relation to interest receivable and treasury deposits of £3.098 million (2014: £1.646 million) as these carry no interest rate risk.

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 2015.

	Book Value 2015 £000	Fair Value 2015 £000	Book Value 2014 £000	Fair Value 2014 £000
Loans and receivables	179,051	223,794	179,838	203,600
Private Placement Senior Notes Series A	(30,000)	(32,499)	(30,000)	(28,913)
Private Placement Senior Notes Series B	(45,000)	(50,816)	(45,000)	(43,204)
Bonds	(104,415)	(122,803)	(104,315)	(114,652)

The fair value of the bonds is based on the market value at the balance sheet date. The fair value of the private placement notes and inter-company loans are based on future discounted cash flows.

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

	2015		2014	
	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 2015 (continued)****13 Reserves**

	Profit and loss account £ 000	Total £ 000
At 1 April 2014	923	923
Profit for the financial year	1,580	1,580
Dividends (Note 6)	(1,285)	(1,285)
At 31 March 2015	<u>1,218</u>	<u>1,218</u>

14 Reconciliation of movement in shareholders' funds

	2015 £ 000	2014 £ 000
Profit for the financial year	1,580	721
Dividends (Note 6)	(1,285)	(518)
Net addition to shareholders' funds	295	203
Shareholders' funds at 1 April	973	770
Shareholders' funds at 31 March	<u>1,268</u>	<u>973</u>

15 Contingent liabilities

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

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 £20 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of five years with an expiry date of 3 December 2018. At the date of signing these financial statements, the total amount outstanding under the facility was £nil.

16 Related party transactions

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other wholly owned members of the Birmingham Airport Holdings Limited group.

Birmingham Airport (Finance) PLC

Notes to the Financial Statements for the Year Ended 31 March 2015 *(continued)*

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 smallest and largest group of undertakings to consolidate these financial statements at 31 March 2015. The consolidated financial statements of Birmingham Airport Holdings Limited are available from its registered office; Diamond House, Birmingham Airport, Birmingham, West Midlands, B26 3QJ.