

Birmingham Airport Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2016

Registration number: 03312673

Birmingham Airport Holdings Limited

Contents

Company Information	1
Strategic Report	2 to 6
Directors' Report	7 to 8
Statement of Directors' Responsibilities	9
Independent Auditors' Report to the members of Birmingham Airport Holdings Limited	10 to 11
Consolidated Income Statement	12
Consolidated Statement of Comprehensive Income	13
Consolidated Statement of Changes in Equity	14
Company Statement of Changes in Equity	15
Consolidated Statement of Financial Position	16
Company Statement of Financial Position	17
Consolidated Statement of Cash Flows	18
Notes to the Financial Statements	19 to 51

Birmingham Airport Holdings Limited

Company Information

Chairman J L Hudson

Chief executive P Kehoe

Directors
H Bills
M A Bird
J M Clancy
P Dransfield
N P Fleming
J L Hudson
P Kehoe
B O'Reilly
R F Piper
G E Richards
T Singh
D M Stanton
P C Tilsley
M R Toms
D 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

Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2016

The Directors present their strategic report for the year ended 31 March 2016.

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

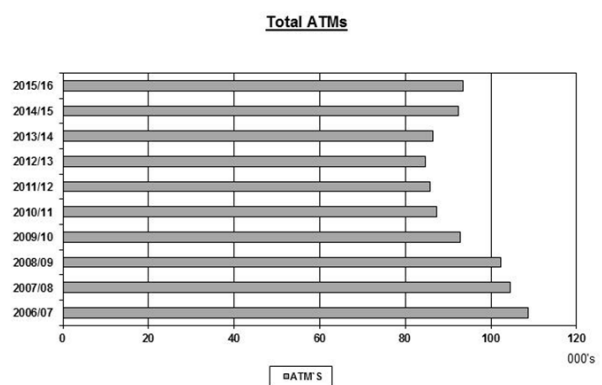
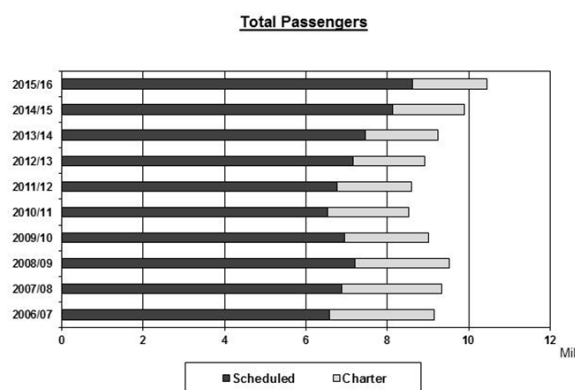
Market position and business environment

During the year ended March 2016, Birmingham Airport reported its busiest ever year and for the first time in the Airport's history 10 million passengers passed through the terminals. It was also the fifth consecutive year of passenger growth, surpassing the previous record set during 2015/16 by 5.5%. This growth outperformed UK GDP growth of 2.2% and was in line with the average UK aviation industry growth figure of 5.6% .

Birmingham Airport recorded the busiest month in its history during August 2015 with some 1,138,460 passengers going through the terminal and 12 record passenger months were achieved during the financial year. This growth has been achieved with the continued introduction of new airlines to the Airport increasing passenger destination choice, with 11 new airlines announced in 2015 including American Airlines (New York JFK), Norwegian Airlines (4 Spanish routes), Wizz Air (5 routes to Eastern Europe), Vueling (Barcelona), Iberia Express (Madrid), Qatar (Doha), Icelandair (Reykjavik), Czech Airlines (Prague), VLM (Antwerp and Waterford), Blue Air (Budapest) and following the success of last year's China Southern flights, an extended Charter service operated during summer 2015 by Hainan Airlines.

Birmingham Airport processed 10,442,624 passengers in the year, an increase of 5.5%, made up of:

- Scheduled +5.7%
- Charter +4.3%



Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2016 (*continued*)

Birmingham Airport continued to enhance its extensive route network, with the launch of a number of new destinations and increased frequencies on existing routes during the year. Long Haul and Scheduled traffic both saw double digit growth. Air India annualised its daily service and Emirates commenced operation of a third daily service along with an increase in capacity with the introduction of the world's largest passenger aircraft, the iconic Airbus A380 on the lunchtime service. Scheduled benefited from Turkish Airlines increasing from 10 to 12 weekly rotations, providing passengers with more choice than ever to the Middle East and beyond. The Low Cost sector continued to grow year on year with Ryanair increasing frequencies across multiple routes, most notably Dublin, with further benefits from the full year operation of Norwegian Airlines to four Spanish destinations along with new operators Wizz Air to Eastern Europe and Vueling to Barcelona. The Charter market continued to be dominated by Thomson and Thomas Cook, with both carriers growing during the financial year despite being impacted by the terror related events in both Tunisia and Egypt.

The most popular destination continues to be Dublin, followed by Dubai and Amsterdam.

Looking forward to the financial year 2016/17 the Airport continues to expand its route network. The year has started well as the inaugural flight for Czech Airlines commenced during April along with the 13th weekly Turkish Airlines rotation, this was subsequently followed by the 14th in May. The Brexit vote has introduced uncertainty to the favourable underlying trend but it is too early to tell how this will impact the volume and pattern of air travel. Route competition between airlines is expected to increase with Flybe, Ryanair and Monarch all set to launch new routes over the forthcoming months including Lisbon, Madrid, Rotterdam and Knock. In addition Vueling have launched a new Alicante service and Wizz Air a further two new routes, Poznan and Sofia.

Future developments

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

Financial Performance

Income

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

Aeronautical income grew by 4.0% in the year, 1.5% below passenger growth, reflecting the changing mix in traffic. This resulted in a decrease in the yield per passenger to £5.10 compared to £5.18 in the previous year.

Commercial income delivered another strong year of above passenger growth at 10.5%. The continued development within the terminal, in particular the departure lounge helps improve the passenger experience and increase commercial yield. During the year the Airport benefited from the full year trading of an extended and substantially refurbished Wetherspoon unit, including a live virtual image of the airfield along with the opening of Giraffe, a globally themed family casual dining restaurant, and a refreshed Dixons store and Next store. This along with continued offerings of premium brands, sunglasses, watches and pens continues to provide our passengers with an increased level of choice. These changes amongst others uplifting yields by 4.8%. In the forthcoming year we anticipate more developments across the commercial portfolio with a new coffee unit Joe and the Juice opening and a significant redevelopment of the Duty Free store increasing brands on offer to passengers including Jo Malone, Bobbi Brown, Urban Decay and a World of Whisky implant. In addition existing units continue to update their offering and latest brands aimed at enhancing the passenger choice.

Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2016 (*continued*)

Operating costs

Total operating costs increased by 0.7% to £91.2 million in the year (2015: £90.6 million), this includes a £1.6 million gain from an investment property revaluation in the year, underlying costs increased 2.5%. Within this employee costs increased 17.9% reflecting higher costs primarily due to the insourcing of air traffic control services (increased employee costs offset by savings within running from cessation of NATS contract), incentives reflecting the stronger profitability and pay awards. Running costs were 7.9% lower, notable reductions due to cessation NATS air traffic control contract with this service brought in house (effective 1st April 2015) and lower energy costs with the continued focus on company-wide energy consumption and lower unit costs. Partially offset by increased marketing and promotional activity supporting passenger growth and additional costs associated with processing higher passenger volumes through the terminal. Depreciation and other costs increased 6.9% year on year with most of this attributable to a provision in year for addressing potential land compensation act claims.

The group's operating profit, before exceptional items, increased 28.8% to £39.3 million (2015: £30.5 million), from higher income, partially offset by higher operating costs and land compensation act provision. Exceptional costs during the year of £1.0 million (2015: £4.0 million) included demolition of obsolete buildings, air traffic control transition costs to in house operation along with professional fees in relation to group reserves restructuring and reduction in capital. This resulted in a group operating profit, after exceptional items of £38.3 million (2015: £26.6 million). The net interest cost increased by £0.5 million to £13.2 million (2015: £12.7 million), this reflects a reduction in capitalised interest due to lower large capital development projects and a small amount of interest costs accrued in respect of the £76 million private placement senior notes, issued 30th March 2016.

The group's tax charge for the year of £6.9 million (2015: £5.2 million), includes a corporation tax charge of £6.2 million (2015: £4.9 million) and deferred tax charge of £0.7 million which is higher compared to previous year reflecting a charge on the newly created asset revaluation reserve (2015: £0.3 million). This equates to an effective tax rate of 27.6% (2015: 37.7%) and remains higher than the ordinary rate of UK corporation tax, reflecting the removal of the tax allowances for industrial buildings and the high level of non-qualifying depreciation in the group as a result of asset revaluations.

During the year a final dividend of £5.8 million for the year ended 31 March 2015 was paid (2015: £8.7 million) and an interim dividend of £14.1 million was paid for the year ended 31 March 2016 (2015: £5.9 million). A special dividend of £74.7 million was declared on 24 March 2016 for payment on 6 April 2016 and was accrued in the accounts (2015: £nil). This resulted in a total dividend of £94.6 million (2015: £14.5 million).

Cash outflow for capital projects reduced to £9.7million (2015: £23.4 million). The main projects in the year related to the commencement of the baggage system upgrade project, a new airbridge for the Emirates A380 operation, security central search equipment to increase capacity, investment in car park's LED lighting to deliver energy efficiency and continued investment in asset replacements. The sale of vehicles and plant assets generated £0.01 million (2015: £0.1 million).

During the year the group generated £63.5 million net cash from operating activities (2015: £54.1 million). Corporation tax paid increased by £2.2m reflecting the higher tax charge for the year, the timing of tax payments to HMRC and a lower prior year refund. On 30 March 2016 the group issued £76 million private placement senior notes, as a result net interest paid increased by £0.1 million due to interest and associated costs. Following capital expenditure of £9.7million and dividend payments of £19.9 million, there was a net increase in cash of £92.8 million (2015: £1.6 million). Looking forward the group has strong operating cash flows and a committed bank facility to meet its ongoing liabilities as they fall due.

Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2016 (*continued*)

Security

The UK threat level remained at substantial and airports have been the target of significant landside terrorist attacks at Brussels and Istanbul. Birmingham Airport is working closely with the UK authorities to implement learning points from these incidents. Performance during Civil Aviation Authority audits and covert tests remains very positive with the Airport hitting key targets, achieving compliance and increasing standards throughout the year.

Overall security performance was good throughout the year with the department managing to sustain high levels of customer service. Passenger queue performance indicators identified 87.64% (2015: 83.1%) of the time passengers experienced a queue of 10 minutes or less and 99.49% (2015: 98.5%) a queue of less than 20 minutes.

This year saw significant capital investment with the addition of 2 further security lanes within the central search area and large scale recruitment to cover peak traffic demands. The airport continues with its customer service training and the roll out of the 'shaping tomorrow' programme should reap significant rewards.

Health and Safety

Safety is part of our 'DNA' and the airport group is committed to providing a safe and secure workplace and operational environment for all who use the airport. In 2015/16 the group retained its OHSAS 18001 accreditation and received positive feedback from the audit, specifically in relation to the commitment and awareness demonstrated by all staff across the airport. The health and safety policy is revised annually and contains 8 key objectives:

- Implement the safety management system in line with OHSAS 18001.
- Develop a proposal for the implementation of health & safety champions across the organisation.
- Develop a programme aimed at reducing the accident frequency rate and incidents across the airport site.
- Work with technical services and infrastructure divisions to roll out an asbestos awareness programme to all staff and third parties
- Evaluate the success of the control of contractors system
- Carry out a comprehensive review of occupational safety legislation and requirements and work with managers to ensure compliance.
- Develop a priority based audit schedule for the airport site.
- Carry out a comprehensive review of all reporting requirements and streamline processes.

There were 60 staff accidents in 2015/16 compared to 91 in 2014/15, which is a significant reduction. Passenger accidents have also reduced from 190 in 2014/15 to 174 in 2015/16, which is a positive trend against a backdrop of increasing passenger volumes.

Airside Safety

Operational safety remains a key driver for the airfield operations team and a core business priority. The capital investment across the airfield infrastructure demonstrates the company's commitment to maintain the highest safety standards. This investment culminated in the completion of works to support A380 operations and the construction of the first 3 airbridge served code F stand outside of London.

Again, another relatively mild winter resulted in minimal impact upon airfield development works. As ever, the preparation for winter operations saw snow procedures and equipment tested and teams trained. Bird strikes involving those species classified as 'high' and 'medium' risk showed another year on year reduction. 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 13km bird hazard zone.

The airport was fully engaged with the changes in the regulatory environment throughout the year and successfully completed the transition to European Aviation's Safety Agency certification in August 2015.

Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2016 (*continued*)

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 £113.7 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.

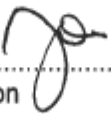
Price Risk


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 these are certified by the auditors.

Approved and authorised by the Board and signed on its behalf on 18 July 2016 by:


.....
J L Hudson
Chairman


.....
S L C Richards
Company secretary

Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2016

The Directors present their report and the audited financial statements of the group and company year ended 31 March 2016.

Future developments and financial risk management

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

Dividends

The directors recommend a final dividend payment of 2.998 pence per share totalling £9.713 million be made in respect of the financial year ended 31 March 2016 (2015: £5.896 million). This dividend has not been recognised as a liability in the financial statements.

Directors of the Group

The directors who held office during the year were as follows:

T Ali (resigned 5 July 2016)

H Banger (resigned 29 June 2016)

H Bills

M A Bird (appointed 24 June 2015)

Sir A Bore (resigned 16 December 2015)

J M Clancy (appointed 16 December 2015)

S P Coughlan (resigned 24 June 2015)

P Dransfield

N P Fleming (appointed 9 September 2015)

J L Hudson - Chairman

P Kehoe - Chief executive

J D McNicholas (resigned 29 June 2016)

M Morsillo (resigned 9 March 2016)

R F Piper

G E Richards

D M Stanton

C Thomazi (resigned 9 March 2016)

P C Tilsley

M R Toms

The following directors were appointed after the year end:

B O'Reilly (appointed 5 July 2016)

T Singh (appointed 29 June 2016)

D Welsh (appointed 29 June 2016)

Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2016 (*continued*)

Going concern

The directors have reviewed the prospects for the group and company for the next twelve months. They have considered the group's trading forecasts to the end of that period, 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, 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.

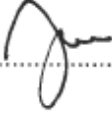
Employee involvement


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 auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved and authorised by the Board and signed on its behalf on 18 July 2016 by:


.....
J L Hudson
Chairman


.....
S LC Richards
Company secretary

Birmingham Airport Holdings Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the group and parent company financial statements (the "financial statements") in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Accounting Standard, comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" has been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, disclose with reasonable accuracy at any time the financial position of the Group and the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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 18 July 2016 by:


.....
S L O Richards
Company Secretary

Birmingham Airport Holdings Limited

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 parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 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 2016;
- 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", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

Birmingham Airport Holdings Limited

Independent Auditors' Report to the members of Birmingham Airport Holdings Limited (*continued*)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, 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 & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

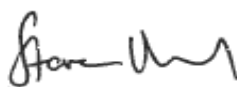
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

- whether the accounting policies are appropriate to the group's and the parent 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.



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

26 July 2016

Birmingham Airport Holdings Limited

Consolidated Income Statement for the Year Ended 31 March 2016

	Note	2016 £ 000	2015 £ 000
Turnover	4	130,546	121,158
Administrative expenses		(91,244)	(90,573)
Operating exceptional items	7	<u>(1,021)</u>	<u>(4,031)</u>
Operating profit		38,281	26,554
Interest receivable and similar income	10	275	238
Interest payable and similar charges	11	<u>(13,492)</u>	<u>(12,972)</u>
Profit on ordinary activities before taxation		25,064	13,820
Tax on profit on ordinary activities	12	<u>(6,908)</u>	<u>(5,212)</u>
Profit for the financial year		<u><u>18,156</u></u>	<u><u>8,608</u></u>

The above results were derived from continuing operations.

Birmingham Airport Holdings Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2016

	2016	2015
	£ 000	£ 000
Profit for the financial year	18,156	8,608
Surplus on tangible assets revaluation	43,004	-
Deferred tax on tangible assets revaluation	(7,741)	-
Remeasurement gain/(loss) on defined benefit pension schemes	6,538	(14,699)
Movement on current tax relating to pension contributions	-	106
Movement on deferred tax relating to pension scheme actuarial gain/(loss)	(1,593)	2,839
	<u>40,208</u>	<u>(11,754)</u>
Total comprehensive income/(loss) for the year	<u><u>58,364</u></u>	<u><u>(3,146)</u></u>

The notes on pages 19 to 51 form an integral part of these financial statements.

Birmingham Airport Holdings Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2016

	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 2014		3,240	43,644	89,330	25,588	16,381	178,183
Profit for the year		-	-	-	-	8,608	8,608
Other comprehensive loss		-	-	-	-	(11,754)	(11,754)
Total comprehensive loss		-	-	-	-	(3,146)	(3,146)
Dividends	25	-	-	-	-	(14,520)	(14,520)
Transfer of realised profits		-	-	(4,526)	-	4,526	-
Deferred tax on revaluation reserve movement		-	-	906	-	-	906
Net sale of own shares from share trust	24	-	-	-	-	(77)	(77)
Movement in reserves of own trust		-	-	-	-	(74)	(74)
At 31 March 2015		3,240	43,644	85,710	25,588	3,090	161,272
At 1 April 2015		3,240	43,644	85,710	25,588	3,090	161,272
Profit for the year		-	-	-	-	18,156	18,156
Other comprehensive income		-	-	35,263	-	4,945	40,208
Total comprehensive income		-	-	35,263	-	23,101	58,364
Dividends	25	-	-	-	-	(94,645)	(94,645)
Share premium reserve movements	24	-	(43,644)	-	-	43,644	-
Revaluation reserve profit transfer	24	-	-	(79,874)	-	79,874	-
Deferred tax on revaluation reserve movement		-	-	226	-	1,947	2,173
Net sale of own shares from share trust	24	-	-	-	-	(213)	(213)
Movement in reserves of own trust		-	-	-	-	(149)	(149)
At 31 March 2016		3,240	-	41,325	25,588	56,649	126,802

The notes on pages 19 to 51 form an integral part of these financial statements.

Birmingham Airport Holdings Limited

Company Statement of Changes in Equity for the Year Ended 31 March 2016

	Note	Called up Share capital £ 000	Share premium account £ 000	Merger reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2014		3,240	43,644	51,380	8,602	106,866
Profit for the year		-	-	-	10,509	10,509
Dividends	25	-	-	-	(14,520)	(14,520)
Net sale of own shares from share trust	24	-	-	-	(76)	(76)
Movement in reserves of own trust		-	-	-	161	161
At 31 March 2015		<u>3,240</u>	<u>43,644</u>	<u>51,380</u>	<u>4,676</u>	<u>102,940</u>
At 1 April 2015		3,240	43,644	51,380	4,676	102,940
Profit for the year		-	-	-	93,586	93,586
Dividends	25	-	-	-	(94,645)	(94,645)
Net sale of own shares from share trust	24	-	-	-	(213)	(213)
Movement in reserves of own trust		-	-	-	1,460	1,460
Share premium reserve movements	24	-	(43,644)	-	43,644	-
At 31 March 2016		<u>3,240</u>	<u>-</u>	<u>51,380</u>	<u>48,508</u>	<u>103,128</u>

The notes on pages 19 to 51 form an integral part of these financial statements.

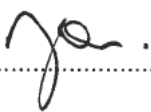
Birmingham Airport Holdings Limited

(Registration number: 03312673)


Consolidated Statement of Financial Position as at 31 March 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Tangible assets	13	463,572	429,888
Investment property	14	7,945	6,349
		<u>471,517</u>	<u>436,237</u>
Current assets			
Inventories	16	1,065	1,159
Debtors	17	20,385	17,222
Cash at bank and in hand		113,720	20,970
		<u>135,170</u>	<u>39,351</u>
Creditors: Amounts falling due within one year	18	<u>(138,177)</u>	<u>(49,171)</u>
Net current liabilities		<u>(3,007)</u>	<u>(9,820)</u>
Total assets less current liabilities		468,510	426,417
Creditors: Amounts falling due after more than one year	18	(275,408)	(201,300)
Provision for other liabilities	22	(30,164)	(20,264)
Post employment benefits	28	(36,136)	(43,581)
		<u>126,802</u>	<u>161,272</u>
Net assets		<u>126,802</u>	<u>161,272</u>
Capital and reserves			
Called up share capital	23	3,240	3,240
Share premium account	24	-	43,644
Revaluation reserve	24	41,325	85,710
Merger reserve	24	25,588	25,588
Retained earnings		56,649	3,090
		<u>126,802</u>	<u>161,272</u>
Total equity		<u>126,802</u>	<u>161,272</u>

Approved and authorised by the Board and signed on its behalf on 18 July 2016 by:


.....
J L Hudson

Chairman


.....

P Kehoe

Chief executive

The notes on pages 19 to 51 form an integral part of these financial statements.

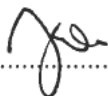
Birmingham Airport Holdings Limited

(Registration number: 03312673)


Company Statement of Financial Position as at 31 March 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Investments	15	<u>143,745</u>	<u>143,745</u>
Current assets			
Debtors	17	207,397	139,439
Cash at bank and in hand		<u>253</u>	<u>148</u>
		207,650	139,587
Creditors: Amounts falling due within one year	18	<u>(232,884)</u>	<u>(165,008)</u>
Net current liabilities		<u>(25,234)</u>	<u>(25,421)</u>
Total assets less current liabilities		118,511	118,324
Creditors: Amounts falling due after more than one year	18	(15,384)	(15,384)
Provisions for liabilities	22	<u>1</u>	<u>-</u>
Net assets		<u><u>103,128</u></u>	<u><u>102,940</u></u>
Capital and reserves			
Called up share capital	23	3,240	3,240
Share premium account	24	-	43,644
Merger reserve	24	51,380	51,380
Retained earnings		<u>48,508</u>	<u>4,676</u>
Total equity		<u><u>103,128</u></u>	<u><u>102,940</u></u>

Approved and authorised by the Board and signed on its behalf on 18 July 2016 by:


.....
J L Hudson

Chairman


.....

P Kehoe

Chief executive

The notes on pages 19 to 51 form an integral part of these financial statements.

Birmingham Airport Holdings Limited

Consolidated Statement of Cash Flows for the Year Ended 31 March 2016

	Note	2016 £ 000	2015 £ 000
Net cash from operating activities	27	63,533	54,108
Income taxes paid	12	<u>(5,119)</u>	<u>(2,940)</u>
Net cash generated from operating activities		<u>58,414</u>	<u>51,168</u>
Cash flow from investing activities			
Interest received	10	255	234
Purchase of tangible assets		(9,720)	(23,448)
Proceeds from sale of tangible assets		<u>14</u>	<u>101</u>
Net cash used in investing activities		<u>(9,451)</u>	<u>(23,113)</u>
Cash flow from financing activities			
Interest paid	11	(10,160)	(10,109)
Proceeds from bank borrowing draw downs		76,000	-
Interest on preference shares		(971)	(971)
Dividends paid		(19,917)	(14,520)
Lease/leaseback premium		(803)	(700)
Net sale of own shares from share trust		(213)	(76)
Movement in reserves of own trust		<u>(149)</u>	<u>(74)</u>
Net cash inflow/(outflow) from financing activities		<u>43,787</u>	<u>(26,450)</u>
Net increase in cash and cash equivalents		92,750	1,605
Cash and cash equivalents at 1 April		<u>20,970</u>	<u>19,365</u>
Cash and cash equivalents at 31 March	26	<u><u>113,720</u></u>	<u><u>20,970</u></u>

The notes on pages 19 to 51 form an integral part of these financial statements.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016

1 General information

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

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. Details of the transition to FRS 102 are disclosed in note 33.

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 £93.586 million (2015: £10.509 million)

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 March 2016. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

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 next twelve months. 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, 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 goods and 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 7 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 other comprehensive income.

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.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

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.

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.

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 periods if events or changes in circumstances indicate the carrying value may not be recoverable. The principal useful lives are as follows:

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

Investment property

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

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

2 Accounting policies (continued)

Investments

Investments in a subsidiary company are held at cost less accumulated impairment losses.

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 and 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 amortised cost using the effective interest method.

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 has 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.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

2 Accounting policies (continued)

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.

Employee benefits

Defined contribution plan

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

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

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

2 Accounting policies (continued)

Defined benefit plan

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

The liability recognised in the Group 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.

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 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 Airport 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, these provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. Details of the provision are disclosed in note 22.

(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 28.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

4 Turnover

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

	2016	2015
	£ 000	£ 000
Aeronautical	53,277	51,242
Concessions	57,142	51,534
Property income and recharges	20,127	18,382
	<u>130,546</u>	<u>121,158</u>

5 Operating profit

Arrived at after charging/(crediting)

	2016	2015
	£ 000	£ 000
Depreciation expense	23,619	23,371
Capital grant release	(9)	(9)
Increase in fair value of investment property	(1,596)	-
Operating lease expense - property	450	450
Operating lease expense - plant and machinery	74	88
(Profit)/loss on disposal of tangible assets	(14)	23
Impairment of trade receivables	(8)	(33)
Inventory recognised as an expense	402	300
	<u>402</u>	<u>300</u>

6 Auditors' remuneration

	2016	2015
	£ 000	£ 000
Audit of parent company and consolidated financial statements	19	15
Audit of the financial statements of subsidiaries of the company pursuant to legislation	99	73
	<u>118</u>	<u>88</u>
Other fees to auditors		
All other non-audit services	<u>160</u>	<u>10</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

7 Exceptional items

	2016	2015
	£ 000	£ 000
Reorganisation or restructuring	274	4,031
Demolition of obsolete buildings	435	-
Other exceptional costs	312	-
	<u>1,021</u>	<u>4,031</u>

During the year £0.274 million (2015: £4.031 million) restructuring costs were incurred (being mostly start-up costs associated with Birmingham Airport Air Traffic Limited). Demolition costs of £0.435 million associated with time expired assets, held at nil net book value, which were beyond economic use including Hangar 1, Rapide building and the former sports club. A further £0.312 million of exceptional items were incurred in relation to company re-financing (including £0.150 million to the company auditors) and the master plan review. Included within taxation on profit on ordinary activities is tax on exceptional items at the current UK tax rate of 20% (2015: 21%).

8 Staff costs

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

	2016	2015
	£ 000	£ 000
Wages and salaries	22,607	19,211
Social security costs	2,270	1,952
Pension costs, defined contribution scheme	1,014	580
Pension costs, defined benefit scheme	1,365	1,367
	<u>27,256</u>	<u>23,110</u>

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

	2016	2015
	No.	No.
Engineering	50	49
Operations and security	465	406
Support services	104	100
Terminal services	-	31
	<u>619</u>	<u>586</u>

Terminal services employees are included within the operations and security department in the current year.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

9 Directors' emoluments

The directors' emoluments for the year was as follows:

	2016 £ 000	2015 £ 000
Emoluments	627	599
Company contributions to money purchase pension schemes	49	40

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

	2016 No.	2015 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:

	2016 £ 000	2015 £ 000
Emoluments	247	252
Benefit in kind	30	29
Bonus	247	175
Long term bonus	53	93
Company contributions to money purchase pension schemes	49	40

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:

	2016 £ 000	2015 £ 000
Salaries and other short term benefits	1,158	910
Post employment benefits	87	77
	<u>1,245</u>	<u>987</u>

10 Interest receivable and similar income

	2016 £ 000	2015 £ 000
Bank interest receivable	275	229
Other interest receivable	-	9
	<u>275</u>	<u>238</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

11 Interest payable and similar charges

	2016	2015
	£ 000	£ 000
Corporate bond	6,687	6,680
Private placements senior notes interest	3,454	3,392
Interest on preference shares	971	971
Lease/leaseback interest	755	748
Bank loans and overdrafts	105	105
Pension scheme finance charge	1,442	1,278
Other interest payable	155	155
Less: capitalised interest	(77)	(357)
	<u>13,492</u>	<u>12,972</u>

12 Taxation

Tax charged/(credited) in the income statement

	2016	2015
	£ 000	£ 000
Current taxation		
UK corporation tax	6,507	5,268
Adjustment in respect of prior periods	(340)	(372)
	<u>6,167</u>	<u>4,896</u>
Deferred taxation		
Arising from origination and reversal of timing differences	1,089	360
Arising from changes in tax rates and laws	(413)	-
Deferred tax adjustments relating to previous years	65	(44)
Total deferred taxation	<u>741</u>	<u>316</u>
Tax on profit on ordinary activities	<u>6,908</u>	<u>5,212</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

12 Taxation (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2015 - higher than the standard rate of corporation tax in the UK) of 20% (2015 - 21%).

The differences are reconciled below:

	2016	2015
	£ 000	£ 000
Profit before tax	<u>25,064</u>	<u>13,820</u>
Corporation tax at standard rate	5,013	2,902
Effect of expense not deductible in determining taxable profit	2,585	2,857
Deferred tax (credit) relating to changes in tax rates or laws	(413)	-
Adjustment in respect of prior periods	(275)	(416)
Other short-term timing differences	<u>(2)</u>	<u>(131)</u>
Total tax charge	<u>6,908</u>	<u>5,212</u>

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 18% from 1 April 2020. These have been substantively enacted at the balance sheet date and are reflected in the company's financial statements. A further reduction to 17% has not yet been enacted. The overall effect of that change if it had been applied to the deferred tax balance at the statement of financial position date, would be to reduce the provision for deferred tax liability by £1.565 million.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

13 Tangible assets

Group

	Land and buildings £ 000	Leasehold land and buildings £000	Infrastructure £ 000	Plant and machinery £ 000	Assets in the course of construction £ 000	Total £ 000
Cost or valuation						
At 1 April 2015	317,085	200	137,718	147,129	3,238	605,370
Additions	-	-	-	-	14,221	14,221
Capitalised interest	-	-	-	-	77	77
Disposals	(344)	-	-	(113)	-	(457)
Transfers	3,494	-	(8,405)	10,775	(5,864)	-
Revaluations	<u>(21,253)</u>	<u>-</u>	<u>(14,073)</u>	<u>-</u>	<u>-</u>	<u>(35,326)</u>
At 31 March 2016	<u>298,982</u>	<u>200</u>	<u>115,240</u>	<u>157,791</u>	<u>11,672</u>	<u>583,885</u>
Depreciation						
At 1 April 2015	40,765	-	22,479	112,238	-	175,482
Charge for the year	10,523	-	5,279	7,817	-	23,619
Eliminated on disposal	(344)	-	-	(113)	-	(457)
Eliminated on revaluation	<u>(50,944)</u>	<u>-</u>	<u>(27,387)</u>	<u>-</u>	<u>-</u>	<u>(78,331)</u>
At 31 March 2016	<u>-</u>	<u>-</u>	<u>371</u>	<u>119,942</u>	<u>-</u>	<u>120,313</u>
Carrying amount						
At 31 March 2016	<u>298,982</u>	<u>200</u>	<u>114,869</u>	<u>37,849</u>	<u>11,672</u>	<u>463,572</u>
At 31 March 2015	<u>276,320</u>	<u>200</u>	<u>115,239</u>	<u>34,891</u>	<u>3,238</u>	<u>429,888</u>

Included within the net book value of land and buildings above is £298.98 million (2015 - £276.32 million) in respect of freehold land and buildings and £0.2 million (2015 - £0.2 million) in respect of long leasehold land and buildings. Included in land and buildings is land at a value of £86.711 million (2015: £59.936 million) which is not depreciated.

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

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

13 Tangible assets (*continued*)

Revaluation

The fair value of the company's operational assets was 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 £295.359 million (2015: £292.436 million) and the net book value would have been £185.145 million (2015: £188.998 million). The gross cost of infrastructure assets would have been £178.374 million (2015: £186.778 million) and the net book value would have been £89.391 million (2015: £101.935 million).

Capitalised interest

Within Capitalised Interest are capitalised borrowing costs of £0.077 million (2015 - £0.357 million). The capitalisation rate used to determine the amount of finance costs capitalised during the year was 6.5%.

Company

The company had no tangible assets at 31 March 2016 (2015: £nil)

14 Investment properties

Group

	2016
	£ 000
At 1 April	6,349
Fair value adjustments	1,596
	<hr/>
At 31 March	7,945
	<hr/> <hr/>

Investment properties held by Birmingham Airport Limited have been revalued at 31 March 2016, 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 £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 2014 by Ruxton Chartered Surveyors and Fisher German LLP. The valuation has been incorporated into the financial statements and identified impairments of £0.016 million and revaluation gains of £0.488 million. The valuation was reviewed internally by a chartered surveyor during the year and the directors are of the opinion the carrying values brought forward are still appropriate.

Company

The company had no investment properties at 31 March 2016 (2015: £nil)

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

15 Investments

Company

	2016	2015
	£ 000	£ 000
Investments in subsidiaries	<u>143,745</u>	<u>143,745</u>
		£ 000
At 1 April 2015		143,745
Additions		143,745
Disposals		<u>(143,745)</u>
At 31 March 2016		<u>143,745</u>

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	
			2016	2015
Subsidiary undertakings				
Birmingham Airport Operations Limited	England	Ordinary Shares	100%	0%
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%

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

15 Investments (*continued*)

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

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

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

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

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

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

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

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

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

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

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

Birmingham Airport Holdings Limited is the parent undertaking of Birmingham Airport Operations Limited, a newly formed company incorporated on 14 December 2015.

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 2016 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

First Castle Developments Limited

Birmingham Airport Services Limited

Eurohub (Birmingham) Limited

16 Inventories

	Group		Company	
	2016 £ 000	2015 £ 000	2016 £ 000	2015 £ 000
Stocks	425	519	-	-
Development land	640	640	-	-
	<u>1,065</u>	<u>1,159</u>	<u>-</u>	<u>-</u>

No provision for impairment of stocks has been provided for in the year (2015: £nil).

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

17 Debtors

	Group		Company	
	2016 £ 000	2015 £ 000	2016 £ 000	2015 £ 000
Trade debtors	11,738	9,446	-	-
Amounts owed by group undertakings	-	-	206,968	139,216
Corporation tax	-	-	277	-
Other receivables	140	220	-	-
Prepayments and accrued income	8,507	7,556	152	223
	<u>20,385</u>	<u>17,222</u>	<u>207,397</u>	<u>139,439</u>

Trade debtors are stated after provisions for impairment of £0.912 million (2015: £0.920 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 Creditors

	Group		Company	
	2016 £ 000	2015 £ 000	2016 £ 000	2015 £ 000
Due within one year				
Trade creditors	4,115	2,281	-	-
Amounts owed to group undertakings	-	-	154,626	161,376
Corporation tax	6,497	5,423	-	15
Other taxes and social security	587	473	-	-
Accruals and deferred income	52,250	40,994	3,530	3,617
Dividends payable	74,728	-	74,728	-
	<u>138,177</u>	<u>49,171</u>	<u>232,884</u>	<u>165,008</u>
Due after more than one year				
Preference shares	15,384	15,384	15,384	15,384
Loans and borrowings	258,917	183,189	-	-
Deferred income	1,107	2,727	-	-
	<u>275,408</u>	<u>201,300</u>	<u>15,384</u>	<u>15,384</u>

The amounts owed to group undertakings are unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. The interest 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.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

19 Loans and borrowings

	Group		Company	
	2016	2015	2016	2015
	£ 000	£ 000	£ 000	£ 000
Non-current loans and borrowings				
Loans and borrowings	254,185	178,457	-	-
Net premium arising on lease and leaseback	4,732	4,732	-	-
Preference shares	15,384	15,384	15,384	15,384
	<u>274,301</u>	<u>198,573</u>	<u>15,384</u>	<u>15,384</u>

The group raised £76 million of funds from the issue of 3.8 per cent private placement senior notes on 30 March 2016. The notes mature on 30 March 2041.

All non-current loans and borrowings are payable in full after five years. Loans and borrowings are shown net of £1.815 million transaction costs (2015: £1.543 million)

20 Finance lease obligations

Group

The total of future minimum lease payments is as follows:

	2016	2015
	£ 000	£ 000
Not later than one year	767	756
Later than one year and not later than five years	3,067	3,067
Later than five years	<u>99,812</u>	<u>100,579</u>
Total gross payments	103,646	104,402
Less: finance charges	<u>(98,914)</u>	<u>(99,670)</u>
Carrying amount of liability	<u>4,732</u>	<u>4,732</u>

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

21 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, £1 million overdraft facility and £113.7 million cash reserves.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

21 Financial instruments (*continued*)

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	2016 Years remaining	2015 Years remaining
Sterling: Private placement senior notes series A	8	9
Sterling: Private placement senior notes series B	13	14
Sterling: Bond	5	6
Sterling: Private placement senior notes	<u>25</u>	<u>-</u>
Financial assets and liabilities	2016 £ 000	2015 £ 000
Cash (including short term deposits)	113,720	20,970
Bonds	(104,265)	(104,140)
Private placement senior notes	(149,920)	(74,317)
Preference shares	(15,384)	(15,384)
Development provisions	(2,000)	(3)
Pension scheme liabilities	<u>(36,136)</u>	<u>(43,581)</u>

22 Provisions

Group

	Development provisions £ 000	Deferred taxation £ 000	Total £ 000
At 1 April 2015	3	20,261	20,264
Additional provisions	2,126	7,903	10,029
Provisions used	<u>(129)</u>	<u>-</u>	<u>(129)</u>
At 31 March 2016	<u>2,000</u>	<u>28,164</u>	<u>30,164</u>

The group is fully committed to a positive environmental policy including the provision of a defined noise insulation scheme, financial penalties to support night flying restrictions and payments under the Land Compensation Act 1973 (LCA). Provisions are made in line with foreseen liabilities and a £2 million provision has been provided in the year (2015: nil) 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 (2015: £0.2 million) and will be charged in the year to which it relates.

There are no provisions in the company (2015: none).

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

22 Provisions (continued)

Deferred tax

Group

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000
2016		
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)
	<u>6,504</u>	<u>(34,668)</u>
2015		
Capital allowances in advance of depreciation	-	(4,606)
Other timing differences	-	(2,944)
Post employment benefits	8,716	-
Revaluation of land, buildings and infrastructure	-	(21,075)
Revaluation of investment property	-	(352)
	<u>8,716</u>	<u>(28,977)</u>

Company

Deferred tax assets and liabilities

	Asset £ 000
2016	
Post employment benefits	<u>1</u>

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

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

23 Share capital

Allotted, called up and fully paid shares

	No. 000	2016 £ 000	No. 000	2015 £ 000
A Ordinary shares of £0.01 each	315,083	3,150.83	315,083	3,150.83
B Ordinary shares of £0.01 each	8,910	89.10	8,910	89.10
C Ordinary shares of £0.01 each	1	0.01	1	0.01
1 special (non participating) voting share of £1 each	-	-	-	-
	<u>323,994</u>	<u>3,240</u>	<u>323,994</u>	<u>3,240</u>

The 'B' ordinary shares carry the same rights as the 'A' ordinary shares except they have no voting rights. The 'C' ordinary shares only have voting rights relating to the appointment or removal of directors. They are not entitled to participate in any dividend or any other distribution of income declared, made or paid by the company, but have full distribution rights on winding up. 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.

24 Reserves

During the 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.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

24 Reserves (continued)

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 2015	5,012,565	3,039
Shares purchased from employees	240,344	213
Investment at 31 March 2016	<u>5,252,909</u>	<u>3,252</u>

25 Dividends

	2016 £ 000	2015 £ 000
Final dividend of £0.0182 (2015: £0.0272) per ordinary share	5,796	8,658
Interim dividend of £0.0443 (2015: £0.0184) per ordinary share	14,121	5,862
Special dividend of £0.2345 (2015: nil) per ordinary share	74,728	-
	<u>94,645</u>	<u>14,520</u>

The directors are proposing a final dividend of 2.998 pence per share (2015: 1.8199 pence per share) totalling £9.713 million (2015: £5.896 million). This dividend has not been accrued in the Statement of Financial Position.

26 Cash and cash equivalents

	Group		Company	
	2016 £ 000	2015 £ 000	2016 £ 000	2015 £ 000
Cash on hand	4	4	-	-
Cash at bank	983	4,588	253	148
Short-term deposits	112,733	16,378	-	-
	<u>113,720</u>	<u>20,970</u>	<u>253</u>	<u>148</u>

Included within these short term deposits is £7.024 million that are deemed to be cash equivalents under FRS 102 (2015: £nil).

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

27 Note to the cash flow statement

	2016	2015
	£ 000	£ 000
Cash flows from operating activities		
Profit for the year	18,156	8,608
Adjustments to cash flows from non-cash items		
Depreciation and other grant release	23,610	23,362
Changes in fair value of investment property	(1,596)	-
(Profit)/loss on disposal of tangible assets	(14)	23
Finance income	(275)	(238)
Finance costs	13,492	12,972
Income tax expense	6,908	5,212
	<u>60,281</u>	<u>49,939</u>
Working capital adjustments		
Decrease in inventories	94	3
Increase in trade and other receivables	(3,080)	(2,411)
Increase in trade and other payables	6,590	8,214
Decrease in retirement benefit obligation net of actuarial changes	(2,349)	(1,575)
Increase/(decrease) in provisions	1,997	(62)
	<u>63,533</u>	<u>54,108</u>
Cash generated from operations	<u>63,533</u>	<u>54,108</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

28 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 £1.014 million (2015 - £0.580 million).

Defined benefit pension schemes

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 2012 using the projected unit method. 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. 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:

	2016	2015
	%	%
Discount rate	3.75	3.40
Future salary increases	2.90	2.85
Future pension increases (RPI)	3.15	3.10
Future pension increases (CPI)	<u>2.15</u>	<u>2.10</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

28 Pension and other schemes (continued)

Post retirement mortality assumptions

	2016	2015
	Years	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	<u>27.00</u>	<u>28.00</u>

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2016	2015
	£ 000	£ 000
Fair value of scheme assets	122,344	127,075
Present value of defined benefit obligation	<u>(158,480)</u>	<u>(170,656)</u>
Defined benefit pension scheme deficit	<u>(36,136)</u>	<u>(43,581)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2016	2015
	£ 000	£ 000
Present value at start of period	(170,656)	(143,628)
Current service cost	(1,464)	(1,431)
Interest cost	(5,752)	(6,421)
Actuarial gains and losses	14,964	(22,488)
Benefits paid	4,640	3,799
Contributions by scheme participants	(137)	(137)
Effect of curtailments	<u>(75)</u>	<u>(350)</u>
Present value at end of year	<u>(158,480)</u>	<u>(170,656)</u>

Fair value of scheme assets

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

	2016	2015
	£ 000	£ 000
Fair value at start of period	127,075	114,449
Interest income	4,310	5,143
Actuarial gains and losses	(8,426)	7,789
Employer contributions	3,888	3,356
Contributions by scheme participants	137	137
Benefits paid	<u>(4,640)</u>	<u>(3,799)</u>
Fair value at end of year	<u>122,344</u>	<u>127,075</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

28 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2016	2015
	£ 000	£ 000
Cash and cash equivalents	515	1,127
Debt instruments	38,450	38,291
Equity instruments	49,033	51,759
Diversified growth funds	34,346	35,898
	<u>122,344</u>	<u>127,075</u>

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

Return on scheme assets

	2016	2015
	£ 000	£ 000
Return on scheme assets	<u>(4,116)</u>	<u>12,932</u>

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

Total cost recognised as an expense totalled £1.464 million (2015: £1.431 million) for current service cost, £1.442 million (2015: £1.278 million) for interest cost and £0.075m (2015: £0.350m) for curtailments.

29 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was £7.402 million (2015 - £1.119 million).

Operating leases

The total of future minimum lease payments is as follows:

	2016	2015
	£ 000	£ 000
Not later than one year	302	524
Later than one year and not later than five years	55	357
	<u>357</u>	<u>881</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £0.524 million (2015 - £0.538 million).

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

29 Commitments (*continued*)

Operating lease arrangements where the group is lessor

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

	2016	2015
	£ 000	£ 000
Not later than one year	871	793
Later than one year and not later than five years	3,616	3,547
Later than five years	43,015	43,955
	<u>47,502</u>	<u>48,295</u>

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.

30 Contingent liabilities

Group

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

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

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

On 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.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

31 Related party transactions

Birmingham City Council, Coventry City Council, Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council, Walsall Metropolitan Borough Council and Wolverhampton City Council ("The Districts") are shareholders. The dividends paid to The Districts in the year amounted to £48.135 million (2015: £8.201 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 19. 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 £0.755 million (2015: £0.748 million). The amount at the end of the year was £4.732 million (2015: £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 contributing up to £7 million as part of the cost of the realignment of the improved A45 corridor. The company invoiced £2.609 million during the year (2015: £2.632 million) which was a trade debtor at the Statement of Financial Position date (2015: £0.453 million), there was also an accrued creditor of £2.742 million relating to this transaction (2015: £1.633 million).

Airport Group Investments Limited

Airport Group Investments Limited (AGIL) are shareholders and received dividends of £46.443 million during the year (2015: £7.120 million). The group has paid AGIL £1.359 million during the year (2015: £1.477 million) in respect of consortium tax relief.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

32 Parent and ultimate parent undertaking

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

33 Transition to FRS 102

Group

This is the first year that the Group has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out below are the changes as a result of adopting the new reporting framework which reconcile profit for the financial year ended 31 March 2015 and the total equity as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102.

Revaluation reserve

In line with FRS 102 the revaluation reserve has been reduced to provide for deferred tax on the revaluation of certain assets.

Government grants

Those government grants which had previously been received and had no future conditions have been released to retained earnings. This resulted in an increase in administration expenses in the prior year income statement due to the annual grant release.

Investment property

Investment properties which had previously been included within property, plant and equipment have been reclassified into investment property.

Bond interest amortisation

The bond issue costs had been released to the Income Statement on a straight line basis. Under FRS 102 these have been remeasured to be released on a reducing balance basis, with the initial gain released to retained earnings.

Defined benefit pension interest

Under FRS 102 the interest on the defined benefit pension has been remeasured, resulting in an additional cost to the income statement. The 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'. Return on plan assets, less amounts included in net interest, are disclosed as 'remeasurement of net defined benefit liability' and recognised in other comprehensive income.

Error on transition

Included within the remeasurement column are errors identified in the treatment of the ESOP accounting, under the previous reporting framework, these have been amended in order to fully consolidate the accounts of the ESOP Trust and bring the £2.363 million reserves of ESOP Trust to retained earnings. A provision has also been recognised for the future obligation to buy back shares vested to employees in the All Employee Share Ownership Plan (AESOP) reducing retained earnings by £3.229 million.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

33 Transition to FRS 102 (continued)

Consolidated Statement of Financial Position at 1 April 2014

	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Fixed assets				
Tangible assets	438,523	(6,349)	-	432,174
Investment property	-	6,349	-	6,349
	<u>438,523</u>	<u>-</u>	<u>-</u>	<u>438,523</u>
Current assets				
Inventories	1,162	-	-	1,162
Debtors	15,594	-	(16)	15,578
Cash at bank and in hand	19,213	-	152	19,365
	<u>35,969</u>	<u>-</u>	<u>136</u>	<u>36,105</u>
Creditors: Amounts falling due within one year	<u>(40,113)</u>	<u>-</u>	<u>(833)</u>	<u>(40,946)</u>
Net current liabilities	<u>(4,144)</u>	<u>-</u>	<u>(697)</u>	<u>(4,841)</u>
Total assets less current liabilities	434,379	-	(697)	433,682
Creditors: Amounts falling due after more than one year	(207,546)	-	4,979	(202,567)
Provisions for liabilities	<u>(7,163)</u>	<u>5,836</u>	<u>(22,426)</u>	<u>(23,753)</u>
Net assets/(liabilities) excluding pension asset/(liability)	219,670	5,836	(18,144)	207,362
Pension liability	<u>(23,343)</u>	<u>(5,836)</u>	<u>-</u>	<u>(29,179)</u>
Net assets/(liabilities)	<u>196,327</u>	<u>-</u>	<u>(18,144)</u>	<u>178,183</u>
Capital and reserves				
Called up share capital	3,240	-	-	3,240
Share premium reserve	43,644	-	-	43,644
Revaluation reserve	111,663	-	(22,333)	89,330
Merger reserve	25,588	-	-	25,588
Retained earnings	12,192	-	4,189	16,381
Total equity	<u>196,327</u>	<u>-</u>	<u>(18,144)</u>	<u>178,183</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

33 Transition to FRS 102 (continued)

Consolidated Statement of Financial Position at 31 March 2015

	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Fixed assets				
Tangible assets	436,237	(6,349)	-	429,888
Investment property	-	6,349	-	6,349
	<u>436,237</u>	<u>-</u>	<u>-</u>	<u>436,237</u>
Current assets				
Inventories	1,159	-	-	1,159
Debtors	17,919	(683)	(14)	17,222
Cash at bank and in hand	20,830	-	140	20,970
	<u>39,908</u>	<u>(683)</u>	<u>126</u>	<u>39,351</u>
Creditors: Amounts falling due within one year	<u>(48,403)</u>	<u>-</u>	<u>(768)</u>	<u>(49,171)</u>
Net current liabilities	<u>(8,495)</u>	<u>(683)</u>	<u>(642)</u>	<u>(9,820)</u>
Total assets less current liabilities	427,742	(683)	(642)	426,417
Creditors: Amounts falling due after more than one year	(206,776)	683	4,793	(201,300)
Provisions for liabilities	<u>(7,461)</u>	<u>8,716</u>	<u>(21,519)</u>	<u>(20,264)</u>
Net assets/(liabilities) excluding pension asset/(liability)	213,505	8,716	(17,368)	204,853
Pension liability	<u>(34,865)</u>	<u>(8,716)</u>	<u>-</u>	<u>(43,581)</u>
Net assets/(liabilities)	<u>178,640</u>	<u>-</u>	<u>(17,368)</u>	<u>161,272</u>
Capital and reserves				
Called up share capital	3,240	-	-	3,240
Share premium reserve	43,644	-	-	43,644
Revaluation reserve	107,137	-	(21,427)	85,710
Merger reserve	25,588	-	-	25,588
Retained earnings	<u>(969)</u>	<u>-</u>	<u>4,059</u>	<u>3,090</u>
Total equity	<u>178,640</u>	<u>-</u>	<u>(17,368)</u>	<u>161,272</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

33 Transition to FRS 102 (continued)

Consolidated Income Statement for the year ended 31 March 2015

	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Turnover	121,158	-	-	121,158
Administrative expenses	(90,532)	-	(41)	(90,573)
Operating exceptional items	<u>(4,031)</u>	<u>-</u>	<u>-</u>	<u>(4,031)</u>
Operating profit/(loss)	<u>26,595</u>	<u>-</u>	<u>(41)</u>	<u>26,554</u>
Other interest receivable and similar income	1,246	-	(1,008)	238
Interest payable and similar charges	<u>(11,677)</u>	<u>-</u>	<u>(1,295)</u>	<u>(12,972)</u>
	<u>(10,431)</u>	<u>-</u>	<u>(2,303)</u>	<u>(12,734)</u>
Profit/(loss) before tax	16,164	-	(2,344)	13,820
Taxation	<u>(5,672)</u>	<u>-</u>	<u>460</u>	<u>(5,212)</u>
Profit/(loss) for the financial year	<u><u>10,492</u></u>	<u><u>-</u></u>	<u><u>(1,884)</u></u>	<u><u>8,608</u></u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

33 Transition to FRS 102 (continued)

Company

Set out below are the changes as a result of adopting the new reporting framework which reconcile profit for the financial year ended 31 March 2014 and the total equity as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102.

Reclassification of inter-company transactions

All inter-company loans and trade balances reclassified as debtors and creditors falling due within one year.

Error on transition

Included within the remeasurement column are errors identified in the treatment of the ESOP accounting, under the previous reporting framework, these have been amended in order to fully consolidate the accounts of the ESOP Trust and bring the £2.363 million reserves of ESOP Trust to retained earnings. A provision has also been recognised for the future obligation to buy back shares vested to employees in the All Employee Share Ownership Plan (AESOP) reducing retained earnings by £3.229 million.

Statement of Financial Position at 1 April 2014

	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Fixed assets				
Investments	289,577	(145,832)	-	143,745
Current assets				
Debtors	257	145,832	-	146,089
Cash at bank and in hand	13	-	152	165
	<u>270</u>	<u>145,832</u>	<u>152</u>	<u>146,254</u>
Creditors: Amounts falling due within one year	<u>(2,884)</u>	<u>(163,849)</u>	<u>(1,016)</u>	<u>(167,749)</u>
Net current liabilities	<u>(2,614)</u>	<u>(18,017)</u>	<u>(864)</u>	<u>(21,495)</u>
Total assets less current liabilities	286,963	(163,849)	(864)	122,250
Creditors: Amounts falling due after more than one year	<u>(179,233)</u>	<u>163,849</u>	<u>-</u>	<u>(15,384)</u>
Net assets/(liabilities)	<u>107,730</u>	<u>-</u>	<u>(864)</u>	<u>106,866</u>
Capital and reserves				
Called up share capital	3,240	-	-	3,240
Share premium reserve	43,644	-	-	43,644
Merger reserves	51,380	-	-	51,380
Retained earnings	<u>9,466</u>	<u>-</u>	<u>(864)</u>	<u>8,602</u>
Total equity	<u>107,730</u>	<u>-</u>	<u>(864)</u>	<u>106,866</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2016 (*continued*)

33 Transition to FRS 102 (continued)

Statement of Financial Position at 31 March 2015

	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Fixed assets				
Investments	282,865	(139,120)	-	143,745
Current assets				
Debtors	223	139,122	94	139,439
Cash at bank and in hand	8	-	140	148
	<u>231</u>	<u>139,122</u>	<u>234</u>	<u>139,587</u>
Creditors: Amounts falling due within one year	<u>(2,601)</u>	<u>(161,361)</u>	<u>(1,046)</u>	<u>(165,008)</u>
Net current liabilities	<u>(2,370)</u>	<u>(22,239)</u>	<u>(812)</u>	<u>(25,421)</u>
Total assets less current liabilities	280,495	(161,359)	(812)	118,324
Creditors: Amounts falling due after more than one year	<u>(176,743)</u>	<u>161,359</u>	<u>-</u>	<u>(15,384)</u>
Net assets/(liabilities)	<u>103,752</u>	<u>-</u>	<u>(812)</u>	<u>102,940</u>
Capital and reserves				
Called up share capital	3,240	-	-	3,240
Share premium reserve	43,644	-	-	43,644
Merger reserves	51,380	-	-	51,380
Retained earnings	<u>5,488</u>	<u>-</u>	<u>(812)</u>	<u>4,676</u>
Total equity	<u>103,752</u>	<u>-</u>	<u>(812)</u>	<u>102,940</u>