

Birmingham Airport Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2019

Birmingham Airport Holdings Limited

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Birmingham Airport Holdings Limited

Company Information

Chairman	T Clarke
Chief Executive	N Barton
Directors	N Barton M A Bird T Chatfield T Clarke S Masters-Clark R McClean J D McNicholas W Nazir R F Piper G E Richards T M R G Silva G Singh D M Stanton P C Tilsley M R Toms W Zaffar
Company Secretary	S L C Richards
Registered office	Diamond House Birmingham Airport Birmingham West Midlands B26 3QJ
Independent Auditors	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors Cornwall Court 19 Cornwall Street Birmingham West Midlands B3 2DT
Bankers	National Westminster Bank plc 2 St Philips Place Birmingham West Midlands B3 3RB
Solicitors	Eversheds LLP 115 Colmore Row Birmingham West Midlands B3 3AL

Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2019

The Directors present their strategic report for the year ended 31 March 2019.

On 7th January 2019 the Airport was pleased to welcome Nick Barton as its new Chief Executive Officer and bringing a wealth of experience of running other UK Airports.

Principal activity

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

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

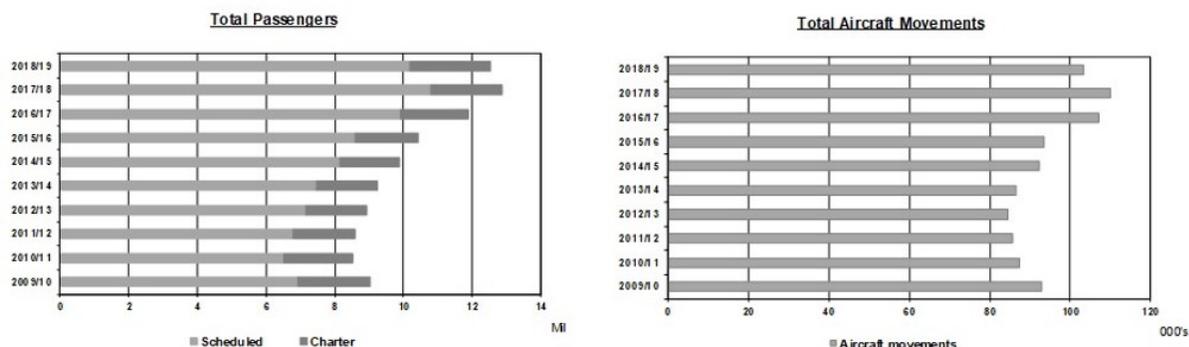
The Airport is a key economic accelerator for the Midlands region, providing the air connectivity vital for international trade, investment and employment, the growth of inbound tourism, and access to outbound leisure destinations. 6,700 people are directly employed by companies located within the Airport boundary and a further 9,900 people are employed indirectly to supply goods and services to the Airport. The Airport's current net economic impact including catalytic effects in the region is estimated as £1.5 billion GVA (Gross Value Added) and 30,900 jobs.

Review of the business and future outlook

Market position and business environment

During the year, the Airport processed 12,533,727 passengers, a decrease of 2.7% on 2017/18 (12,884,052). The fall in passenger numbers was principally driven by a 5.5% reduction in Scheduled passengers following the insolvency of Monarch Airlines in October 2017, offset by an 11.7% growth in Charter passengers. The average growth for the UK aviation market for the same period was 3.3% and we returned to growth following the loss of Monarch from October 2018 with a 5.0% increase in passengers in the second half of the year.

The Airport made substantial progress in 2018/19 to replace the airline capacity lost when Monarch Airlines failed in October 2017. This was largely achieved with additional aircraft from Jet2, Primera Air, TUI and Thomas Cook. Unfortunately, Primera Air, which commenced operations as one of the first low-cost long-haul operators, also failed later in 2018. Passenger numbers for the summer season fell 7.6% but recovered in the second six months to grow 5.0% year on year, with all-time record passenger numbers in October, November and January. The most popular destination remains Dublin, followed by Dubai and Amsterdam.



Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2019 (*continued*)

Looking forward to 2019/20 we are forecasting a year of solid growth. Jet2 continue to build their presence at Birmingham with a further two based aircraft, providing new routes and increased frequencies. Turkish Airlines will re-establish a twice-daily service to Istanbul and in doing so provides the region with greater connectivity to middle and far eastern destinations. TUI will be flying increased frequencies and we are also set to welcome Lauda Motion from winter 2019, operating a three-weekly service to Vienna.

Future developments

Birmingham Airport is already the preferred national and international aviation hub for the Midlands and our ambition is to build on this to become one of Europe's leading regional airports, acting as a key economic accelerator, delivering great service to passengers, and helping to showcase the region at the upcoming Coventry City of Culture in 2021 and Birmingham Commonwealth Games in 2022.

We understand that the significant social and economic benefits created by the Airport must be balanced with a sustainable operation. We take very seriously our responsibility to manage our impact on the environment and involve our local communities in the development of our significant projects through the Airport Consultative Committee, which includes resident associations and parish councils.

Our recently published Master Plan sets out £500 million of investment over the next 15 years to modernise and extend our facilities so they are fit for the future. We will expand and modernise our departure lounge, enlarge our passenger security search area and equip it with the latest x-ray equipment, introduce further self-service bag-drop technology at check-in, increase capacity in our baggage make-up hall and install additional arrivals baggage carousels.

Whilst we are planning confidently for a very positive future, the global economic situation is currently uncertain and the airline sector continues to undergo significant transformation. We continue to monitor the economic outlook and have robust plans for a range of scenarios to ensure the Business is resilient.

Financial Performance

Income

The Airport earns its income from two key revenue streams, Aeronautical and Commercial. Aeronautical income is generated by charges levied on airlines for the use of airport facilities by both aircraft and passengers. Commercial income is generated from Commercial activities including duty free, car parking, catering, property rental and recharges.

Aeronautical income grew by 2.0% during 2018/19 including release of prior year provisions, with underlying income falling 1.2%. Income therefore outperformed the 2.7% lower passengers, principally due to increasing cargo, aircraft parking and general aviation. Average Aeronautical yield per passenger grew by 4.8% to £5.22 (underlying £5.06) compared with £4.98 for the previous year.

Commercial income grew by 4.4%, 7.1% ahead of passenger growth. Duty Free was successful in targeted in-store promotions aimed at specific airlines, and routes, along with greater floorspace for both premium and locally crafted products. We also opened a further two executive lounges, launched the first airside M&S Food to Go store in the UK, opened a new Samsonite Rolling Luggage unit, and Arrow Cars commenced operation as our first pre-bookable private hire operator. The car parking market was highly competitive, with continuing price sensitivity in consumer behaviour, along with migration of passengers to the free drop off zone created in 2018.

Other increases in Commercial income came from the in-sourcing of hold baggage screening (HBS) labour services from airlines, higher charges for Passengers with Reduced Mobility (PRM) to drive improved service and equipment, the first full year of operation of our in-house aircraft refuelling facility, and the opening of our new goods inwards Consolidation Centre during the year.

Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2019 (*continued*)

Operating costs

Total operating costs before exceptional items increased by 7.4% to £110.8 million (2018: £103.1 million). Within this, employee costs increased by 10.1% due to salary increases and a targeted increase in staffing levels on key customer-facing processes to improve customer service levels. Non-staff costs increased by 2.1%, principally due to increased expenditure on our new aircraft refuelling facility, our new goods inward consolidation centre, the in-sourcing of the hold baggage screening (HBS) contract and increasing PRM equipment and service levels. There were also increases in expenditure on energy, GDPR compliance and other process improvements.

Depreciation and other costs increased by 14.8%, driven by a lower investment property gain than in 2017/18. Depreciation increased 4.0% as a result of our capital programme. A doubtful debt provision was also made following the administration of Primera Air and Monarch Aircraft Engineering.

One of our key performance indicators is Earnings Before Interest Tax, Depreciation & Amortisation (EBITDA), which grew by 1.6% to £76.3m (2018: £75.1m), reflecting income growth partially offset by higher employee and non-staff costs and a lower doubtful debt charge.

The group's operating profit, before exceptional items, reduced by 4.5% to £50.0 million (2018: £52.4 million), with the higher income offset by higher operating costs and depreciation as well as lower investment property fair value gains than in the prior year.

The exceptional charge of £2.0 million (2018: £1.8 million) includes a provision of £1.0 million for estimated guaranteed minimum pensions following an updated legal precedent in October 2018 applying to all defined benefit pension schemes and equalising pension benefits for men and women regarding guaranteed minimum pensions. Other exceptional costs include the production of the Master Plan, safeguarding costs in relation to the HS2 people mover, and restructure costs. This resulted in a group operating profit, post exceptional items, of £48.0 million (2018: £50.5 million).

The group net interest cost fell by £0.1 million to £15.9 million (2018: £16.0 million). This reflected a reduction in finance charges associated with the Airport's pension scheme and higher interest receivable on the higher cash balance, partially offset by higher charges associated with the additional £90 million private placement finance facility entered into during the year.

The tax charge for the year was £6.4 million (2018: £8.1 million), including a corporation tax charge of £7.4 million (2018: £8.6 million) and a deferred tax credit of £1.0 million (2018: £0.5 million credit). This equates to an effective tax rate of 19.9% (2018: 23.4%) which is marginally higher than the ordinary rate of UK corporation tax, reflecting the past ineligibility of industrial buildings for tax allowances

During the year, a final dividend was paid of £13.7 million for the year ended 31 March 2018 (2018: £17.5 million) and an interim dividend of £11.8 million was paid for the year ended 31 March 2019 (2018: £12.8 million). This resulted in a total dividend of £25.5 million (2018: £30.3 million).

The directors recommend a final dividend payment of £14.7 million be made in respect of the financial year ended 31 March 2019. In accordance with FRS 102 this dividend has not been recognised as a liability in the financial statements.

Capital expenditure

Cash outflow for capital projects amounted to £31.5 million (2018: £18.5 million). The main projects in the year related to the initial works associated with the terminal extension, ongoing work on the outbound baggage system upgrade and increasing arrivals baggage capacity. We have also continued to invest to meet the changing needs of our airlines and improve customer experience, such as upgrades to our IT Network, aircraft stands and airside roads.

Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2019 (continued)

We continually invest in our vehicle fleet and notably this year we purchased six ultra-low emission Volvo 7900e electric buses, which will soon provide passengers with modern transport from our car parks to the Airport terminal as well as reducing the Airport's carbon emissions. This is the latest in a series of environmental investments which has seen our carbon emissions reduce by one third since the programme started in 2012/13 despite the significant growth in the business.

Advanced passenger tracking technology is also being implemented progressively throughout the terminal and is enabling rapid response to congestion from check-in to security and departure lounge as well as inbound through passport control.

The sale of vehicles and plant assets generated £0.066 million (2018: £0.007 million).

Cash flow

During the year, the group generated cash of £70.8 million from operating activities (2018: £67.3 million). Corporation tax paid fell by £0.6 million whilst interest paid increased by £1.0 million due to the interest and associated costs of the £90m private placement senior notes issued in January 2019, along with the increase in the Revolving Credit Facility from £20m to £50m. The overall net cash position has increased by £79.5 million (2018: £3.7 million increase) to £125.9 million (2018: £46.4m), reflecting the £90m Private Placement funds less capital expenditure of £31.5 million and dividend payments of £25.5 million. Looking forward, the group has strong operating cash flows and a committed bank facility to meet its ongoing liabilities as and when they fall due.

Security

The UK aviation threat level remained at Substantial throughout the year and we continue to invest to ensure our facilities remain safe and secure in the context of the current threat environment. We work very closely with the Department for Transport, the Civil Aviation Authority, the Police and other agencies to continuously develop our security equipment and processes to maintain high security standards and respond to emerging security threats.

Our security procedures are subject to rigorous internal and external audits by regulators and internal teams to regularly test their effectiveness and identify opportunities for improvement.

We also continue to focus on improving customer experience and all security lanes operated in 2018/19 with new parallel loading and tray return systems. The rollout of the latest body scanner technology also commenced and a new, enlarged security preparation area was opened, providing better facilities for our passengers to prepare for the security process, including facilities to dispose of water from bottles which can then be re-filled free of charge in the departure lounge.

Our IT system security, particularly the security of our customer data, is extremely important to us. We already have extensive defences within our IT and network infrastructure and over the last 18 months have made substantial progress with the upgrading of our physical network to the latest security standards.

During the year we have also implemented a range of additional measures to ensure compliance with the EU General Data Protection Regulation (GDPR) when it came into force.

Health and Safety

Birmingham Airport is committed to providing a safe and secure workplace and operational environment for all who use the Airport. Our Health and Safety Management System remains accredited to OHSAS 18001, the internationally applied standard for occupational health and safety management systems as it has been since 2013. Alongside this our 'Safety Culture Excellence' Vision statement was launched as part of Airport Operators Association Safety week in May 2019 and the delivery of this programme is a key objective for 2019/20.

There were 92 staff accidents during the year (2018: 89). Disappointingly, this was a small increase, however the accident frequency rate fell by almost 5% from 6.09 accidents per 100,000 hours worked in 2017/18 to 5.79 in 2018/19 because a higher number of staff were employed.

Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2019 (*continued*)

To accelerate the development of an even stronger safety culture a new Head of Health, Safety and Fire was appointed in March 2019. For the first time, this is a direct report to the CEO and a member of the Executive Team to ensure safety is integral to all business decision-making.

We participated in the UK Airports Safety Week, a national event run in conjunction with the Airport Operators Association and supported by the CAA, engaging with the wider Airport community and raising awareness of safety practices across on the Airport site.

Sustainability

We take our environmental responsibilities very seriously across all areas such as noise, carbon reduction, water and waste.

Managing noise is our top priority and we have implemented a comprehensive Noise Action Plan to address issues of noise and track-keeping, noise monitoring and community complaints about aircraft noise. We have listened to our neighbours to understand attitudes to aircraft noise and, in partnership with community representatives, have developed a new night flying policy which is among the most stringent in the UK.

We are striving continually to become much more carbon efficient and, building on the significant reduction in carbon emissions we have already achieved, we are currently producing a sustainability strategy which we expect to publish during 2019 and will include challenging targets for further reductions.

Financial risk management

Objectives and policies

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

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

Interest Rate Risk

The group's policy is to maintain an appropriate mix of credit facilities within Board approved parameters. Currently the interest cost is fixed as there has been no drawdown on the group's variable rate loan facility. The group has considered and is satisfied with the current debt structure.

The group's cash is invested under strict Board approved parameters, which places a cap on the amount which can be invested in a single institution/product. Throughout the year and currently, cash is invested in the money market which, whilst exposing the group to interest rate risk, does maintain liquidity and access to funds.

Liquidity Risk

It is the group's policy to ensure continuity of funding by active management of working capital and maintaining sufficient committed facilities to meet anticipated funding requirements, whilst ensuring that the group is not exposed to excessive refinancing in any one year. The £50 million committed un-drawn loan facility and £125.9 million cash balance are considered sufficient to meet the group's ongoing liquidity requirements.

Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2019 (*continued*)

Credit Risk

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

Price Risk

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

Covenant Risk

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

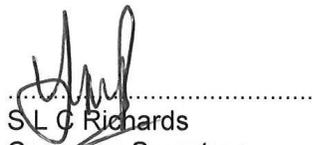
Brexit Risk

As Britain's exit from the European Union continues to be negotiated, we and industry partners continue to work closely with Government to ensure an uninterrupted continuation of all flights. We welcome the recognition by both the UK Government and the EU of the critical importance of aviation, and the commitment given by both parties to ensuring the continuation of flights throughout the exit process.

Approved and authorised by the Board and signed on its behalf on 10 July 2019 by:



T Clarke
Chairman



S L C Richards
Company Secretary

Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2019

The Directors present their report and the audited financial statements of the group and company year ended 31 March 2019.

Future developments, dividends and financial risk management

The Strategic Report on pages 2 to 7 includes details of the Group's financial performance, dividends, future developments and financial risk management objectives and policies.

Directors of the group

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

N Barton - Chief executive (appointed 22 January 2019)

M A Bird

T Chatfield

S Clark (appointed 4 July 2018 and resigned 7 November 2018)

T Clarke - Chairman

N P Fleming (resigned 16 May 2018)

J A Foster (appointed 7 November 2018 and resigned 3 July 2019)

R McClean

W Nazir

R F Piper

G E Richards

T M R G Silva (appointed 5 September 2018)

G Singh (appointed 4 July 2018)

T Singh (resigned 4 July 2018)

S C Stacey (resigned 4 July 2018)

D M Stanton

P C Tilsley

M R Toms

D I A Vickers (resigned 4 July 2018)

D S Welsh (resigned 3 July 2019)

W Zaffar (appointed 4 July 2018)

The following directors were appointed after the year end:

S Masters-Clark (appointed 3 July 2019)

J D McNicholas (appointed 3 July 2019)

Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2019 (*continued*)

Going concern

The directors have reviewed the prospects for the group and company for the twelve months from the date of signing. They have considered the group's trading forecasts to the end of that period, as well as potential uncertainties of achieving such forecasts, along with a range of actions which could be taken in response. The directors remain confident that the group is well placed to take advantage of all the opportunities that such conditions present and that there are sufficient assets within the group, together with the £50 million committed un-drawn loan facility to adopt the going concern basis in preparing the group financial statements.

Political donations

There were no political donations during the year.

Employment of disabled persons

The group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. We continue to meet the Two Ticks Positive about Disabled People Standard. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the group continues employment either in the same or an alternative position, where possible, with appropriate retraining being given if necessary.

Employee involvement

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

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 of which they know the auditors are unaware.

Approved and authorised by the Board and signed on its behalf on 10 July 2019 by:



T Clarke
Chairman



S L G Richards
Company Secretary

Birmingham Airport Holdings Limited

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

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the group and 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 group and company's auditors are aware of that information.

Approved and authorised by the Board and signed on its behalf on 10 July 2019 by:


.....
S L C Richards
Company Secretary

Birmingham Airport Holdings Limited

Independent auditors' report to the members of Birmingham Airport Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Birmingham Airport Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2019 and of the group's profit and cash flows 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 March 2019; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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 group 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: £1.86m (2018: £1.8m), based on 2.5% of earnings before interest, tax, depreciation and amortisation.
- Birmingham Airport Limited is the financially significant component, upon which a full scope audit of complete financial information has been performed
- Birmingham Airport Holdings Limited and Birmingham Airport (Finance) PLC are included to ensure adequate coverage of external balances, including debt. A full scope audit of complete financial information has been performed for both of these entities.
- Specified procedures over Investment property held within First Castle Developments Limited are performed to ensure adequate coverage of the revaluation gains and losses, and the investment property balance.

The key audit matters we identified are detailed below:

- Capital Developments - including the timing of transfer from assets under construction to available to use, assignment of useful economic lives and impairment of tangible assets;
 - Actuarial assumptions underlying pension liabilities; and
 - Revaluation of tangible assets, including land and buildings and infrastructure assets.
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Birmingham Airport Holdings Limited

Independent auditors' report to the members of Birmingham Airport Holdings Limited (*continued*)

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. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><i>Capital Developments - including the timing of transfer from assets under construction to available to use, assignment of useful economic lives and impairment of tangible assets (Group)</i></p> <p>Tangible assets total £476.2m and account for 74% of the Group's Total Assets. Capital spend in the year amounted to £28.3m.</p> <p>Capital development continues to be a key area of focus for group management with future development projects totalling £500m announced as part of the 15 year masterplan released in 2018.</p> <p>We focussed on this area due to the complexity, and judgements and estimates taken by management during the process.</p> <p>Major capital projects consist of a large number of separate invoiced and labour costs that are recorded within the accounting system in assets in the course of construction. The timing of project finalisation and transfer to available for use requires judgement, and the process for transfer is heavily reliant on manual intervention.</p> <p>Tangible assets are specialised and can require estimates from management with respect to useful economic lives and residual values (if any).</p> <p><i>Please see Note 2: Accounting Policies "Tangible Assets" and "Depreciation", Note 3: Critical accounting judgements and estimations of uncertainty "Tangible Assets" and Note 13: Tangible Assets.</i></p>	<p>We obtained a schedule detailing tangible asset additions to Assets in the Course of Construction ("ACC") and transfers from ACC to the relevant tangible asset categories of land and buildings, infrastructure and plant and machinery.</p> <p>We gained an understanding of the Group's internal controls and performed an evaluation of these through walkthrough procedures. We noted that the controls over additions, transfers and disposals are manual in nature.</p> <p>We performed the following procedures:</p> <ul style="list-style-type: none">- Detailed testing on a sample of tangible asset additions to ACC confirming their existence, accuracy and their correct capitalisation in accordance with the Group's accounting policy under FRS 102;- Detailed testing on the timing of transfer from ACC to the relevant tangible asset categories of land and buildings, infrastructure and plant and machinery. We confirmed that depreciation had commenced on transfer;- Evaluated management's assessment of the useful economic lives for tangible assets through lookback procedures on disposals through sale or scrap to identify any significant profits or losses on disposal;- Reviewed the useful economic lives assigned to a sample of transfers and confirmed these were consistent with both the specifications of the relevant assets, and the Group's accounting policy under FRS 102;- Performed physical asset verification to both confirm the existence of the assets and also to identify any asset impairment triggers through lack of use or damage; and- Considered impairment, both due to capital additions rendering existing assets obsolete, and also for impairment triggers for tangible assets based on the performance of the airport. <p>As a result of our procedures performed we are satisfied that the tangible asset balance carrying value and presentation and disclosure is materially accurate.</p>

Birmingham Airport Holdings Limited

Independent auditors' report to the members of Birmingham Airport Holdings Limited (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Actuarial assumptions underlying pension liabilities (Group)</i></p> <p>The group has a defined benefit obligation scheme with a gross liability of £210.3m.</p> <p>We focussed on this area due to its inherent complexity and the level of management judgement exercised in selecting the discount rates and other assumptions used to determine the pension liability.</p> <p>A relatively small change in assumptions could cause a material impact on the liability.</p> <p>In addition in the current year as a result of the High Court judgement in relation to defined benefit pension schemes and the equalisation of guaranteed minimum pension ("GMP") benefits for men and women, an additional charge has been recognised within Exceptional Administrative Costs in the Income Statement. The amounts recognised for this adjustment are estimates based on the work of the Group Actuary.</p> <p><i>Please see Note 2: Accounting Policies "Employee Benefits", Note 3: Critical accounting judgements and estimations of uncertainty "Defined benefit pension scheme" and Note 24: Post employment benefits.</i></p>	<p>We have obtained the FRS 102 Valuation for Accounts purposes provided by the Group Actuary.</p> <p>We have performed the following procedures in relation to the calculation of the defined benefit obligation:</p> <ul style="list-style-type: none">- Detailed tested employee data used by the actuary to ensure that this is accurate and complete;- Assessed the key assumptions underlying the calculation of the defined benefit obligation to ensure that these are within a reasonable range for the scheme;- Assessed the calculation of the GMP adjustment for the group and confirmed its recognition within the Income Statement within Exceptional Administrative Expenses;- Challenged management to understand the sensitivity in key assumptions and benchmarking to identify any outliers;- Assessed the professional competence of management's experts used in the calculation of the defined benefit obligation; and- Confirmed that all required disclosures were included within Note 24: Post employment benefits <p>Based on the procedures performed we are satisfied that the calculation of the defined benefit pension obligation is materially accurate, and all relevant disclosures have been included within the financial statements</p>
<p><i>Revaluation of tangible assets, including land and buildings, infrastructure and plant and machinery</i></p> <p>The group has adopted a revaluation policy in respect of land and buildings and infrastructure. These categories have a total net book value of £399.6m. The revaluation uplift in the year to 31 March 2019 totalled £20.2m.</p> <p>We focussed on this area due to the inherent complexity and the extent of judgement required in order to assess the fair value of these tangible assets, both in respect of the underlying methodology used and the assumptions key to the calculation of the fair value.</p> <p><i>Please see Note 2: Accounting Policies "Tangible Assets", Note 3: Critical accounting judgements and estimations of uncertainty "Tangible Assets" and Note 13: Tangible Assets.</i></p>	<p>We have obtained the revaluation report provided by management's experts in respect of land and buildings and infrastructure.</p> <p>We have performed the following procedures in relation to the revaluation:</p> <ul style="list-style-type: none">- Assessed the revaluation methodology adopted by the expert and its application to the asset categories revalued;- Assessed the professional competency of management's experts used to revalue tangible assets;- Performed a completeness check to ensure all asset categories adopting revaluation policy are included within the revaluation;- Performed a completeness check on a sample of fixed assets per the audited fixed asset register to ensure correctly included or excluded from the revaluation;- Performed an existence check for a sample of assets included in the revaluation to the audited fixed asset register;- Detailed testing over the inputs for a sample of revalued assets; and- Confirmed that all required disclosures are included within Note 13: Tangible Assets <p>Based on the procedures performed we are satisfied that the revaluation of tangible assets is materially accurate, and all relevant disclosures have been included within the financial statements</p>

Birmingham Airport Holdings Limited

Independent auditors' report to the members of Birmingham Airport Holdings Limited (*continued*)

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 group and the company, the accounting processes and controls, and the industry in which they operate.

Birmingham Airport Holdings Limited group has 11 statutory entities incorporated in England and Scotland. The group comprises one main trading entity: Birmingham Airport Limited which operates and manages Birmingham Airport, and the facilities and services associated with its operation. The remaining active entities comprise intermediate holding companies, smaller trading entities, property holding companies and Birmingham Airport (Finance) PLC which obtains external debt to distribute within the group. The group finance function is based in the UK and the operating decisions are made in the UK by the group Board of Directors.

There was only one financially significant component of the consolidation with respect to the chosen benchmark of earnings before interest, tax, depreciation and amortisation; Birmingham Airport Limited. Birmingham Airport Holdings Limited and Birmingham Airport (Finance) PLC were considered to be in scope due to specific external balances held within these entities. In addition, specified procedures were performed on the revaluation of investment property held within First Castle Development Limited. There was no use of shared service centres as the group operates as one function and all work is performed by one group engagement team.

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:

Overall group materiality	£1.86m (2018: £1.8m).
How we determined it	2.5% of earnings before interest, tax, depreciation and amortisation.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, earnings before interest, tax, depreciation and amortisation is the primary measure used by the shareholders in assessing the performance of the group and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1.3m and £1.67m.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £93,000 (Group audit) (2018: £90,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Birmingham Airport Holdings Limited

Independent auditors' report to the members of Birmingham Airport Holdings Limited *(continued)*

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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 2019 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Birmingham Airport Holdings Limited

Independent auditors' report to the members of Birmingham Airport Holdings Limited *(continued)*

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 10, 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

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.

Birmingham Airport Holdings Limited

Independent auditors' report to the members of Birmingham Airport Holdings Limited *(continued)*

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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



.....
Neil Philpott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

12 July 2019

Birmingham Airport Holdings Limited

Consolidated Income Statement for the Year Ended 31 March 2019

	Note	2019 £ 000	2018 £ 000
Turnover	4	160,790	155,495
Administrative expenses		(110,813)	(103,151)
Exceptional administration expenses	5	<u>(1,974)</u>	<u>(1,826)</u>
Total administrative expenses		<u>(112,787)</u>	<u>(104,977)</u>
Operating profit	6	<u>48,003</u>	<u>50,518</u>
Interest receivable and similar income	10	375	173
Interest payable and similar expenses	11	<u>(16,287)</u>	<u>(16,212)</u>
Profit before taxation		32,091	34,479
Tax on profit	12	<u>(6,388)</u>	<u>(8,078)</u>
Profit for the financial year		<u><u>25,703</u></u>	<u><u>26,401</u></u>

The above results were derived from continuing operations.

Birmingham Airport Holdings Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2019

	2019	2018
	£ 000	£ 000
Profit for the financial year	<u>25,703</u>	<u>26,401</u>
Surplus on tangible assets revaluation	20,245	-
Deferred tax on tangible assets revaluation	(3,441)	-
Remeasurement (loss)/gain on net defined benefit pension liability	(3,633)	10,994
Deferred tax effect on actuarial (loss)/gain recognised on net defined benefit pension liability	<u>618</u>	<u>(1,869)</u>
Other comprehensive income/(expense) for the year	<u>13,789</u>	<u>9,125</u>
Total comprehensive income for the year	<u><u>39,492</u></u>	<u><u>35,526</u></u>

Birmingham Airport Holdings Limited

(Registration number: 3312673)

Consolidated Statement of Financial Position as at 31 March 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Tangible assets	13	476,186	453,894
Investment property	14	11,780	11,690
		<u>487,966</u>	<u>465,584</u>
Current assets			
Inventories	16	1,189	1,095
Debtors	17	25,342	21,183
Cash at bank and in hand	18	125,907	46,419
		152,438	68,697
Creditors: Amounts falling due within one year	19	<u>(73,868)</u>	<u>(76,287)</u>
Net current assets/(liabilities)		<u>78,570</u>	<u>(7,590)</u>
Total assets less current liabilities		566,536	457,994
Creditors: Amounts falling due after more than one year	19	(365,203)	(275,466)
Provisions for liabilities	23	(26,005)	(24,520)
Post employment benefits	24	(51,601)	(48,213)
		<u>123,727</u>	<u>109,795</u>
Net assets		<u>123,727</u>	<u>109,795</u>
Capital and reserves			
Called up share capital	25	3,240	3,240
Revaluation reserve	26	55,083	39,383
Merger reserve	26	25,588	25,588
Retained earnings		39,816	41,584
Total equity		<u>123,727</u>	<u>109,795</u>

The financial statements on pages 18 to 53 were approved and authorised by the Board and signed on its behalf on 10 July 2019 by:



T Clarke
Chairman

Birmingham Airport Holdings Limited

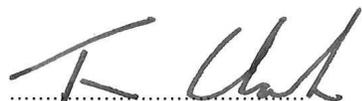
(Registration number: 3312673)

Company Statement of Financial Position as at 31 March 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Investments	15	<u>143,745</u>	<u>143,745</u>
Current assets			
Debtors	17	99,848	107,264
Cash at bank and in hand	18	<u>598</u>	<u>648</u>
		100,446	107,912
Creditors: Amounts falling due within one year	19	<u>(145,086)</u>	<u>(151,571)</u>
Net current liabilities		<u>(44,640)</u>	<u>(43,659)</u>
Total assets less current liabilities		99,105	100,086
Creditors: Amounts falling due after more than one year	19	<u>(15,384)</u>	<u>(15,384)</u>
Net assets		<u>83,721</u>	<u>84,702</u>
Capital and reserves			
Called up share capital	25	3,240	3,240
Merger reserve	26	51,380	51,380
Retained earnings		<u>29,101</u>	<u>30,082</u>
Total equity		<u>83,721</u>	<u>84,702</u>

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual income statement. Its profit for the financial year was £24.579 million (2018: £15.888 million).

The financial statements on pages 18 to 53 were approved and authorised by the Board and signed on its behalf on 10 July 2019 by:



T Clarke
Chairman

Birmingham Airport Holdings Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2019

	Note	Called up Share capital £ 000	Revaluation reserve £ 000	Merger reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 April 2017		3,240	40,578	25,588	35,239	104,645
Profit for the financial year		-	-	-	26,401	26,401
Other comprehensive income		-	-	-	9,125	9,125
Total comprehensive income		-	-	-	35,526	35,526
Dividends	27	-	-	-	(30,307)	(30,307)
Transfer of realised profits		-	(1,195)	-	1,195	-
Net sale of own shares from share trust		-	-	-	7	7
Movement in reserves of own trust		-	-	-	(76)	(76)
At 31 March 2018		3,240	39,383	25,588	41,584	109,795
At 1 April 2018		3,240	39,383	25,588	41,584	109,795
Profit for the financial year		-	-	-	25,703	25,703
Other comprehensive income		-	16,804	-	(3,015)	13,789
Total comprehensive income		-	16,804	-	22,688	39,492
Dividends	27	-	-	-	(25,518)	(25,518)
Transfer of realised profits		-	(1,104)	-	1,104	-
Net sale of own shares from share trust	26	-	-	-	9	9
Movement in reserves of own trust		-	-	-	(51)	(51)
At 31 March 2019		3,240	55,083	25,588	39,816	123,727

Birmingham Airport Holdings Limited

Company Statement of Changes in Equity for the Year Ended 31 March 2019

	Note	Called up Share capital £ 000	Merger reserve £ 000	Retained earnings £ 000	Total Equity £ 000
At 1 April 2017		3,240	51,380	44,570	99,190
Profit for the financial year		-	-	15,888	15,888
Total comprehensive income		-	-	15,888	15,888
Dividends	27	-	-	(30,307)	(30,307)
Net sale of own shares from share trust		-	-	7	7
Movement in reserves of own trust		-	-	(76)	(76)
At 31 March 2018		3,240	51,380	30,082	84,702
At 1 April 2018		3,240	51,380	30,082	84,702
Profit for the financial year		-	-	24,579	24,579
Total comprehensive income		-	-	24,579	24,579
Dividends	27	-	-	(25,518)	(25,518)
Net sale of own shares from share trust	26	-	-	9	9
Movement in reserves of own trust		-	-	(51)	(51)
At 31 March 2019		3,240	51,380	29,101	83,721

Birmingham Airport Holdings Limited

Consolidated Statement of Cash Flows for the Year Ended 31 March 2019

	Note	2019 £ 000	2018 £ 000
Cash flow from operating activities	28	70,816	67,261
Income taxes paid		<u>(9,151)</u>	<u>(9,804)</u>
Net cash flow from operating activities		<u>61,665</u>	<u>57,457</u>
Cash flow from investing activities			
Interest received	10	312	178
Purchase of tangible assets		(31,479)	(18,478)
Proceeds from sale of tangible assets		66	7
Investments in short term deposits		<u>-</u>	<u>9,553</u>
Net cash used in investing activities		<u>(31,101)</u>	<u>(8,740)</u>
Cash flow from financing activities			
Interest paid	11	(13,903)	(12,906)
Proceeds from private placements senior notes		90,000	-
Interest on preference shares		(971)	(971)
Dividends paid		(25,518)	(30,307)
Lease/leaseback premium	31	(642)	(791)
Net sale of own shares from share trust		9	7
Movement in reserves of own trust		<u>(51)</u>	<u>(76)</u>
Net cash generated from/(used in) financing activities		<u>48,924</u>	<u>(45,044)</u>
Net increase in cash and cash equivalents		79,488	3,673
Cash and cash equivalents at the beginning of the year		<u>46,419</u>	<u>42,746</u>
Cash and cash equivalents at the end of the year	18	<u><u>125,907</u></u>	<u><u>46,419</u></u>

The notes on pages 25 to 53 form an integral part of these financial statements.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019

1 General information

The company and its subsidiaries are private companies limited by shares and incorporated in United Kingdom.

The address of its registered office is:
Diamond House
Birmingham Airport
Birmingham
West Midlands
England
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.

Statement of compliance

The group and company financial statements of Birmingham Airport Holdings Limited were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost conventions modified to include the revaluation of certain assets in accordance with applicable accounting standards and the Companies Act 2006.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual income statement. Its profit for the financial year was £24.579 million (2018: £15.888 million)

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2019. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

A subsidiary is an entity controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

2 Accounting policies (continued)

Going concern

The directors have reviewed the prospects for the group and company for the twelve months from the date of signing. They have considered the group's trading forecasts to the end of that period, as well as potential uncertainties of achieving such forecasts, along with a range of actions which could be taken in response. The directors remain confident that the group is well placed to take advantage of all the opportunities that such conditions present and that there are sufficient assets within the group, together with the £50 million committed un-drawn loan facility to adopt the going concern basis in preparing the group financial statements.

Revenue recognition

Turnover represents the amounts derived from the provision of services which fall within the group's principal activity of the operation and management of Birmingham Airport and its related activities. All turnover is generated in the United Kingdom. Turnover comprises:

Aeronautical income - sales related to aeronautical activities net of rebates, incentives and value added tax and is recognised at the point of passenger and aircraft departure.

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

Government grants

Government grants that do not impose specified future performance-related conditions are recognised in income when the grant proceeds are received or receivable. Grants that impose specified future performance-related conditions are recognised in income only when the performance-related conditions are met.

Other grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected lives of the relevant assets by equal annual instalments.

Exceptional administrative expenses

The group classifies certain one-off charges or credits that have an impact on the group's financial results as exceptional items'. These are disclosed separately in note 5 to provide further understanding of the financial performance of the group.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

2 Accounting policies (continued)

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except where it is attributable to an item of income or expense recognised as other comprehensive income where it is recognised directly in the Statement of Comprehensive Income or in equity.

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 group and 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 consolidated financial statements and on unused tax losses or tax credits in the group and 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.

Tangible assets

Land, buildings and infrastructure are revalued and carried at their fair value at the date of valuation less any accumulated depreciation and accumulated impairment losses. Due to the specialist nature of the land, buildings and infrastructure fair value is based on an income or depreciated replacement cost approach. An independent valuation was undertaken at 31 March 2019.

Tangible assets are revalued with sufficient regularity so as to ensure there are no significant differences between carrying and fair value. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and the revaluation reserve. However, the increase shall be recognised in the Income Statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement. The decrease of an asset's carrying amount as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in the revaluation reserve, in respect of that asset. If a revaluation decrease exceeds the accumulated revaluation gains accumulated in the revaluation reserve in respect of that asset, the excess shall be recognised in the income statement.

Plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. The cost of plant and machinery includes original purchase price and directly attributable incremental costs incurred in bringing the asset to its working condition for its intended use.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial amount of time to get ready for their intended use are added to the cost of those assets. All other borrowing are recognised in the income statement in the period they are incurred.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

2 Accounting policies (continued)

Depreciation

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

Asset class	Depreciation method and rate
Buildings	between 5 and 50 years
Infrastructure	between 10 and 50 years
Plant and machinery	between 4 and 30 years
Motor vehicles (included in plant & machinery)	between 4 and 15 years

Investment property

Investment property including freehold land, buildings (including off site residential properties and parts of a building held to earn rental income) are held at fair value based on rental income, where the fair value can be measured reliably without undue cost or effort. Fair value is measured at each reporting date with changes in fair value recognised in the income statement.

Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses. Investments are assessed for impairment at the end of each reporting period. If there is an indication of impairment the recoverable amount of the investment is impaired to its carrying amount. The recoverable amount of the investment is the higher of fair value less cost to sell and value in use. Value in use is defined as if the recoverable amount of the investment is lower than its carrying amount an impairment is recognised in the income statement.

Current asset investments

Current asset investments comprise short term cash deposits with a maturity date of greater than three months.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade receivables

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade debtors are recognised initially at the transaction price. A provision for the impairment of trade debtors is established when there is objective evidence that the group or company will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Stores of consumable items and development land held within stock are valued at the lower of purchase cost or estimated net realisable value. At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired the impairment charge is recognised in the income statement. Costs associated with holding the land are expensed as incurred.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

2 Accounting policies (continued)

Trade payables

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group or company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at undiscounted amount of cash or consideration expected to be paid.

Borrowings

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.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group or company as an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions are recognised when the group has a legal or constructive obligation at the reporting date as a result of a past event, it is probable that the group or company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Details of provisions are disclosed in note 23.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance costs in the Income Statement and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Rents receivable under operating leases are included in turnover on an accruals basis.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 *(continued)*

2 Accounting policies (continued)

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 distributions to the company's shareholders are recognised as a liability in the financial statements in the reporting period in which the dividends are approved by the shareholders.

Employee benefits

Share incentive plan

The Birmingham Airport Holdings Limited Group has a Share Incentive Plan (SIP) which is available to all permanent employees of the group companies. The All Employees Share Ownership Plan (AESOP) was set up to enable employees to have a greater involvement in the company and share in its future success, has been approved by HM Revenue and Customs. Each year employees have the opportunity to join the plan and save to purchase Partnership shares in the group. For every three Partnership shares purchased the employee is given a Matching share by the Employee Share Trust. The shares are held in Trust for the employees and they are entitled to receive a dividend from Birmingham Airport Holdings Limited, if a dividend is declared, while the shares are held in Trust for the employee.

Defined contribution plan

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

2 Accounting policies (continued)

Defined benefit plan

A defined benefit plan defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Consolidated Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of the plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in sterling, and that have terms to maturity approximation to the terms of the related pension liability. The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'remeasurement of net defined benefit liability'.

The cost of the defined benefit plan is recognised in the Income Statement as employee costs and comprises, increases in the liability arising from employee service and cost of benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Income Statement as a 'finance expense'.

3 Critical accounting judgements and estimations of uncertainty

The Group and 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 judgements 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.

Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Provisions

Provision is made for site development related liabilities and other matters as they arise. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. Details of provisions are disclosed in note 23.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

3 Critical accounting judgements and estimations of uncertainty (continued)

(ii) Defined benefit pension scheme

The group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends. Details of the pension scheme are disclosed in note 24.

(iii) Tangible assets

The Group's tangible fixed assets are carried at either their fair value at date of valuation or cost, less any accumulated depreciation. Management estimates the useful economic life of assets based on historical experience and professional guidance from suppliers and subject matter experts. Asset impairments are based on estimates of current and future development plans. Details of the tangible assets are disclosed in note 13.

4 Turnover

The analysis of the group's turnover for the year by class of business is as follows:

	2019	2018
	£ 000	£ 000
Aeronautical income	65,463	64,192
Concessions income	67,931	66,715
Property income and recharges	27,396	24,588
	<u>160,790</u>	<u>155,495</u>

5 Exceptional administrative expenses

	2019	2018
	£ 000	£ 000
Reorganisation or restructuring	195	1,150
GMP equalisation	958	-
Master plan	586	676
HS2 Mover	235	-
	<u>1,974</u>	<u>1,826</u>

During the year £0.195 million (2018: £1.150 million) restructuring costs were incurred including loss of office payments. A pension GMP equalisation cost of £0.958 million was incurred during the year as outlined in the Strategic Report (2018: £ Nil). A further £0.586 million (2018: £0.676 million) exceptional items were incurred in relation to the master plan review. HS2 mover safeguarding costs of £0.235 million were incurred in the year (2018: Nil). Included within taxation on profit is tax on exceptional items at the current UK tax rate of 19% (2018: 19%) amounting to £0.193 million (2018: £0.371 million).

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

6 Operating profit

Arrived at after charging/(crediting):

	2019	2018
	£ 000	£ 000
Depreciation expense (note 13)	26,801	25,773
Capital grant release	(9)	(10)
Increase in fair value of investment property (note 14)	(90)	(3,022)
Foreign exchange gains	-	(79)
Operating lease expense - plant and machinery	107	113
Profit on disposal of tangible assets	(50)	(7)
Impairment of trade receivables	427	562
Inventory recognised as an expense	517	435

7 Auditors' remuneration

	2019	2018
	£ 000	£ 000
Audit of company and consolidated financial statements	20	15
Audit of the financial statements of subsidiaries of the company pursuant to legislation	69	66
	<u>89</u>	<u>81</u>
Other fees to auditors		
All other non-audit services	<u>14</u>	<u>14</u>

Other non-audit fees includes provision of bank covenant certificates, advise on specific transactions and audit of costs for service charges and passengers with reduced mobility.

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019	2018
	£ 000	£ 000
Wages and salaries	28,740	27,122
Social security costs	2,824	2,643
Other pension costs, defined contribution scheme	1,201	1,083
Other pension costs, defined benefit scheme	2,323	1,474
	<u>35,088</u>	<u>32,322</u>

The aggregate payroll costs include exceptional items of £1.153 million (2018: £1.150 million). Included in the defined benefit pension costs is £0.958 million (2018: £ nil) for GMP pay equalisation impact to the scheme.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

8 Staff costs (continued)

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

	2019	2018
	No.	No.
Engineering	52	51
Operations and security	656	648
Support services	181	126
	<u>889</u>	<u>825</u>

9 Directors' emoluments

The directors' emoluments for the year was as follows:

	2019	2018
	£ 000	£ 000
Emoluments	330	518
Compensation for loss of office	-	426
	<u>330</u>	<u>944</u>
Company contributions to money purchase pension schemes	<u>14</u>	<u>10</u>

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

	2019	2018
	No.	No.
Holding shares in the employee share ownership plan	-	1
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director:

	2019	2018
	£ 000	£ 000
Emoluments	80	423
Bonus	98	-
Benefits in kind	-	20
Company contributions to money purchase pension schemes	<u>14</u>	<u>10</u>

Key management compensation

Key management includes the members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2019	2018
	£ 000	£ 000
Salaries and other short term benefits	2,084	1,723
Post employment benefits	104	74
	<u>2,188</u>	<u>1,797</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 *(continued)*

9 Directors' emoluments (continued)

No Directors exercised share options in the year (2018: nil).

10 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Bank interest receivable	374	165
Other interest receivable	1	8
	<u>375</u>	<u>173</u>

11 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Corporate bond	6,713	6,705
Private placements senior notes interest	6,836	6,280
Interest on preference shares	971	971
Lease/leaseback interest	817	791
Bank loans and overdrafts	64	49
Pension scheme net finance charge (note 24)	1,282	1,648
Other interest payable	183	179
Less: capitalised interest	<u>(579)</u>	<u>(411)</u>
	<u>16,287</u>	<u>16,212</u>

12 Tax on profit

(a) Tax charged/(credited) in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	7,610	8,718
UK corporation tax adjustment to prior years	<u>(218)</u>	<u>(165)</u>
	<u>7,392</u>	<u>8,553</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(595)	(161)
Arising from changes in tax rates and laws	63	17
Deferred tax adjustment to prior years	<u>(472)</u>	<u>(331)</u>
	<u>(1,004)</u>	<u>(475)</u>
Tax on profit	<u>6,388</u>	<u>8,078</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 *(continued)*

12 Tax on profit (continued)

(b) Tax (credited)/charged in other comprehensive income

	2019	2018
	£ 000	£ 000
Arising from origination and reversal of timing difference	3,156	2,089
Arising from changes in tax rates and laws	(333)	(220)
	<u>2,823</u>	<u>1,869</u>

(c) Reconciliation of tax charge

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018: higher than the standard rate of corporation tax in the UK) of 19% (2018: 19%).

The differences are reconciled below:

	2019	2018
	£ 000	£ 000
Profit before tax	<u>32,091</u>	<u>34,479</u>
Corporation tax at standard rate	6,097	6,551
Effect of expense not deductible in determining taxable profit	918	2,006
Deferred tax charge relating to changes in tax rates or laws	63	17
Adjustment in respect of prior years	<u>(690)</u>	<u>(496)</u>
Total tax charge	<u>6,388</u>	<u>8,078</u>

(d) Tax rate changes

In his recent budgets the Chancellor the Exchequer proposed a decrease in the rate of UK corporation tax from 19% to 17% from 1 April 2020. These have been substantively enacted at the balance sheet date and are reflected in the company's financial statements.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

13 Tangible assets

Group

	Land and buildings £ 000	Leasehold land and buildings £000	Infrastructure £ 000	Plant and machinery £ 000	Assets in the course of construction £ 000	Total £ 000
Cost or valuation						
At 1 April 2018	302,887	200	121,857	171,133	28,985	625,062
Additions	-	-	-	-	28,285	28,285
Capitalised interest	-	-	-	-	579	579
Disposals	-	-	-	(231)	-	(231)
Transfers	6,091	-	5,894	15,002	(26,987)	-
Revaluations	(13,672)	-	(18,424)	-	-	(32,096)
At 31 March 2019	<u>295,306</u>	<u>200</u>	<u>109,327</u>	<u>185,904</u>	<u>30,862</u>	<u>621,599</u>
Accumulated depreciation						
At 1 April 2018	21,963	-	16,259	132,946	-	171,168
Charge for the year	11,128	-	8,006	7,667	-	26,801
Eliminated on disposal	-	-	-	(215)	-	(215)
Eliminated on revaluation	(30,554)	-	(21,787)	-	-	(52,341)
At 31 March 2019	<u>2,537</u>	<u>-</u>	<u>2,478</u>	<u>140,398</u>	<u>-</u>	<u>145,413</u>
Carrying amount						
At 31 March 2019	<u>292,769</u>	<u>200</u>	<u>106,849</u>	<u>45,506</u>	<u>30,862</u>	<u>476,186</u>
At 31 March 2018	<u>280,924</u>	<u>200</u>	<u>105,598</u>	<u>38,187</u>	<u>28,985</u>	<u>453,894</u>

Included within the net book value of land and buildings above is £292.769 million (2018: £ 280.924 million) in respect of freehold land and buildings and £0.200 million (2018: £0.200 million) in respect of long leasehold land and buildings. Included in land and buildings is land at a value of £94.238 million (2018: £80.734 million) which is not depreciated.

Birmingham Airport entered into a lease/leaseback arrangement with the West Midlands District Councils which covers all the land, buildings and infrastructure of the airport site. Details of the transaction are included in note 31.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

13 Tangible assets (continued)

Revaluation

The group's operational assets which were valued in 2016, were revalued on 31 March 2019 by an independent valuer. The valuations were undertaken by Knight Frank LLP, in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors and with FRS 102. Due to the specialist nature of the airport's assets, the fair value is based on income and the depreciated replacement cost methodology for land, buildings and infrastructure assets. These revaluations were incorporated into the financial statements and the resulting revaluation surplus of £20.245 million was taken to the revaluation reserve (net of deferred tax).

Historical cost

On a historical cost basis the gross cost of land and buildings assets would have been included as £305.286 million (2018: £299.195 million) and the net book value would have been £174.206 million (2018: £175.484 million). The gross cost of infrastructure assets would have been £190.885 million (2018: £184.991 million) and the net book value would have been £83.255 million (2018: £83.658 million).

Capitalised interest

Within Capitalised Interest are capitalised borrowing costs of £0.579 million (2018: £0.411 million). The capitalisation rate used to determine the amount of finance costs capitalised during the year was 6.5% (2018: 6.5%).

Company

The company had no tangible assets at 31 March 2019 (2018: £nil)

14 Investment property

Group

	2019
	£ 000
At 1 April 2018	11,690
Fair value adjustments	<u>90</u>
At 31 March 2019	<u><u>11,780</u></u>

Investment properties held by Birmingham Airport Limited have been revalued at 31 March 2019, by Knight Frank LLP undertaken in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors and with FRS 102, the valuation identifies a reduction of £0.004 million (2018: £2.727 million gain) which has been recognised in the income statement.

Investment properties held by First Castle Developments Limited have been revalued at their fair value in accordance with the appraisal and valuation manual of the Royal Institute of Chartered Surveyors on 31 March 2019 by Ruxton Chartered Surveyors and Fisher German LLP. The valuation identifies a gain of £0.094 million (2018: £0.296 million) which has been recognised in the income statement.

Company

The company had no investment properties at 31 March 2019 (2018: £nil).

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

15 Investments

Company

	2019 £ 000	2018 £ 000
Investments in subsidiaries	143,745	143,745

Details of subsidiaries

Details of the investments that the group and company holds are as follows:

	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2019	2018
Subsidiary undertakings				
Birmingham Airport Operations Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Limited	England	Ordinary Shares	100%	100%
Birmingham Airport (Finance) plc	England	Ordinary Shares	100%	100%
First Castle Developments Limited	England	Ordinary Shares	100%	100%
BHX Fire and Rescue Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Air Traffic Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Services Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Developments Limited	England	Ordinary Shares	100%	100%
BHX (Scotland) Limited	Scotland	Ordinary Shares	100%	100%
BHX Limited Partnership	England	Capital Contribution	100%	100%
Euro-hub (Birmingham) Limited	England	Ordinary Shares	100%	100%

The registered address of these investments is the same as the parent company with the exception of BHX (Scotland) Limited whose registered address is c/o Eversheds LLP, 3 - 5 Melville Street, Edinburgh, EH3 7PE.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

15 Investments (continued)

The principal activity of Birmingham Airport Operations Limited is operation and management of Birmingham Airport Limited, Birmingham Airport (Finance) plc and Euro-hub (Birmingham) Limited.

The principal activity of Birmingham Airport Limited is airport terminal management & operation.

The principal activity of Birmingham Airport (Finance) plc is financing.

The principal activity of First Castle Developments Limited is property holding company.

The principal activity of BHX Fire and Rescue Limited is airport rescue & fire fighting services.

The principal activity of Birmingham Airport Air Traffic Limited is provision of air traffic services.

The principal activity of Birmingham Airport Services Limited is provision of services at Birmingham Airport.

The principal activity of Birmingham Airport Developments Limited is site development.

The principal activity of BHX (Scotland) Limited is property holding & investment.

The principal activity of BHX Limited Partnership is property holding & investment.

The principal activity of Euro-hub (Birmingham) Limited is property holding company.

Birmingham Airport Holdings Limited is the parent undertaking of Birmingham Airport Operations Limited.

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

The company, in its role as parent company to the group, has provided a statutory guarantee to certain subsidiaries for all outstanding liabilities at 31 March 2019. This enables them to take the audit exemption from obtaining a signed statutory audit opinion under section 479A of the Companies Act 2006. For the year ending 31 March 2019 the following subsidiaries were provided with a statutory guarantee:

BHX Fire and Rescue Limited

Birmingham Airport Developments Limited

Birmingham Airport Operations Limited

First Castle Developments Limited

Birmingham Airport Services Limited

Eurohub (Birmingham) Limited

Birmingham Airport Air Traffic Limited

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

16 Inventories

	Group		Company	
	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Stocks	549	455	-	-
Development land	640	640	-	-
	<u>1,189</u>	<u>1,095</u>	<u>-</u>	<u>-</u>

No provision for the impairment of stocks has been provided for in the year (2018: £nil).

There is no material difference between replacement cost of inventory and its carrying amount (2018: £nil).

17 Debtors

	Group		Company	
	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Trade debtors	12,091	8,353	-	-
Amounts owed by group undertakings	-	-	97,711	106,033
Corporation tax	-	-	1,503	1,053
Other receivables	216	198	-	-
Prepayments and accrued income	13,035	12,632	634	178
	<u>25,342</u>	<u>21,183</u>	<u>99,848</u>	<u>107,264</u>

Trade debtors are stated after provisions for impairment of £1.476 million (2018: £1.044 million).

The amounts owed by group undertakings are unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. The interest receivable on intercompany loans is based on a rate composed of the current interest rate payable on the company's bond plus 0.5 per cent.

18 Cash and cash equivalents

	Group		Company	
	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Cash on hand	6	7	-	-
Cash at bank	125,901	46,412	598	648
	<u>125,907</u>	<u>46,419</u>	<u>598</u>	<u>648</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

19 Creditors

	Group		Company	
	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Amount falling due within one year				
Trade creditors	5,079	4,711	-	-
Amounts owed to group undertakings	-	-	140,091	147,228
Corporation tax	3,821	5,580	-	-
Other taxation and social security	659	744	4	9
Accruals and deferred income	64,309	65,252	4,991	4,334
	<u>73,868</u>	<u>76,287</u>	<u>145,086</u>	<u>151,571</u>
Amount falling due after more than one year				
Loans and borrowings	349,187	259,375	-	-
Preference shares	15,384	15,384	15,384	15,384
Accruals and deferred income	632	707	-	-
	<u>365,203</u>	<u>275,466</u>	<u>15,384</u>	<u>15,384</u>

The amounts owed to group undertakings are unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. The interest payable on intercompany loans is based on a rate composed of the current interest rate payable on the company's bond plus 0.5 per cent.

20 Loans and borrowings

	Group		Company	
	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
Non-current loans and borrowings				
Loans and borrowings	344,455	254,643	-	-
Net premium arising on lease and leaseback	4,732	4,732	-	-
Preference shares	15,384	15,384	15,384	15,384
	<u>364,571</u>	<u>274,759</u>	<u>15,384</u>	<u>15,384</u>

The corporate bond is repayable within 2 years. The other non-current loans and borrowings are payable in full after five years. Loans and borrowings are shown net of £1.545 million transaction costs (2018: £1.357 million)

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

21 Finance lease obligations

Group

The total of future minimum lease payments is as follows:

	2019	2018
	£ 000	£ 000
Not later than one year	837	817
Later than one year and not later than five years	3,348	3,268
Later than five years	<u>105,995</u>	<u>104,395</u>
Total gross payments	110,180	108,480
Less: finance charges	<u>(105,448)</u>	<u>(103,748)</u>
Carrying amount of liability	<u><u>4,732</u></u>	<u><u>4,732</u></u>

Within the above certain leases include contingent rent clauses, see note 31 for further information.

22 Financial instruments

Group

The group'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 group does not enter into any form of derivative financial instruments.

Funding

During the year the group raised funds by issuing £90 million of private placement Senior Notes with an interest rate of 3.21 per cent maturing on 24 January 2049. The group's other 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, £50 million loan facility and £125.9 million cash reserves.

Interest Rate Risk

The group's £105 million sterling bond issue is fixed at an interest rate of 6.25 per cent. 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 group's financial instruments are all categorised as basic financial instruments under section 11 of FRS 102. The company has chosen not to measure the basic financial instruments at fair value through the Income Statement, therefore no further disclosures are required.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 *(continued)*

22 Financial instruments (continued)

	2019	2018
	Years	Years
	remaining	remaining
Fixed rate financial liabilities		
Sterling: Private placement senior notes series A	5	6
Sterling: Private placement senior notes series B	10	11
Sterling: Bond	2	3
Sterling: Private placement senior notes	22	23
Sterling: Private placement senior notes	30	-
	<hr/>	<hr/>
Financial assets and liabilities measured at amortised cost	2019	2018
	£ 000	£ 000
Trade receivables	12,091	8,353
Other receivables and accrued income	10,902	11,128
Bonds	(104,692)	(104,541)
Private placement senior notes	(239,763)	(150,102)
Preference shares	(15,384)	(15,384)
Finance leases	(4,732)	(4,732)
Trade creditors	(5,079)	(4,711)
Other taxes and social security	(659)	(744)
Accruals	(50,686)	(58,207)

Company

The Company has financial assets of £97.711 million (2018: £106.033 million) and financial liabilities of £160.470 million (2018: £166.479 million) measured at amortised cost.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 *(continued)*

23 Provisions for liabilities

Group	Other provisions £ 000	Deferred taxation £ 000	Total £ 000
At 1 April 2018	2,023	22,497	24,520
Release through income statement	(248)	(1,004)	(1,252)
Charged through statement of comprehensive income	-	2,823	2,823
Provisions used	<u>(86)</u>	<u>-</u>	<u>(86)</u>
At 31 March 2019	<u>1,689</u>	<u>24,316</u>	<u>26,005</u>

The group is fully committed to a positive environmental policy including the provision of a defined noise insulation scheme, financial penalties to support night flying restrictions and payments under the Land Compensation Act 1973 (LCA). Provisions are made in line with foreseen liabilities and a £2 million provision provided in the prior year, has been reduced by £0.3 million, for addressing potential LCA claims. This is intended to cover the costs of legal, property and administration expertise to process and defend any claims, as well as any actual liabilities which may be due. With regards to the noise insulation scheme, the future liability for the next twelve months is estimated at £0.2 million (2018: £0.2 million) and will be charged in the year to which it relates. There are no other provisions in the company (2018: none).

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

23 Provisions for liabilities (continued)

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000
2019		
Capital allowances in advance of depreciation	-	(4,890)
Other timing differences	-	(1,937)
Post employment benefits	8,772	-
Revaluation of land, buildings and infrastructure	-	(25,323)
Revaluation of investment property	-	(938)
	<u>8,772</u>	<u>(33,088)</u>
2018		
Capital allowances in advance of depreciation	-	(5,027)
Other timing differences	-	(1,931)
Post employment benefits	8,196	-
Revaluation of land, buildings and infrastructure	-	(22,812)
Revaluation of investment property	-	(923)
	<u>8,196</u>	<u>(30,693)</u>

The value of deferred tax liabilities expected to reverse in the next year is £0.881 million (2018: £0.528 million).

24 Post employment benefits

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1.201 million (2018: £1.083 million).

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 *(continued)*

24 Post employment benefits (continued)

Defined benefit pension schemes

Birmingham Airport Limited Pension Scheme

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

The most recent full actuarial valuation was carried out with an effective date of 31 October 2015 using the projected unit method. During 2018/19 members pay 5.5 per cent of pensionable earnings, and the group pays contributions so that overall contributions of 18.4 per cent of pensionable earnings are paid taking account of salary sacrifice adjustments. Scheme expenses, other than life insurance premiums, are payable by the group.

On 28 March 2013, Birmingham Airport Limited agreed an asset backed funding arrangement with the trustees of the pension scheme to help address the pension funding deficit. In connection with the arrangement, property with a fair value of £33.3 million was leased and subsequently leased back to a limited partnership established by the group. The partnership is controlled by the group. On 28 March 2013, Birmingham Airport Limited made a special contribution to the pension scheme of £25.3 million and on the same day the pension scheme used this contribution to acquire an interest in the partnership for its fair value of £25.3 million. The interest entitles the pension scheme to a distribution from the income of the partnership of £2 million per annum, increasing by 4 per cent per annum for fifteen years, with distribution payments made quarterly.

Principal actuarial assumptions

The principal actuarial assumptions at the Statement of Financial Position date are as follows:

	2019	2018
	%	%
Discount rate	2.50	2.70
Future salary increases	3.25	3.05
Future pension increases (RPI)	3.50	3.30
Future pension increases (CPI)	2.50	2.30

Post retirement mortality assumptions

	2019	2018
	Years	Years
Current UK pensioners at retirement age - male	22.00	22.00
Current UK pensioners at retirement age - female	24.00	24.00
Future UK pensioners at retirement age - male	24.00	24.00
Future UK pensioners at retirement age - female	26.00	26.00

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

24 Post employment benefits (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2019	2018
	£ 000	£ 000
Fair value of scheme assets	158,694	146,663
Present value of defined benefit obligation	<u>(210,295)</u>	<u>(194,876)</u>
Defined benefit pension scheme deficit	<u>(51,601)</u>	<u>(48,213)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2019	2018
	£ 000	£ 000
Present value at start of year	(194,876)	(203,478)
Current service cost	(1,576)	(1,661)
Past service cost	(958)	-
Interest cost	(5,235)	(5,653)
Actuarial (losses)/gains	(12,203)	11,084
Benefits paid	4,648	4,939
Contributions by scheme participants	<u>(95)</u>	<u>(107)</u>
Present value at end of year	<u>(210,295)</u>	<u>(194,876)</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2019	2018
	£ 000	£ 000
Fair value at start of year	146,663	143,340
Interest income	3,953	4,005
Actuarial gains/(losses)	8,570	(90)
Employer contributions	4,061	4,240
Contributions by scheme participants	95	107
Benefits paid	<u>(4,648)</u>	<u>(4,939)</u>
Fair value at end of year	<u>158,694</u>	<u>146,663</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2019	2018
	£ 000	£ 000
Cash and cash equivalents	914	995
Debt instruments	-	43,109
Equity instruments	-	63,173
Diversified growth funds	<u>157,780</u>	<u>39,386</u>
	<u>158,694</u>	<u>146,663</u>

Diversified growth funds are predominately made up of equity and debt instruments.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

24 Post employment benefits (continued)

Return on scheme assets

	2019 £ 000	2018 £ 000
Return on scheme assets	<u>12,523</u>	<u>3,915</u>

The pension scheme has not invested in any of the company's own financial instruments.

Total cost recognised as an expense totalled £1.576 million (2018: £1.661 million) for current service cost and £1.282 million (2018: £1.648 million) for interest cost. Included in the service cost is £0.211 million (2018: £0.188 million) relating to salary sacrificed. On 26 October 2018, the High Court issued a judgement in a claim involving Lloyds Banking Group's defined benefit pension schemes. This judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. This has resulted in a charge of £0.958 million to the Income Statement. This has been recognised within exceptional administrative expenses.

25 Called up share capital

Allotted, called up and fully paid shares

	No. 000	2019 £ 000	No. 000	2018 £ 000
A Ordinary shares of £0.01 each	315,083	3,150.83	315,083	3,150.83
B Ordinary shares of £0.01 each	8,910	89.10	8,910	89.10
C Ordinary shares of £0.01 each	1	0.01	1	0.01
1 special (non participating) voting share of £1 each	-	-	-	-
	<u>323,994</u>	<u>3,240</u>	<u>323,994</u>	<u>3,240</u>

The 'B' ordinary shares carry the same rights as the 'A' ordinary shares except they have no voting rights. The 'C' ordinary shares only have voting rights relating to the appointment or removal of directors. They are not entitled to participate in any dividend or any other distribution of income declared, made or paid by the company, but have full distribution rights on winding up. Preference shares carry no voting rights (see note 19). On a winding up of the company preference shareholders have a right to receive, in preference to payments to ordinary shareholders, 1p per share plus any accrued dividend. The holder of the special voting share is not entitled to participate in any dividend or any other distribution of income declared, made or paid by the company. On winding up, the holder of the special voting share has a right to receive the nominal value following payments to preference and ordinary shareholders.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

26 Reserves

The merger reserve was created in 1997 when Birmingham Airport Holdings Limited acquired its interest in Birmingham Airport Limited and Euro-hub (Birmingham) Limited. The revaluation reserve was created in March 2016 when land, buildings and infrastructure assets were revalued. These assets were revalued in March 2019 details are included in note 13. The revaluation reserve transfer relating to the additional depreciation incurred in the income statement as a result of this revaluation was £1.104 million (2018: £1.196 million).

ESOP Shares

Birmingham Airport Holdings Limited is the sponsoring company of an ESOP Trust. 'B' ordinary shares to the value of £2.750 million were issued on 26 March 1997 by Birmingham Airport Holdings Limited.

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

	Own Shares Number	Own Shares £000
Investment at 1 April 2018	5,018,279	3,213
Shares vested in employees	(329,076)	(211)
Shares purchased from employees	188,006	202
Investment at 31 March 2019	<u>4,877,209</u>	<u>3,204</u>

27 Dividends

	2019 £ 000	2018 £ 000
Final dividend of 4.30p (2018: 5.50p) per 1p share	13,696	17,523
Interim dividend of 3.71p (2018: 4.01p) per 1p share	11,822	12,784
	<u>25,518</u>	<u>30,307</u>

The directors are proposing a final dividend of 4.552 pence per share (2018: 4.297 pence per share) totalling £14.749 million (2018: £13.921 million). This dividend has not been accrued in the Statement of Financial Position.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

28 Note to the cash flow statement

	2019 £ 000	2018 £ 000
Cash flows from operating activities		
Profit for the financial year	25,703	26,401
Adjustments to cash flows from non-cash items		
Depreciation and other grant release	26,792	25,763
Changes in fair value of investment property	(90)	(3,022)
Profit on disposal of tangible assets	(50)	(7)
Foreign exchange gain	-	(79)
Finance income	(375)	(173)
Finance costs	16,287	16,212
Income tax expense	6,388	8,078
	<u>74,655</u>	<u>73,173</u>
Working capital adjustments		
(Increase)/decrease in inventories	(94)	78
Increase in trade and other receivables	(3,566)	(1,319)
Increase/(decrease) in trade and other payables	1,682	(1,515)
Decrease in retirement benefit obligation net of actuarial changes	(1,527)	(2,580)
Decrease in provisions	(334)	(576)
Cash generated from operations	<u><u>70,816</u></u>	<u><u>67,261</u></u>

29 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was £5.864 million (2018: £6.377 million).

Operating leases

The total of future minimum lease payments is as follows:

	2019 £ 000	2018 £ 000
Not later than one year	93	73
Later than one year and not later than five years	<u>103</u>	<u>51</u>
	<u><u>196</u></u>	<u><u>124</u></u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £0.124 million (2018: £0.150 million).

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

29 Commitments (continued)

Operating lease arrangements where the group is lessor

The future minimum rentals receivable under non-cancelling operating leases are as follows:

	2019 £ 000	2018 £ 000
Not later than one year	891	873
Later than one year and not later than five years	3,957	3,597
Later than five years	41,302	41,185
	<u>46,150</u>	<u>45,655</u>

These non-cancellable leases have remaining terms of between two and ninety four years. All leases include a provision for upward rent reviews in accordance with specific lease terms at prevailing market conditions.

30 Contingent liabilities

Group

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

On 3 December 2013 the company along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £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 on 3 December 2023 and carry 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 on 3 December 2028 and carry 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. The notes are for a period of twenty five years maturing on 30 March 2041 and carry a fixed interest rate of 3.8 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 and Lloyds Bank PLC in support of a £50 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 outstanding under the facility was £nil.

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.

The company, in its role as parent company to the group, has provided a statutory guarantee to certain subsidiaries for all outstanding liabilities as 31 March 2019. The detail of the statutory guarantees are included in note 15.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

31 Related party transactions

Birmingham City Council, Coventry City Council, Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council, Walsall Metropolitan Borough Council and Wolverhampton City Council ("The Districts") are shareholders. The dividends paid to The Districts in the year amounted to £12.705 million (2018: £16.063 million).

In 1995 Birmingham Airport Limited entered into an arms length lease arrangement with Solihull Metropolitan Borough Council on behalf of The Districts, all of which were shareholders in the company at that time. Under such arrangements, the company granted a 999 year lease over land and buildings situated at Birmingham Airport in exchange for a total fair value premium of £100 million and a peppercorn rent. At the same time the shareholders granted Birmingham Airport Limited a 150 year lease over the same property for a total fair value premium of £96.5 million.

The net premium arising as adjusted for associated stamp duty and legal costs has been treated as a finance lease in the financial statements of the group and is disclosed in Note 20. Under the lease arrangement, the company pays a basic rent of £0.6 million per annum from 1 April 2007 subsequently index linked each year for the remaining lease period. In addition, a turnover based rent is payable calculated as 0.4% of turnover less the basic rent in the period. The total amount payable in the year was £0.817 million (2018: £0.791 million). The amount at the end of the year was £4.732 million (2018: £4.732 million), all of which is due after more than one year.

In February 2002 the group completed a 150 year lease agreement with Birmingham City Council for land adjacent to the airport site. A lease premium of £0.2 million was paid with a peppercorn rent for the remaining lease term along with costs of £2,000. The lease payments have been treated as a finance lease in the financial statements of the group. The amount due at the end of the year was £nil.

Solihull Metropolitan Borough Council

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

Birmingham City Council

In support of the A45 transport corridor improvement scheme the airport company is contributed circa £7 million as part of the cost of the realignment of the improved A45 corridor, there was an accrued creditor of £2.567 million relating to this transaction (2018: £2.567million).

Airport Group Investments Limited

Airport Group Investments Limited (AGIL) are shareholders and received dividends of £12.511 million during the year (2018: £14.862 million). The group have made no payments for consortium relief to AGIL during the year (2018: £0.769 million).

32 Parent and ultimate parent undertaking

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