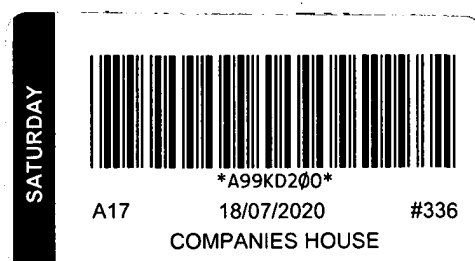


Birmingham Airport (Finance) PLC

Annual Report and Financial Statements

for the Year Ended 31 March 2020



Registration number: 04061664

Birmingham Airport (Finance) PLC

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Birmingham Airport (Finance) PLC

Company Information

Chairman T Clarke

Chief Executive Officer N Barton

Directors N Barton
T Clarke
S L C Richards

Company Secretary F Penhallurick

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

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

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

Independent Auditors PricewaterhouseCoopers LLP
Chartered accountants and statutory auditors
One Chamberlain Square
Birmingham
B3 3AX

Birmingham Airport (Finance) PLC

Strategic Report for the Year Ended 31 March 2020

The Directors present their strategic report for the year ended 31 March 2020.

Principal activities

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) and Birmingham Airport Limited.

Review of the business

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. During March 2016, the company entered into Private Placement Senior Notes agreements for £76 million with a term of 25 years. The proceeds for this transaction have been lent to Birmingham Airport Operations Limited on 6 April 2016 at a commercial rate of interest. During January 2019, the company entered into Private Placement Senior Notes agreements for £90 million with a term of 30 years. The proceeds for this transaction have been lent to Birmingham Airport Limited on 24 January 2019 at a commercial rate of interest. During January 2020, the company entered into Private Placement Senior Notes agreements for £85 million with a term of 30 years. The proceeds for this transaction have been lent to Birmingham Airport Limited on 23 January 2020 at a commercial rate of interest.

As the company is a wholly owned subsidiary, whose ultimate parent is Birmingham Airport Holdings Limited, a more detailed review of the Birmingham Airport Group can be found within those financial statements including a performance review, key performance indicators and information upon financial risk management. The specific company financial risk management policies are included in note 11.

Greenhouse Gas Emissions, Energy Consumption and Energy Efficiency Action

Administration is taken up by the Group and this is disclosed in the Group's accounts.

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

The Board of Directors of Birmingham Airport (Finance) plc have acted in a way they consider to be most likely to promote the success of the Company for the benefit of its members as a whole in the decisions taken during the year ended 31 March 2020.

The key relationships for the business are those with its external lenders and other members of the Birmingham Airport Holdings Limited Group.

The Company has long-standing relationships with its lenders and engages with them proactively to maintain these relationships.

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

Birmingham Airport (Finance) PLC
Strategic Report for the Year Ended 31 March 2020 (continued)

Principal risks and uncertainties

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 amount 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.

The Covid-19 pandemic has had a devastating impact on global aviation and it is unclear how quickly the industry will recover from the crisis. As a result there is additional covenant risk in 2019/20. The company continues to comply with, and there has been no breach of, any of the financial covenants relating to net worth, gearing and interest cover which are required by 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 the year end position is certified by the auditors.

A prolonged period of traffic disruption from Covid-19 could cause future covenant breach and agreement has been reached with lenders to waive these covenants at the next two testing dates of 30 September 2020 and 31 March 2021. A new testing date of 30 June 2021 has been introduced along with monthly reporting and a six month forward liquidity covenant.

Approved by the Board on 8 July 2020 and signed on its behalf by:


.....
F Penhallurick
Company secretary

Birmingham Airport (Finance) PLC

Directors' Report for the Year Ended 31 March 2020

The Directors present their report and the audited financial statements of the company for the year ended 31 March 2020.

Results and Dividends

The profit for the financial year after taxation amounted to £0.829 million (2019: £1.353 million). During the year a final dividend was paid for the year ended 31 March 2019 of £13.34 (2019: £9.92) per ordinary share, amounting to £0.667 million (2019: £0.496 million). An interim dividend for the year ending 31 March 2020 of £15.16 (2019: £13.71) per ordinary share, amounting to £0.758 million (2019: £0.685 million) was also paid during the year.

The Directors recommend that no final dividend is paid in respect of the financial year ended 31 March 2020 (2019: £13.34 per ordinary share or £0.667 million).

Corporate Governance

The Company has a single class of allotted, called up and fully paid ordinary shares, all of which rank equally. The Directors are appointed by Shareholders of the Ultimate Parent Company (Birmingham Airport Holdings Limited) and meet annually to discuss the financial and operational performance of the business. The voting rights of those Directors rank in proportion to the shareholdings in its holding Company. Please see note 13: Called up share capital for more details.

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.

Financial risk management

The interest rate risk for the Company is discussed in note 11. The Directors consider this to be the only risk for the Company.

Future developments

The Directors expect the Company to continue to provide financing facilities to Birmingham Airport Holdings Limited, Birmingham Airport Limited and Birmingham Airport Operations Limited.

Directors of the Company

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

N Barton - Chief Executive
T Clarke - Chairman
S L C Richards

Directors liabilities

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

Independent auditors

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

Birmingham Airport (Finance) PLC
Directors' Report for the Year Ended 31 March 2020 (continued)

Going concern

The Company has external debt facilities in the form of a £105 million corporate bond and £326 million of private placement loan notes. The Group of companies to which the Company belongs also has a bank loan of £25 million, for which the Company has cross guarantees.

The Directors have reviewed the prospects for the Group and Company to March 2022 (twenty-four months from the balance sheet date) in the context of the ongoing Covid-19 pandemic and the insolvency of Flybe in March 2020. At the balance sheet date the Group had very strong liquidity, with a cash balance of £212 million. Following the issuance of private placement notes the cash balance at 31 May 2020 had risen to £243 million. Actions taken to reduce expenditure have led to cash outflows in April and May 2020 averaging £6.8 million per month. Therefore, on a simple basis, after taking into account the maturity of the £105 million bond in February 2021, the Group has sufficient cash to operate for over 18 months from the date of signing these financial statements.

The Directors have also considered the significant uncertainties facing the Group over the next two years and carried out financial modelling of a range of trading scenarios along with the actions which could be taken in response.

The Directors have also taken steps to secure liquidity for at least the next 12 months by fully drawing the Group's £25 million revolving credit facility in March 2020 and by bringing forward the issuance of £45 million of private placement notes from December 2020 to May 2020. The maturity of the £105 million corporate bond in February 2021 is fully funded and the Group has no further maturities.

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

Approved by the Board on 8 July 2020 and signed on its behalf by:



F Penhallurick
Company Secretary

Birmingham Airport (Finance) PLC

Statement of Directors' Responsibilities in respect of the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' confirmations

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

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

Approved by the Board on 8 July 2020 and signed on its behalf by:


F Penhallurick
Company Secretary

Birmingham Airport (Finance) PLC
Independent auditors' report to the members of Birmingham Airport (Finance) PLC

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2020; the Income Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee of Birmingham Airport Holdings Limited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 April 2019 to 31 March 2020.

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Company's ability to continue as a going concern. The Company has external debt facilities in the form of a £105 million corporate bond and £326 million of private placement loan notes. The Group of companies to which the Company belongs also has a bank loan of £25 million, for which the Company has cross guarantees. The terms of the debt agreements require the Group to comply each year with various covenant tests at 30 September and 31 March. In light of the outbreak of the Covid-19 pandemic, the directors have reached agreement for covenant requirements to be waived at 30 September 2020 and 31 March 2021, with an additional testing date of 30 June 2021 being introduced. The directors of the parent company have prepared a base case forecast which indicates the Group would be able to meet its covenant tests at 30 June 2021. The directors of the Group have performed sensitivity analysis on the forecasts approved by the Board to assess the potential impact of severe but plausible downside scenarios. The Group forecasts to retain a satisfactory cash balance but will not comply with EBITDA-based covenant ratios unless passenger volumes and revenues recover quickly enough, as forecast in the downside scenarios. If this pace of recovery is not quick enough then a combination of a further waiver and shareholder support will be required to avoid a covenant breach or alternative funding will need to be secured, which is not certain. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Audit procedures performed

In concluding there is a material uncertainty, our audit procedures evaluated the Directors' assessment of the impact of Covid-19, and the effect that this would have on the availability of cash and covenant adherence. Our response to the matter was to perform the following procedures:

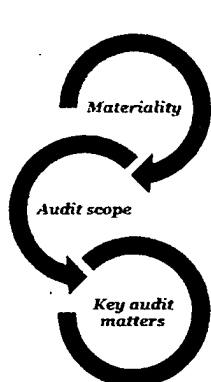
- Obtained from management their cash flow forecasts for a period of not less than 12 months from the date of approval of these financial statements, and discussed these forecasts to understand the base case and downside scenarios;
- Assessed the forecasts prepared by management through challenge of forecasted passenger numbers, turnover and EBITDA by corroboration with aviation experts;
- Understood mitigating actions management could initiate to ensure compliance with debt covenants and determined whether they were within the control of the directors and could be taken on a timely basis;
- Evaluated the adequacy of disclosures made in the Directors' report and financial statements in view of the requirements of relevant accounting standards.

Birmingham Airport (Finance) PLC

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

Our audit approach

Overview



- Overall materiality: £1.7 million (2019: £3.5m), based on 1% of total assets and constrained by the allocation of group materiality.
- Material balances including interest payable and receivable, external loan balances and amounts due from group undertakings were included within our scope.
- Going concern
- Impact of Covid-19 on the financial statements
- Carrying value of loans and borrowings, and amounts owed by group undertakings

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the accounting for loans and borrowings and amounts owed by group undertakings. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the entity's legal advisors to identify any known or suspected instances of non-compliance with laws and regulation and fraud
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations or posted by unusual users; and
- Challenging management on the accounting for loans and borrowings and amounts owed by group undertakings.

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

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Impact of Covid-19 on the financial statements</i></p> <p>The outbreak of the Covid-19 pandemic has had an impact on the operational and financial performance of the Group of companies to which the Company belongs.</p> <p>The UK Government advised against all foreign travel on 17th March 2020, resulting in a significant number of flight cancellations and reduced passenger numbers.</p> <p>Management has therefore considered the impact of Covid-19 on its financial statements and within its going concern assessment for the Group and company.</p> <p>Management considered the length and severity of the impact from Covid-19, including availability of cash and external debt facilities, as well as adherence to the covenant requirements of its external debt facilities. Forecasts have been prepared to assess the impact for the Company, with relevant disclosures being included within the financial statements.</p> <p>Please see Note 2: Accounting Policies "Going concern".</p>	<p>Conclusions reached in respect of the key audit matter are detailed within the "Material uncertainty related to going concern" section of this audit opinion.</p>

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

<p><i>Carrying value of loans and borrowings, and amounts owed by group undertakings</i></p> <p>Loans and borrowings have legal agreements which include consideration of interest rates and the repayment of the principal balance. Amounts owed by group undertakings do not have formal agreements, so are held as repayable on demand.</p> <p>There is a risk that these debt instruments, including any related interest payable or receivable, are not accounted for in accordance with the requirements of FRS 102 and therefore the carrying value of the loans and borrowings and amounts owed by group undertakings are not accurate.</p> <p>Please see Note 2: Accounting Policies "Financial Instruments", Note 8: Debtors and Note 10: Loans and Borrowings.</p>	<p>We reviewed the Note Purchase and Guarantee Agreement entered into in the year to issue £85m of new Senior loan notes and considered management's initial recognition of the borrowings with respect to the requirements of FRS 102 Sections 11 and 12.</p> <p>We have reviewed managements subsequent accounting for the new and existing borrowings to ensure that the carrying values are materially accurate.</p> <p>We have confirmed with management that no formal agreements exist for amounts owed by group undertakings, and that these are held as repayable on demand.</p> <p>From our work performed we are satisfied that the carrying value of loans and borrowings, and amounts owed by group undertakings are materially accurate.</p>
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How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

This is a single legal entity, with no significant trading operations. The Company provides financing facilities to Birmingham Airport Holdings Limited (the Ultimate Holding Company of Birmingham Airport (Finance) PLC) and Birmingham Airport Limited. The facilities, including a corporate bond, listed on the London Stock Exchange, and a number of tranches of private placement loan notes, are then passed to the wider group via intercompany receivable balances. Interest payable is recognised on external debt in line with the legal agreements, and intercompany interest receivable on amounts owed by group undertakings. Our scoping consisted of auditing material balances within the legal entity, including interest payable and receivable, external loan balances and amounts due from group undertakings.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall materiality</i>	£1.7 million (2019: £3.5m).
<i>How we determined it</i>	1% of total assets and constrained by the allocation of group materiality.
<i>Rationale for benchmark applied</i>	Total assets considered to be the primary measure used in assessing the performance of the entity, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee of Birmingham Airport Holdings Limited that we would report to them misstatements identified during our audit above £83,000 (2019: £93,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements set out on page 6, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the members on 16 January 2004 to audit the financial statements for the year ended 31 March 2004 and subsequent financial periods. The period of total uninterrupted engagement is 17 years, covering the years ended 31 March 2004 to 31 March 2020.



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Neil Philpott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
Birmingham
10 July 2020

Birmingham Airport (Finance) PLC
Income Statement for the Year Ended 31 March 2020

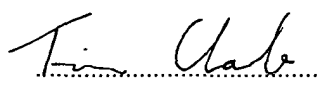
	Note	2020 £ 000	2019 £ 000
Administrative expenses		(10)	(11)
Operating loss	3	(10)	(11)
Interest receivable and similar income	5	17,423	15,303
Interest payable and similar expenses	6	(16,386)	(13,621)
Profit before taxation		1,027	1,671
Tax on profit	7	(198)	(318)
Profit for the financial year		829	1,353

The above results were derived from continuing operations.

Birmingham Airport (Finance) PLC
(Registration number: 04061664)
Statement of Financial Position as at 31 March 2020

	Note	2020 £ 000	2019 £ 000
Current assets			
Debtors	8	433,125	348,599
Cash at bank and in hand		7	10
		<u>433,132</u>	<u>348,609</u>
Creditors: Amounts falling due within one year	9	(107,826)	(2,705)
Net current assets		<u>325,306</u>	<u>345,904</u>
Total assets less current liabilities		325,306	345,904
Creditors: Amounts falling due after more than one year	9	(324,455)	(344,455)
Provisions for liabilities	12	(26)	(28)
Net assets		<u>825</u>	<u>1,421</u>
Capital and reserves			
Called up share capital	13	50	50
Retained earnings		<u>775</u>	<u>1,371</u>
Total equity		<u>825</u>	<u>1,421</u>

The financial statements on pages 14 to 26 were approved and authorised by the Board of Directors on 8 July 2020 and signed on its behalf by:


 T Clarke
 Chairman

Birmingham Airport (Finance) PLC
Statement of Changes in Equity for the Year Ended 31 March 2020

	Note	Called up share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 April 2018		50	1,199	1,249
Profit for the financial year		-	1,353	1,353
Dividends	14	-	(1,181)	(1,181)
At 31 March 2019		50	1,371	1,421
At 1 April 2019		50	1,371	1,421
Profit for the financial year		-	829	829
Dividends	14	-	(1,425)	(1,425)
At 31 March 2020		50	775	825

Birmingham Airport (Finance) PLC

Notes to the Financial Statements for the Year Ended 31 March 2020

1 General information

The Company is a private Company limited by shares and is incorporated and domiciled in England, United Kingdom.

The address of its registered office is:

Diamond House
Birmingham Airport
Birmingham
West Midlands
B26 3QJ

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has applied "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 102 (FRS 102), in these financial statements.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention.

Related party transactions

The Company is exempt under the terms of FRS102 from disclosing related party transactions with entities that are wholly owned by Birmingham Airport Holdings Limited.

Summary of disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions; these disclosures are included in the consolidated financial statements of Birmingham Airport Holdings Limited. The Company has taken advantage of the following exemptions;

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

Critical accounting judgments and estimation uncertainty

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

Birmingham Airport (Finance) PLC
Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)

2 Accounting policies (continued)

Tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Current and deferred tax assets and liabilities are not discounted.

Share capital

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

Dividends

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

Financial instruments

Basic financial assets including amounts owed by group undertakings are initially recognised at transaction price then subsequently carried at amortised cost using the effective interest method.

Basic financial liabilities, including trade and other payables, and loans that are classified as debt, are initially recognised at transaction price and subsequently carried at amortised cost.

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs.

Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

The Company assesses at the end of each period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses 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.

Birmingham Airport (Finance) PLC
Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)

3 Operating loss

Operating loss is stated after charging:

	2020	2019
	£ 000	£ 000
Audit fees payable to the company's auditors	4	3

4 Directors' remuneration

Directors are remunerated by the Ultimate Parent Company, Birmingham Airport Holdings Limited, and the costs are not recharged. Total emoluments are included within the aggregate key management personnel compensation in the financial statements of the ultimate parent. No emoluments were paid to any Directors' by the Company during the year (2019: nil). There are no employees of the Company (2019: none), other than the Directors.

5 Interest receivable and similar income

	2020	2019
	£ 000	£ 000
Interest income from group companies	17,423	15,303

6 Interest payable and similar expenses

	2020	2019
	£ 000	£ 000
Other interest payable	9,625	6,885
Corporate Bond	6,761	6,736
	16,386	13,621

Interest payable includes the amortisation of the bond debt issue costs and launch discount over the life of the debt of £0.1 million (2019: £0.1 million).

7 Tax on profit

Tax charged in the income statement

	2020	2019
	£ 000	£ 000
Current taxation		
UK corporation tax	200	323
Deferred taxation		
Origination and reversal of timing differences	(2)	(5)
Tax on profit	198	318

Birmingham Airport (Finance) PLC
Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)

7 Tax on profit (continued)

The differences are reconciled below:

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019: higher than the standard rate of corporation tax in the UK) of 19% (2019: 19%).

	2020	2019
	£ 000	£ 000
Profit before tax	1,027	1,671
Corporation tax at standard rate of 19% (2019: 19%)	195	317
Deferred tax expense relating to changes in tax rates or laws	3	1
Total tax charge for the year	198	318

In his recent budget the Chancellor of the Exchequer reversed the previously enacted decrease in the rate of UK corporation tax from 19% to 17% from 1 April 2020, with the tax rate remaining at 19%. This has been substantively enacted at the balance sheet date and is reflected in the Company's financial statements.

8 Debtors

	2020	2019
	£ 000	£ 000
Amounts owed by group undertakings	432,920	348,444
Other receivables	80	45
Prepayments and accrued income	125	110
	433,125	348,599

The amounts owed by group undertakings are unsecured and there are no formal arrangements for the repayment of these amounts and consequently these amounts are strictly payable on demand. The interest receivable is based on a rate composed of the current interest rate payable on the Company's borrowings 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 2020
(continued)

9 Creditors

	Note	2020 £ 000	2019 £ 000
Amounts falling due within one year			
Loans and borrowings	10	104,852	-
Borrowings		2,716	2,335
Corporation tax		200	323
Accruals and deferred income		58	47
		<u>107,826</u>	<u>2,705</u>
Amounts falling due after more than one year			
Loans and borrowings	10	<u>324,455</u>	<u>344,455</u>

10 Loans and borrowings

	2020 £ 000	2019 £ 000
Current loans and borrowings		
Bonds repayable 2021 - Original Principal	105,000	-
Less issue costs and discount	(148)	-
	<u>104,852</u>	<u>-</u>
Non-current loans and borrowings		
Bonds repayable 2021 - Original Principal	-	105,000
Private Placement Senior Notes 2020	85,000	-
Private Placement Senior Notes 2019	90,000	90,000
Private Placement Senior Notes	76,000	76,000
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	(1,545)	(1,545)
	<u>324,455</u>	<u>344,455</u>

The corporate bond is repayable within 1 years and the Private Placement Series A Senior Notes is repayable within 4 years. The other non-current loans and borrowings are payable after five years.

All loans and borrowing are unsecured.

Birmingham Airport (Finance) PLC
Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)

10 Loans and borrowings (continued)

The private placement senior notes 2020 will mature, unless previously redeemed or purchased or cancelled on 24 January 2050. Interest on the private placement senior notes 2020 is payable on 24 January and 24 July at a fixed rate of 2.44 per cent.

The private placement senior notes 2019 will mature, unless previously redeemed or purchased or cancelled on 24 January 2049. Interest on the private placement senior notes 2019 is payable on 24 January and 24 July at a fixed rate of 3.21 per cent.

The private placement senior notes will mature, unless previously redeemed or purchased or cancelled on 30 March 2041. Interest on the private placement senior notes is payable on 30 March and 30 September at a fixed rate of 3.8 per cent.

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 cash flow, gives an interest rate of 6.349 per cent. The remaining unamortised discount at 31 March 2020 is £0.148 million (2019: £0.308 million).

Birmingham Airport (Finance) PLC
Notes to the Financial Statements for the Year Ended 31 March 2020
(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 million 6.25 per cent, guaranteed bond issue, due for redemption on 22 February 2021, £30 million 4.472 per cent Series A Senior Note private placement maturing on 3 December 2023, £45 million 4.557 per cent Series B Senior Notes private placement maturing on 3 December 2028, £76 million 3.8 per cent Senior Note private placement maturing on 30 March 2041, £90 million 3.21 per cent Senior Note private placement maturing on 24 January 2049 and £85 million 2.44 per cent Senior Note private placement maturing on 24 January 2050. The funding provided financing to the parent undertaking and its subsidiary operations via interest bearing inter-company loans. The Company has no further funding.

Interest Rate Risk

The Company's borrowing is fixed at an interest rate of 6.25 per cent through its £105 million 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 cash flow. The interest rates on both the Series A and Series B senior notes are fixed at 4.472 per cent and 4.557 per cent. The interest rate on the £76 million senior notes is fixed at 3.8 per cent. The interest rate on the £90 million senior notes is fixed at 3.21 per cent. The interest rate on the £85 million senior notes is fixed at 2.44 per cent.

The Company charges an interest rate based on borrowings plus 0.5 per cent on all funds which have been lent to its ultimate parent undertaking (Birmingham Airport Holdings Limited) and group subsidiaries (Birmingham Airport Limited and Birmingham Airport Operations Limited) via an inter-company loan account.

All financial assets and liabilities have been classified as basic financial instruments under Section 11 of FRS 102 and therefore no further disclosures are required.

Fixed rate financial liabilities	2020 Years remaining	2019 Years remaining
Sterling Bond	1	2
Sterling Private Placement Senior Notes Series A	4	5
Sterling Private Placement Senior Notes Series B	9	10
Sterling Private Placement Senior Notes	21	22
Sterling Private Placement Senior Notes 2019	29	30
Sterling Private Placement Senior Notes 2020	30	-

Birmingham Airport (Finance) PLC
Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)

12 Provision for other liabilities

	Deferred tax £ 000
At 1 April 2019	28
Amounts utilised	(2)
At 31 March 2020	<u>26</u>

Provision for other liabilities relates to deferred tax on the bond amortisation provided. The value of deferred tax to reverse in the next year is £0.005 million.

13 Called up share capital

Allotted, called up and fully paid shares

	No. 000	2020 £ 000	No. 000	2019 £ 000
Ordinary Shares of £1 each	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>

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

14 Dividends

	2020 £ 000	2019 £ 000
Final dividend of £13.34 (2019: £9.92) per ordinary share	667	496
Interim dividend of £15.16 (2019: £13.71) per ordinary share	<u>758</u>	<u>685</u>
	<u>1,425</u>	<u>1,181</u>

The Directors are proposing that no final dividend is paid for 2019/20 (2019: £13.34 per share, totalling £0.667 million for 2018/19 final dividend).

Prior to the year-end, the Directors became aware that the December 2019 dividend had been made otherwise than in accordance with the Act, section 838(6), because interim accounts had not been filed at Companies House prior to payment. It is important to note that the Company had sufficient distributable reserves at the time that the relevant dividend was paid and therefore did not pay out by way of dividends more income than it had, and no payments were made out of capital. The matter has been rectified and interim accounts have been filed.

Birmingham Airport (Finance) PLC
Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)

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 are for a period of ten years maturing 3 December 2023 and carries a fixed interest rate of 4.472 per cent per annum. Series B senior notes of £45 million are for a period of fifteen years maturing 3 December 2028 and carries a fixed interest rate of 4.557 per cent per annum.

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

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

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

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

16 Related party transactions

The Company has taken advantage of the disclosure exemption under paragraph 33.1A, "Related Party Disclosures", of FRS 102, on the grounds that it is a wholly owned subsidiary of a group headed by Birmingham Airport Holdings Limited, whose financial statements are publicly available.

17 Parent and ultimate parent undertaking

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

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

The smallest and largest group to consolidate these financial statements and produce publicly available financial statements is Birmingham Airport Holdings Limited. These financial statements are available upon request from Diamond House, Birmingham Airport, Birmingham, West Midlands, B26 3QJ.

Birmingham Airport (Finance) PLC
Notes to the Financial Statements for the Year Ended 31 March 2020
(continued)

18 Non adjusting events after the financial period

Subsequent to the balance sheet date, the Covid-19 pandemic and continued related Government restrictions on travel has had a significant impact on trading for the Group.

The Directors have taken steps to secure liquidity by bringing forward the issuance of £45 million of private placement notes from December 2020 to May 2020. The funds were received on 21 May 2020 and the issuance is for a period of 30 years and 7 months maturing 16 December 2050 and carry a fixed interest rate of 2.49 per cent per annum.