Birmingham Airport Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2017

Registration number: 03312673

Birmingham Airport Holdings Limited

Contents

Birmingham Airport Holdings Limited
Company Information

Chairman	J L Hudson
Chief Executive	P Kehoe
Directors	M A Bird J M Clancy N P Fleming J L Hudson P Kehoe W Nazir R F Piper G E Richards T Singh S C Stacey D M Stanton P C Tilsley M R Toms D I A Vickers D S Welsh
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

The Directors present their strategic report for the year ended 31 March 2017.

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:

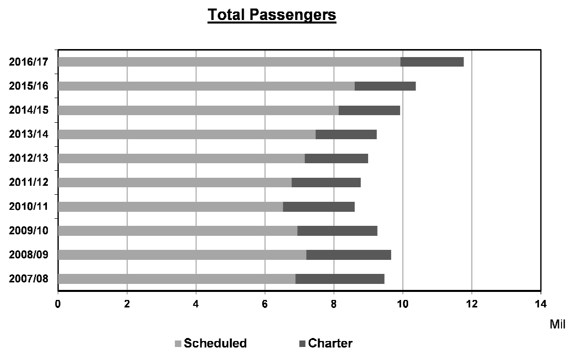
"The safe and secure processing of passengers and aircraft through the provision of facilities and infrastructure in a sustainable and efficient manner. We aim to provide a value-for-money service, recognising the efforts of our employees and our partners, which will generate a profitable future for 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".

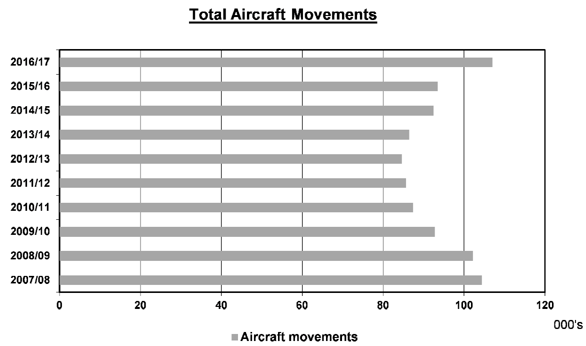
Review of the business and future outlook

Market position and business environment

During the year ended March 2017, Birmingham Airport processed 11,906,796 passengers, an increase of 14.0% on 2015/16 and for the first time in the Airport's history over 11 million passengers have passed through the terminals. It was also the sixth consecutive year of passenger growth with Scheduled passengers up 15.4% and Charter passengers up 7.7%. This growth outperformed the average UK aviation industry growth of 6.5%.

Birmingham Airport recorded the busiest month in its history during August 2016 with 1,286,775 passengers passing through its terminals, along with monthly record passengers in the other 11 months of the financial year. This double digit growth has partly been delivered by existing airlines, both on existing routes and new routes including Lisbon, Luxembourg and Paris Orly. Several new airlines also commenced operations during the year, including Czech Airlines to Prague, Alba Star to Palma, Cobalt Air to Larnaca, Jet2 - four new based aircraft operating to the Western Mediterranean and Canary Islands from March 2017 and BMI Regional to Graz.





Birmingham Airport continued to build its extensive route network and provide its customers with more destination and frequency choices than seen before. The 15.4% Scheduled traffic growth reflects double digit growth within its Long Haul and Low Cost sectors, whilst the full service carrier sector experienced growth above the UK Aviation market. Long Haul benefitted as Qatar Airways annualised its Doha service and Emirates annualised the operation of a third daily service to Dubai and continued to operate the iconic Airbus A380 on one of its daily services.

The Low Cost sector benefitted significantly from Ryanair operating new routes and increasing frequencies on existing routes along with the full year operation of Wizz Air services to Eastern Europe, including the launch of Bucharest and the commencement of three additional Vueling routes.

Growth in Scheduled traffic also came from the full year operation of Iberia Express, increased routes and frequency from Blue Air and Icelandair annualising its 3rd weekly service along with the launch of new airlines Czech Airlines and Alba Star.

Charter traffic also delivered growth above the UK Aviation market average. The Charter market continues to be dominated by both Thomson and Thomas Cook, the former saw growth from additional long haul traffic and the latter operated an additional aircraft through the summer. In addition, both carriers gained from a change in consumer behaviour towards favouring package holidays and travel with established operators.

The most popular destination remains Dublin, followed by Dubai and Amsterdam.

The 2017/18 financial year looks set to be a year of further growth and commenced with the return of Great Britain's flag carrier British Airways to Birmingham Airport. The airline launched its weekly summer services to Florence, Ibiza, Malaga and Palma during May. The Airport also expects increasing route competition in 2017/18 with Jet2 adding a further 18 routes to those which commenced in March 2017 including New York flights in November 2017. New routes have also been launched by both Monarch (Stockholm, Split, and Valencia) and BMI Regional (Nuremberg and Gothenburg). Passengers travelling to Dubai with Emirates can also look forward to the airline operating the Airbus A380 twice daily from October 2017, providing passengers with more opportunity to fly on the world's largest passenger aircraft from the UK's second city.

There does however continue to be ongoing uncertainty within the market following the Brexit vote last June and the subsequent triggering of Article 50; however it remains too early to tell what the impact on volumes and the pattern of travel will be as a result of this.

Future developments

The group will continue to operate from Birmingham Airport, providing facilities and infrastructure as required to maintain the successful operation of the Airport. The Group is committed to adopting a sustainable approach to the operation and future development of the Airport, whilst mitigating the impact on local communities

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 14.2% during 2016/17, which exceeded passenger growth by 0.2%. This reflects strong growth across aircraft parking, cargo and aircraft diversions during the year, whilst core aeronautical income grew 10.1% this was 3.9% below passenger volume growth due to the changing mix of traffic. This resulted in a slight overall uplift in the yield per passenger to £5.11 compared with £5.10 for the previous year.

Commercial income grew by 10.0%, 4.0% below passenger volume growth. This dilution in yield was partly attributable to a change in traffic mix, with reductions on higher yielding Non EU traffic due to events within Egypt, Turkey and Tunisia, being replaced by growth in lower yielding EU destinations, notably Spain. The Duty Free store completed its re-development in July 2016 with a part-year impact during development but a part-year benefit later in the year of the enhanced store and offering. Trading was also impacted by the increasing regulatory restrictions on tobacco products, such as the introduction of plain packaging and health warnings.

Following the completion of the Duty Free store re-development, new brand offerings were introduced such as World of Whiskey and Jo Malone. Additionally Pret a Manger, Dixons and the Costa Coffee Landside unit underwent refurbishments in order to increase appeal and associated footfall. During the year the Airport also benefited from the opening of drinks unit Joe & The Juice, along with stationery retailer The Pocket Shop, which was the first branch to open in the UK.

There are more developments due in the coming year, with May 2017 seeing the opening of the new Premium set down car park, along with an increase in surface car parking capacity anticipated to be operational from autumn 2017. The Departure Lounge has already seen a JD Sports upgrade with Accessorize undergoing development later this year, whilst the South Pier welcomed the opening of a new Costa Coffee unit in June 2017.

Operating costs

Total operating costs before exceptional items increased by 3.1% to £94.1 million in the year (2016: £91.2 million). Within this, employee costs increased by 8.1% as a result of the activity growth throughout the airport. This was most notably seen within security and bussing, along with an increase in air traffic control staff. Pay increases and incentive payments reflecting the strong performance of the Airport also contributed to the increase. Non staff costs increased by 0.7%, predominantly due to an increase in marketing and promotional activity to support passenger growth along with higher levels of equipment maintenance and repairs due to demand on infrastructure from the increase in passengers and baggage. These cost increases were partially offset by lower business rates in the current year. Depreciation and other costs increased by 2.7%, predominantly due to an increase in capital spend a consequence of the capital investment programme, up 7.4%, together with the impact of the 2016 asset revaluation and lower year on year investment property fair value gains. These increases were partially offset by the land compensation provision made in 2015/16.

The group's operating profit, before exceptional items, increased 31.6% to £51.7 million (2016: £39.3 million), from higher income and lower business rates. This has been partially offset by higher operating costs and increased depreciation in the year. Exceptional credit of £1.8m (2016: £1.0 million charge) reflects a credit from the lease premium for a hotel development, partially offset by an update of the airport's master plan, dilapidation costs associated with the end of the Concorde House lease, air traffic control transition costs and the demolition of obsolete buildings. This resulted in a group operating profit, post exceptional items, of £53.5 million (2016: £38.3 million). The group incurred an increase of £2.2 million in its net interest cost, which rose to £15.4 million (2016: £13.2 million) due to the full year interest charge associated with the private placement senior notes issued in March 2016, while an increase in capital development works provided a small offset through higher capitalised interest.

During 2016/17, the group incurred a tax charge of £8.7 million (2016: £6.9 million), this included a corporation tax charge of £9.1 million (2016: £6.2 million) and a deferred tax credit of £0.4 million, which is lower than the previous year due to an increase in depreciation associated with 2016 asset revaluations and lower expenses not deductible (2016: £0.7 million charge). This equates to an effective tax rate of 22.9% (2016: 27.6%) which remains higher than the ordinary rate of UK corporation tax, reflecting the removal of tax allowances for industrial buildings.

During the year, a final dividend of £9.5 million for the year ended 31 March 2016 was paid (2016: £5.8 million) and an interim dividend of £18.6 million was paid for the year ended 31 March 2017 (2016: £14.1 million). This resulted in a total dividend of £28.1 million (2016: £94.6 million including declaration of a £74.7 million special dividend).

The directors recommend a final dividend payment of £17.817 million be made in respect of the financial year ended 31 March 2017.

Cash outflow for capital projects increased to £18.4 million (2016: £9.7 million). The main projects in the year related to the ongoing works associated with the baggage system upgrade project and installation of new self-service check-in kiosk and bag drop area, increasing capacity and meeting the changing needs of both our airlines and passengers. There was also additional investment within bussing and security to increase capacity and support growth, along with the ongoing investment in replacement assets. The sale of vehicles and plant assets generated £0.04 million (2016: £0.01 million).

During the year, the group generated cash of £80.3 million from operating activities (2016: £63.5 million). Corporation tax paid increased by £3.6 million and interest paid increased by £3.6 million due to the full year interest and associated costs on the £76 million private placement senior notes issued on 30 March 2016. The group received £3.5 million in relation to the sale of land for a hotel development (2016: nil). The group invested £9.6 million in short term deposits in excess of three months (2016: £nil). Following capital expenditure of £18.4 million and dividend payments of £102.9 million (this includes the payment of a £74.7 million special dividend on 6th April 2016, which was declared in 2015/16) there was a net reduction in cash of £71.0 million (2016: £92.8 million increase due to receipt of private placement senior notes). 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 threat level remained at Substantial and sustaining continued improvements in compliance remains a significant operational challenge. Performance during Civil Aviation Authority audits and covert tests remains very positive with the Security Team hitting key targets and achieving compliance with increasing standards throughout the year.

Overall security performance was good throughout the year, although there were some challenges in maintaining customer service levels during peak periods. 76.7% (2016: 82.0%) of passengers experiencing a queue time of 10 minutes or less and 98.3% (2016: 98.2%) a queue time of less than 20 minutes.

During the winter of 2016/17 the focus for the operational teams has been on completing a detailed analysis of current performance and opportunities to improve passenger throughput to minimise queue times. A project has also been undertaken to improve the efficiency of the staff roster to better meet operational demands.

Health and Safety

Birmingham Airport sees the delivery of the highest safety standards as paramount to the continued success of the business. This commitment is delivered through sound management systems, well developed policies and adherence to all applicable legal requirements.

Health and Safety Management is executed via the Birmingham Airport Health and Safety Policy which sets out a statement and the arrangements for the Management of Health and Safety. The Health and Safety Management System is accredited to OHSAS 18001, the internationally applied British Standard for occupational health and safety management systems. Birmingham Airport management system was first accredited in 2013 and a re-certification audit was successfully completed in 2016. The re-certification process confirms that the management system conforms to the requirements of the standard and that the Airport has effectively implemented the management system.

Staff accidents have reduced 3.3% during 2016/17 to 58 (2016: 60), whilst passenger accidents have reduced by 7.8% to 177 (2016: 192), a positive trend against a 14.0% increase in passenger numbers.

Airside Safety

Operational safety is a core business priority and a key driver for the Airfield Operations Team. Following the successful transition process from a UK Civil Aviation Authority (CAA) Licensed Aerodrome to a European Aviation Safety Agency (EASA) Certified Aerodrome in February 2016, the Airport had its first EASA audit by the CAA in November 2017. The subsequent meeting between the Accountable Manager and the CAA Aerodrome Inspectorate in May 2017 recommended 'reduced oversight' by the CAA.

The reporting of airside safety occurrences has been extended to include data on unsafe acts, unsafe behaviours and near misses supporting the 'Just Culture' which the airport promotes. The aerodrome safety plan was issued with Board endorsement and the Airport has held an Airport Operators Association safety week to highlight risks and promote good practice.

Wildlife habitat management is a focus area to continue the downward trend in bird strikes involving those species classified as 'high' and 'medium' risk. This reflects the continued efforts of the airfield team in robust active bird control, good habitat management and effective safeguarding of new developments within the 13 km bird hazard zone.

Once again we benefitted from another mild winter resulting in minimal impact to airfield operations. Looking forward the asset management plan for winter operations equipment has been reviewed and updated with several pieces of older equipment to be replaced in 2017/18.

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 £20 million committed un-drawn loan facility and £42.7 million cash balance are considered sufficient to meet the group's ongoing liquidity requirements.

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.

Approved and authorised by the Board and signed on its behalf on 12 July 2017 by:

....
J L Hudson
Chairman

....
S L O Richards
Company secretary

Directors' Report for the Year Ended 31 March 2017

The Directors present their report and the audited financial statements of the group and company year ended 31 March 2017.

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:

T Ali (resigned 5 July 2016)

H Banger (resigned 29 June 2016)

H Bills (resigned 5 June 2017)

M A Bird

J M Clancy

P Dransfield (resigned 5 July 2017)

N P Fleming

J L Hudson - Chairman

P Kehoe - Chief executive

J D McNicholas (resigned 29 June 2016)

B O'Reilly (appointed 5 July 2016 and resigned 25 January 2017)

R F Piper

G E Richards

T Singh (appointed 29 June 2016)

S C Stacey (appointed 25 January 2017)

D M Stanton

P C Tilsley

M R Toms

D S Welsh (appointed 29 June 2016)

The following directors were appointed after the year end:

W Nazir (appointed 5 July 2017)

D I A Vickers (appointed 5 June 2017)

It was announced on 9 June 2017 that the Chief Executive Officer, Paul Kehoe, was to stand down with effect from 12 July 2017. The Board would like to express their grateful thanks to Paul for the tremendous contribution he has made to Birmingham Airport during the last nine years. Under his leadership, the Airport has built relationships with new carriers, grown passenger numbers to more than 12m, and delivered significant economic value to the region. An announcement regarding Paul’s successor will be made in due course.

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 year, as well as the 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 £20 million committed un-drawn loan facility to offset the group's and company's net current liabilities and hence they continue to adopt the going concern basis in preparing the 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 12 July 2017 by:

....
J L Hudson
Chairman

....
S L C 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 these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102 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 group and 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 the 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 corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved and authorised by the Board and signed on its behalf on 12 July 2017 by:

....
S L C Richards
Company Secretary

Independent Auditors' Report to the members of Birmingham Airport Holdings Limited

Report on the financial statements

Our 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 2017 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company Statements of Financial Position as at 31 March 2017;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; 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.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)"). Those standards require us to comply with the Auditing Practices Board Ethical Standards for Auditors to the financial statements.

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

What an audit of the financial statements involves

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

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

....
Steven Kentish (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditor
Birmingham

12 July 2017

Birmingham Airport Holdings Limited

Consolidated Income Statement for the Year Ended 31 March 2017

	Note	2017 £ 000	2016 £ 000
Turnover	4	145,832	130,546
Administrative expenses		(94,105)	(91,244)
Operating exceptional items	5	1,756	(1,021)
Operating profit	6	53,483	38,281
Interest receivable and similar income	10	266	275
Interest payable and similar expenses	11	(15,632)	(13,492)
Profit before taxation		38,117	25,064
Tax on profit	12	(8,731)	(6,908)
Profit for the financial year		29,386	18,156

The above results were derived from continuing operations.

Birmingham Airport Holdings Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2017

	2017 £ 000	2016 £ 000
Profit for the financial year	29,386	18,156
Surplus on tangible assets revaluation	-	43,004
Deferred tax on tangible assets revaluation	-	(7,741)
Remeasurement (loss)/gain on net defined benefit pension liability	(30,048)	6,538
Deferred tax effect on actuarial (loss)/gain recognised on net defined benefit pension liability	5,207	(1,593)
Other comprehensive (expense)/income for the year	(24,841)	40,208
Total comprehensive income for the year	4,545	58,364

The notes on pages 21 to 48 form an integral part of these financial statements.

Birmingham Airport Holdings Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2017

	Note	Called up Share capital £ 000	Share premium account £ 000	Revaluation reserve £ 000	Merger reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 April 2015		3,240	43,644	85,710	25,588	3,090	161,272
Profit for the financial year		-	-	-	-	18,156	18,156
Other comprehensive income		-	-	35,263	-	4,945	40,208
Total comprehensive income		-	-	35,263	-	23,101	58,364
Dividends	27	-	-	-	-	(94,645)	(94,645)
Share premium reserve movements		-	(43,644)	-	-	43,644	-
Revaluation reserve profit transfer		-	-	(79,874)	-	79,874	-
Deferred tax on revaluation reserve movement		-	-	226	-	1,947	2,173
Net sale of own shares from share trust		-	-	-	-	(213)	(213)
Movement in reserves of own trust		-	-	-	-	(149)	(149)
At 31 March 2016		3,240	-	41,325	25,588	56,649	126,802
At 1 April 2016		3,240	-	41,325	25,588	56,649	126,802
Profit for the financial year		-	-	-	-	29,386	29,386
Other comprehensive expense		-	-	-	-	(24,841)	(24,841)
Total comprehensive income		-	-	-	-	4,545	4,545
Dividends	27	-	-	-	-	(28,129)	(28,129)
Transfer of realised profits		-	-	(1,251)	-	1,251	-
Deferred tax on revaluation reserve movement		-	-	504	-	955	1,459
Net sale of own shares from share trust	26	-	-	-	-	32	32
Movement in reserves of own trust		-	-	-	-	(64)	(64)
At 31 March 2017		3,240	-	40,578	25,588	35,239	104,645

The notes on pages 21 to 48 form an integral part of these financial statements.

Birmingham Airport Holdings Limited

Company Statement of Changes in Equity for the Year Ended 31 March 2017

	Note	Called up Share capital £ 000	Share premium account £ 000	Merger reserve £ 000	Retained earnings £ 000	Total Equity £ 000
At 1 April 2015		3,240	43,644	51,380	4,676	102,940
Profit for the financial year		-	-	-	93,586	93,586
Total comprehensive income		-	-	-	93,586	93,586
Dividends	27	-	-	-	(94,645)	(94,645)
Net sale of own shares from share trust		-	-	-	(213)	(213)
Movement in reserves of own trust		-	-	-	1,460	1,460
Share premium reserve movements		-	(43,644)	-	43,644	-
At 31 March 2016		3,240	-	51,380	48,508	103,128
At 1 April 2016		3,240	-	51,380	48,508	103,128
Profit for the financial year		-	-	-	24,223	24,223
Total comprehensive income		-	-	-	24,223	24,223
Dividends	27	-	-	-	(28,129)	(28,129)
Net sale of own shares from share trust	26	-	-	-	32	32
Movement in reserves of own trust		-	-	-	(64)	(64)
At 31 March 2017		3,240	-	51,380	44,570	99,190

Birmingham Airport Holdings Limited

(Registration number: 03312673)
Consolidated Statement of Financial Position as at 31 March 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Tangible assets	13	459,439	463,572
Investment property	14	8,759	7,945
		468,198	471,517
Current assets			
Inventories	16	1,174	1,065
Debtors	17	20,006	20,385
Investments	18	9,553	-
Cash at bank and in hand		42,746	113,720
		73,479	135,170
Creditors: Amounts falling due within one year	19	(77,663)	(138,177)
Net current liabilities		(4,184)	(3,007)
Total assets less current liabilities		464,014	468,510
Creditors: Amounts falling due after more than one year	19	(275,471)	(275,408)
Provisions for liabilities	23	(23,760)	(30,164)
Post employment benefits	24	(60,138)	(36,136)
Net assets		104,645	126,802
Capital and reserves			
Called up share capital	25	3,240	3,240
Revaluation reserve	26	40,578	41,325
Merger reserve	26	25,588	25,588
Retained earnings		35,239	56,649
Total equity		104,645	126,802

The financial statements on pages 14 to 48 were approved and authorised by the Board and signed on its behalf on 12 July 2017 by:

....

J L Hudson
Chairman

Birmingham Airport Holdings Limited

(Registration number: 03312673)
Company Statement of Financial Position as at 31 March 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Investments	15	143,745	143,745
Current assets			
Debtors	17	126,762	207,397
Cash at bank and in hand		726	253
		127,488	207,650
Creditors: Amounts falling due within one year	19	(156,659)	(232,884)
Net current liabilities		(29,171)	(25,234)
Total assets less current liabilities		114,574	118,511
Creditors: Amounts falling due after more than one year	19	(15,384)	(15,384)
Provisions for liabilities	23	-	1
Net assets		99,190	103,128
Capital and reserves			
Called up share capital	25	3,240	3,240
Merger reserve	26	51,380	51,380
Retained earnings		44,570	48,508
Total equity		99,190	103,128

The financial statements on pages 14 to 48 were approved and authorised by the Board and signed on its behalf on 12 July 2017 by:

....

J L Hudson

Chairman

Birmingham Airport Holdings Limited

Consolidated Statement of Cash Flows for the Year Ended 31 March 2017

	Note	2017 £ 000	2016 £ 000
Cash flow from operating activities	29	80,258	63,533
Income taxes paid	12	(8,762)	(5,119)
Net cash flow from operating activities		71,496	58,414
Cash flow from investing activities			
Interest received	10	262	255
Purchase of tangible assets		(18,357)	(9,720)
Proceeds from sale of tangible assets		3,560	14
Investments in short term deposits		(9,553)	-
Net cash used in investing activities		(24,088)	(9,451)
Cash flow from financing activities			
Interest paid	11	(13,756)	(10,160)
Proceeds from bank borrowing draw downs		-	76,000
Interest on preference shares		(971)	(971)
Dividends paid		(102,857)	(19,917)
Lease/leaseback premium		(766)	(803)
Net sale of own shares from share trust		32	(213)
Movement in reserves of own trust		(64)	(149)
Net cash (outflow)/inflow from financing activities		(118,382)	43,787
Net (decrease)/increase in cash and cash equivalents		(70,974)	92,750
Cash and cash equivalents at 1 April		113,720	20,970
Cash and cash equivalents at 31 March	28	42,746	113,720

1 General information

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

The address of its registered office is:
Diamond House
Birmingham Airport
Birmingham
West Midlands
B26 3QJ

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 £24.223 million (2016: £93.586 million)

Basis of consolidation
The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2017. 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.

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis. 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 £20 million committed un-drawn loan facility to offset the group's and company's net current liabilities and hence they continue 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 accrual 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 items

The group classifies certain one-off charges or credits that have a material 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.

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.

2 Accounting policies (continued)

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 2016.

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 of 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.

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

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

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 share 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.

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.

(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.

4 Turnover

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

	2017 £ 000	2016 £ 000
Aeronautical income	60,851	53,277
Concessions income	63,104	57,142
Property income and recharges	21,877	20,127
	145,832	130,546

5 Operating exceptional items

	2017 £ 000	2016 £ 000
Reorganisation or restructuring	245	274
Dilapidations	461	-
Demolition of obsolete buildings	33	435
Other exceptional costs	608	312
Hotel development lease	(3,103)	-
	(1,756)	1,021

During the year £0.245 million (2016: £0.274 million) restructuring costs were incurred including start-up costs associated with Birmingham Airport Air Traffic Limited. Dilapidation costs of £0.461 million were associated with Concorde House (2016: £nil). Demolition costs of £0.033 million associated with time expired assets, held at nil net book value, which were beyond economic life including the Rapide building and the former sports club (2016: £0.435 million including Hangar 1). A further £0.608 million (2016: £0.312 million) exceptional items were incurred in relation to the master plan review and company re-financing. Included within taxation on profit on ordinary activities is tax on exceptional items at the current UK tax rate of 20% (2016: 20%) amounting to £0.269 million (2016: £0.204 million). Also during the year a finance lease was granted for the site of a hotel development resulting in a net gain of £3.103 million (2016: £nil).

6 Operating profit

Arrived at after charging/(crediting):

	2017 £ 000	2016 £ 000
Depreciation expense (note 13)	25,368	23,619
Capital grant release	(9)	(9)
Increase in fair value of investment property (note 14)	(814)	(1,596)
Prior years rates refunds	(4,625)	-
Operating lease expense - property	104	450
Operating lease expense - plant and machinery	115	74
Profit on disposal of tangible assets	(34)	(14)
Impairment of trade receivables	132	(8)
Inventory recognised as an expense	348	402

7 Auditors' remuneration

	2017 £ 000	2016 £ 000
Audit of company and consolidated financial statements	14	19
Audit of the financial statements of subsidiaries of the company pursuant to legislation	68	99
	82	118

Other fees to auditors

	2017 £ 000	2016 £ 000
All other non-audit services	10	160

8 Staff costs

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

	2017 £ 000	2016 £ 000
Wages and salaries	24,302	22,206
Social security costs	2,481	2,265
Pension costs, defined contribution scheme	977	1,014
Pension costs, defined benefit scheme	1,150	1,259
	28,910	26,744

The aggregate payroll costs include exceptional items of £0.245 million (2016: £0.274 million).

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

	2017 No.	2016 No.
Engineering	49	50
Operations and security	551	465
Support services	103	104
	703	619

9 Directors' emoluments

The directors' emoluments for the year was as follows:

	2017 £ 000	2016 £ 000
Emoluments	369	627
Company contributions to money purchase pension schemes	6	49

9 Directors' emoluments (continued)

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

	2017 No.	2016 No.
Holding shares in the employee share ownership plan	1	1
Accruing benefits under money purchase pension scheme	1	1

In respect of the highest paid director:

	2017 £ 000	2016 £ 000
Emoluments	297	247
Benefits in kind	22	30
Bonus	-	247
Long term bonus	-	53
Company contributions to money purchase pension schemes	6	49

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:

	2017 £ 000	2016 £ 000
Salaries and other short term benefits	1,294	1,158
Post employment benefits	68	87
	1,362	1,245

No Directors exercised share options in the year (2016: nil).

10 Interest receivable and similar income

	2017 £ 000	2016 £ 000
Bank interest receivable	264	275
Other interest receivable	2	-
	266	275

11 Interest payable and similar expenses

	2017 £ 000	2016 £ 000
Corporate bond	6,696	6,687
Private placements senior notes interest	6,280	3,454
Interest on preference shares	971	971
Lease/leaseback interest	766	755
Bank loans and overdrafts	49	105
Pension scheme net finance charge (note 24)	1,219	1,442
Other interest payable	183	155
Less: capitalised interest	(532)	(77)
	15,632	13,492

12 Tax on profit

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

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	9,668	6,507
UK corporation tax adjustment to prior years	(542)	(340)
	9,126	6,167
Deferred taxation		
Arising from origination and reversal of timing differences	(812)	1,089
Arising from changes in tax rates and laws	86	(413)
Deferred tax adjustment to previous years	331	65
	(395)	741
Tax on profit	8,731	6,908

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

	2017 £ 000	2016 £ 000
Arising from origination and reversal of timing difference	(6,010)	9,909
Arising from changes in tax rates and laws	803	(575)
	(5,207)	9,334

12 Tax on profit (continued)

(c) Tax credited in equity

	2017 £ 000	2016 £ 000
Arising from changes in tax rates and laws	(1,459)	(2,173)
	(1,459)	(2,173)

(d) 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 (2016: higher than the standard rate of corporation tax in the UK) of 20% (2016: 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	38,117	25,064
Corporation tax at standard rate	7,623	5,013
Effect of expense not deductible in determining taxable profit	1,233	2,583
Deferred tax (credit) relating to changes in tax rates or laws	86	(413)
Adjustment in respect of prior years	(211)	(275)
Total tax charge	8,731	6,908

(e) Tax rate changes

In his recent budgets the Chancellor the Exchequer proposed a decrease in the rate of UK corporation tax from 20% to 19% from 1 April 2017 and 17% from 1 April 2020. These have been substantively enacted at the balance sheet date and are reflected in the company's financial statements.

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 2016	298,982	200	115,240	157,791	11,672	583,885
Additions	-	-	-	-	21,125	21,125
Capitalised interest	-	-	-	-	532	532
Disposals	(422)	-	-	(181)	-	(603)
Transfers	897	-	2,984	8,348	(12,229)	-
At 31 March 2017	299,457	200	118,224	165,958	21,100	604,939
Accumulated depreciation						
At 1 April 2016	-	-	371	119,942	-	120,313
Charge for the year	10,102	-	8,444	6,822	-	25,368
Eliminated on disposal	-	-	-	(181)	-	(181)
At 31 March 2017	10,102	-	8,815	126,583	-	145,500
Carrying amount						
At 31 March 2017	289,355	200	109,409	39,375	21,100	459,439
At 31 March 2016	298,982	200	114,869	37,849	11,672	463,572

Included within the net book value of land and buildings above is £289.355 million (2016: £298.982 million) in respect of freehold land and buildings and £0.200 million (2016: £0.200 million) in respect of long leasehold land and buildings. Included in land and buildings is land at a value of £80.734 million (2016: £81.156 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 32.

13 Tangible assets (continued)

Revaluation
The group's operational assets were revalued on 31 March 2016 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 £43.004 million was taken to the revaluation reserve (net of deferred tax).

Historic cost
On a historical cost basis the gross cost of land and buildings assets would have been included as £295.897 million (2016: £295.359 million) and the net book value would have been £179.425 million (2016: £185.145 million). The gross cost of infrastructure assets would have been £181.358 million (2016: £178.374 million) and the net book value would have been £85.592 million (2016: £89.391 million).

Capitalised interest
Within Capitalised Interest are capitalised borrowing costs of £0.532 million (2016: £0.077 million). The capitalisation rate used to determine the amount of finance costs capitalised during the year was 6.5% (2016: 6.5%).

Company
The company had no tangible assets at 31 March 2017 (2016: £nil)

14 Investment property

Group

	2017 £ 000
At 1 April	7,945
Fair value adjustments	814
At 31 March	8,759

Investment properties held by Birmingham Airport Limited have been revalued at 31 March 2017, 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 gain of £0.299 million (2016: £1.596 million) 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 2017 by Ruxton Chartered Surveyors and Fisher German LLP. The valuation identifies a gain of £0.515 million (2016: £nil) which has been recognised in the income statement.

Company
The company had no investment properties at 31 March 2017 (2016: £nil)

15 Investments

Company

	2017 £ 000	2016 £ 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 2017	2016
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.

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.

For the year ending 31 March 2017 the following subsidiaries were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

BHX Fire and Rescue Limited

Birmingham Airport Developments Limited

Birmingham Airport Operations Limited

First Castle Developments Limited

Birmingham Airport Services Limited

Eurohub (Birmingham) Limited

16 Inventories

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Stocks	534	425	-	-
Development land	640	640	-	-
	1,174	1,065	-	-

No provision for the impairment of stocks has been provided for in the year (2016: £nil).

There is no material difference between replacement cost of inventory and its carrying amount.

17 Debtors

	Group		Company	
	2017	**2016**	**2017**	**2016**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Trade debtors	9,380	11,738	-	-
Amounts owed by group undertakings	-	-	125,714	206,968
Corporation tax	-	-	799	277
Other receivables	125	140	-	-
Prepayments and accrued income	10,501	8,507	249	152
	20,006	20,385	126,762	207,397

Trade debtors are stated after provisions for impairment of £0.924 million (2016: £0.912 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 Current asset investments

	2017	**2016**
	£ 000	**£ 000**
Investments	9,553	-

Investments in short term deposits have an original maturity of greater than 3 months. At the balance sheet date the average maturity of the deposits was 4 months (2016: nil) . The average interest rate was 0.63 per cent (2016: nil).

19 Creditors

	Group 2017 £ 000	Group 2016 £ 000	Company 2017 £ 000	Company 2016 £ 000
Amount falling due within one year				
Trade creditors	4,949	4,115	-	-
Amounts owed to group undertakings	-	-	152,370	154,626
Corporation tax	6,830	6,497	-	-
Other taxation and social security	1,543	587	-	-
Dividends payable	-	74,728	-	74,728
Accruals and deferred income	64,341	52,250	4,289	3,530
	77,663	138,177	156,659	232,884
Amount falling due after more than one year				
Preference shares	15,384	15,384	15,384	15,384
Loans and borrowings	259,138	258,917	-	-
Deferred income	949	1,107	-	-
	275,471	275,408	15,384	15,384

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 2017 £ 000	Group 2016 £ 000	Company 2017 £ 000	Company 2016 £ 000
Non-current loans and borrowings				
Loans and borrowings	254,406	254,185	-	-
Net premium arising on lease and leaseback	4,732	4,732	-	-
Preference shares	15,384	15,384	15,384	15,384
	274,522	274,301	15,384	15,384

All non-current loans and borrowings are payable in full after five years. Loans and borrowings are shown net of £1.594 million transaction costs (2016: £1.815 million)

21 Finance lease obligations

Group

The total of future minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Not later than one year	791	767
Later than one year and not later than five years	3,162	3,067
Later than five years	101,964	99,812
Total gross payments	105,917	103,646
Less: finance charges	(101,185)	(98,914)
Carrying amount of liability	4,732	4,732

Within the above certain leases include contingent rent clauses, see note 32 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

The group's funding is provided by its £105 million 6.25 per cent, guaranteed bond issue, due for redemption on 22 February 2021, £30 million 4.472 per cent Series A Senior Note private placement maturing on 3 December 2023, £45 million 4.557 per cent Series B Senior Notes private placement maturing on 3 December 2028, £76 million 3.8 per cent Senior Note private placement maturing on 30 March 2041, £20 million loan facility and £43.5 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 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.

Fixed rate financial liabilities	2017 Years remaining	2016 Years remaining
Sterling: Private placement senior notes series A	7	8
Sterling: Private placement senior notes series B	12	13
Sterling: Bond	4	5
Sterling: Private placement senior notes	24	25

22 Financial instruments (continued)

Financial assets and liabilities measured at amortised cost	2017 £ 000	2016 £ 000
Trade receivables	9,380	11,738
Other receivables and accrued income	8,518	6,402
Current asset investments	9,553	-
Bonds	(104,398)	(104,265)
Private placement senior notes	(150,008)	(149,920)
Preference shares	(15,384)	(15,384)
Finance leases	(4,732)	(4,732)
Trade creditors	(4,949)	(4,115)
Other taxes and social security	(1,543)	(587)
Accruals	(57,721)	(46,157)
Dividends	-	(74,728)

Company

The Company has financial assets of £125.714 million (2016: £206.968 million) and financial liabilities of £172.043 million (2016: £248.268 million) measured at amortised cost.

23 Provisions for liabilities

Group

	Other provisions £ 000	Deferred taxation £ 000	Total £ 000
At 1 April 2016	2,000	28,164	30,164
Additions/release through income statement	844	(395)	449
Release through statement of comprehensive income	-	(5,207)	(5,207)
Release through equity	-	(1,459)	(1,459)
Provisions used	(187)	-	(187)
At 31 March 2017	2,657	21,103	23,760

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 has been provided in the prior year 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 (2016: £0.2 million) and will be charged in the year to which it relates. There are no other provisions in the company (2016: none).

23 Provisions for liabilities (continued)

Deferred tax

Group

Deferred tax assets and liabilities

2017	Asset £ 000	Liability £ 000
Capital allowances in advance of depreciation	-	(4,954)
Other timing differences	-	(2,195)
Post employment benefits	10,223	-
Revaluation of land, buildings and infrastructure	-	(23,588)
Revaluation of investment property	-	(589)
	10,223	(31,326)

2016	Asset £ 000	Liability £ 000
Capital allowances in advance of depreciation	-	(4,784)
Other timing differences	-	(3,317)
Post employment benefits	6,504	-
Revaluation of land, buildings and infrastructure	-	(25,965)
Revaluation of investment property	-	(602)
	6,504	(34,668)

The value of deferred tax liabilities expected to reverse in the next year is £0.511 million.

Company

Deferred tax assets and liabilities

There were no deferred tax assets or liabilities in the current year.

2016	Asset £ 000
Post employment benefits	1

24 Pension and other schemes

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 £0.978 million (2016: £1.014 million).

24 Pension and other schemes (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 2016/17 members pay 5.5 per cent of pensionable earnings, and the group pays contributions so that overall contributions of 16.5 per cent of pensionable earnings are paid taking account of salary sacrifice adjustments. From the latest valuation overall contributions will increase to 18.6 per cent from 1 April 2017. 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:

	2017 %	2016 %
Discount rate	2.80	3.75
Future salary increases	3.20	2.90
Future pension increases (RPI)	3.45	3.15
Future pension increases (CPI)	2.45	2.15

Post retirement mortality assumptions

	2017 Years	2016 Years
Current UK pensioners at retirement age - male	23.00	23.00
Current UK pensioners at retirement age - female	25.00	25.00
Future UK pensioners at retirement age - male	25.00	25.00
Future UK pensioners at retirement age - female	27.00	27.00

24 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2017 £ 000	2016 £ 000
Fair value of scheme assets	143,340	122,344
Present value of defined benefit obligation	(203,478)	(158,480)
Defined benefit pension scheme deficit	(60,138)	(36,136)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2017 £ 000	2016 £ 000
Present value at start of year	(158,480)	(170,656)
Current service cost	(1,283)	(1,464)
Interest cost	(5,888)	(5,752)
Actuarial (losses) and gains	(42,056)	14,964
Benefits paid	4,351	4,640
Contributions by scheme participants	(122)	(137)
Effect of curtailments	-	(75)
Present value at end of year	(203,478)	(158,480)

Fair value of scheme assets

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

	2017 £ 000	2016 £ 000
Fair value at start of year	122,344	127,075
Interest income	4,669	4,310
Actuarial gains and (losses)	12,008	(8,426)
Employer contributions	8,548	3,888
Contributions by scheme participants	122	137
Benefits paid	(4,351)	(4,640)
Fair value at end of year	143,340	122,344

Analysis of assets

The major categories of scheme assets are as follows:

	2017 £ 000	2016 £ 000
Cash and cash equivalents	1,012	515
Debt instruments	42,434	38,450
Equity instruments	60,169	49,033
Diversified growth funds	39,725	34,346
	143,340	122,344

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

24 Pension and other schemes (continued)

Return on scheme assets

	2017 £ 000	2016 £ 000
Return/(loss) on scheme assets	16,677	(4,116)

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

Total cost recognised as an expense totalled £1.283 million (2016: £1.464 million) for current service cost, £1.219 million (2016: £1.442 million) for interest cost and £nil (2016: £0.075 million) for curtailments. Included in the service cost is £0.133 million (2016: £0.130 million) relating to salary sacrificed.

25 Called up share capital

Allotted, called up and fully paid shares

	No. 000	2017 £ 000	No. 000	2016 £ 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	-	-	-	-
	323,994	3,240	323,994	3,240

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. The preference shares carry no voting rights. On a winding up of the company the 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.

26 Reserves

During the prior year the group restructured. As part of the restructuring, Birmingham Airport Holdings Limited invested in a wholly owned newly formed company, Birmingham Airport Operations Limited. Birmingham Airport Operations Limited purchased the shareholdings of Birmingham Airport Limited, Birmingham Airport (Finance) plc and Euro-hub (Birmingham) Limited from Birmingham Airport Holdings Limited through a share for share exchange. Alongside this, Birmingham Airport Limited capitalised its revaluation and special reserve through the issue of bonus shares. The final step in the restructuring was Birmingham Airport Holdings Limited, Birmingham Airport Operations Limited and Birmingham Airport Limited undertaking reductions in capital, including Birmingham Airport Holdings Limited's share premium account, via directors' solvency statements. The merger reserve was created in 1997 when Birmingham Airport Holdings Limited aquired its interest in Birmingham Airport Limited and Euro-hub (Birmingham) Limited.

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 2016	5,252,909	3,252
Shares vested in employees	(282,199)	(174)
Shares purchased from employees	151,868	142
Investment at 31 March 2017	5,122,578	3,220

27 Dividends

	2017 £ 000	2016 £ 000
Final dividend of 2.99p (2016: 1.82p) per 1p share	9,547	5,796
Interim dividend of 5.83p (2016: 4.43p) per 1p share	18,582	14,121
Special dividend of nil (2016: 23.45p) per 1p share	-	74,728
	28,129	94,645

The directors are proposing a final dividend of 5.499 pence per share (2016: 2.998 pence per share) totalling £17.817 million (2016: £9.713 million). This dividend has not been accrued in the Statement of Financial Position.

28 Cash and cash equivalents

	Group		Company	
	2017 **£ 000**	**2016** **£ 000**	**2017** **£ 000**	**2016** **£ 000**
Cash on hand	4	4	-	-
Cash at bank	1,569	983	726	253
Short-term deposits	41,173	112,733	-	-
	42,746	113,720	726	253

29 Note to the cash flow statement

	2017 **£ 000**	**2016** **£ 000**
Cash flows from operating activities		
Profit for the financial year	29,386	18,156
Adjustments to cash flows from non-cash items		
Depreciation and other grant release	25,359	23,610
Changes in fair value of investment property	(814)	(1,596)
Profit on disposal of tangible assets	(34)	(14)
Profit on exceptional disopsal of tangible fixed assets	(3,103)	-
Finance income	(266)	(275)
Finance costs	15,632	13,492
Income tax expense	8,731	6,908
	74,891	60,281
Working capital adjustments		
(Increase)/decrease in inventories	(109)	94
Decrease/(increase) in trade and other receivables	222	(3,080)
Increase in trade and other payables	11,862	6,590
Decrease in retirement benefit obligation net of actuarial changes	(7,265)	(2,349)
Increase in provisions	657	1,997
Cash generated from operations	80,258	63,533

30 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was £7.796 million (2016: £7.402 million).

30 Commitments (continued)

Operating leases

The total of future minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Not later than one year	92	302
Later than one year and not later than five years	58	55
	150	357

The amount of non-cancellable operating lease payments recognised as an expense during the year was £0.218 million (2016: £0.524 million).

Operating lease arrangements where the group is lessor

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

	2017 £ 000	2016 £ 000
Not later than one year	923	871
Later than one year and not later than five years	3,616	3,616
Later than five years	42,125	43,015
	46,664	47,502

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

31 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 30 March 2016 the company along with other group members of Birmingham Airport Holdings Limited provided guarantees to the Royal Bank of Scotland plc and Lloyds Bank plc in support of a £20 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of five years with an expiry date of 30 March 2021, with an option to extend by two further twelve month periods. At the date of signing these financial statements, the total amount outstanding under the facility was £nil.

32 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 £14.983 million (2016: £48.135 million).

In 1995 Birmingham Airport Limited entered into an arms length lease arrangements 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 £0.766 million (2016: £0.755 million). The amount at the end of the year was £4.732 million (2016: £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. The company invoiced £nil during the year (2016: £2.609 million), there was no trade debtor at the statement of financial position date (2016: £2.609 million), however there was an accrued creditor of £2.567 million relating to this transaction (2016: £2.742million).

Airport Group Investments Limited

Airport Group Investments Limited (AGIL) are shareholders and received dividends of £13.798 million during the year (2016: £46.443 million). The group has paid Airport Group Investments Limited £0.937 million during the year (2016: £1.359 million) in respect of consortium tax relief.

33 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.