

# **Birmingham Airport Holdings Limited**

**Directors' Report and Consolidated Financial Statements**

**for the Year Ended 31 March 2013**

## **Birmingham Airport Holdings Limited**

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## **Birmingham Airport Holdings Limited**

### **Company Information**

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<b>Chairman</b>	J L Hudson
<b>Chief executive</b>	P Kehoe
<b>Directors</b>	T Ali H Bills M A Bird Sir A Bore D Calaca D C Cooper P Dransfield M Jaspal J D McNicholas M Morsillo G E Richards D M Stanton C Thomazi P Tilsley M Toms
<b>Company secretary</b>	M J Kelly
<b>Registered office</b>	Diamond House Birmingham Airport Birmingham West Midlands B26 3QJ
<b>Auditors</b>	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors Cornwall Court 19 Cornwall Street Birmingham West Midlands B3 2DT
<b>Bankers</b>	National Westminster Bank plc 2 St Philips Place Birmingham West Midlands B3 3RB
<b>Solicitors</b>	Eversheds LLP 115 Colmore Row Birmingham West Midlands B3 3AL

## Birmingham Airport Holdings Limited

### Directors' Report for the Year Ended 31 March 2013

The directors present their report and the audited consolidated financial statements for the year ended 31 March 2013.

#### 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".

#### Results and dividends

Group profit after taxation for the year was £10.849m (2012: £7.973m). The final dividend for the year ended 31 March 2012 of £5.254m (1.648p per share) was paid in July 2012 (July 2011: £6.150m, 1.928 per share). An interim dividend for the year ended 31 March 2013 of £4.456m (1.397p per share) was paid in December 2012 (December 2011: £3.704m, 1.161p per share). This resulted in a retained profit of £1.139m (2012: £1.881m reduction in reserves)

The directors recommend a final dividend payment of 2.299p per share amounting to £7.449m be made in respect of the financial year ended 31 March 2013. This dividend has not been recognised as a liability in the financial statements.

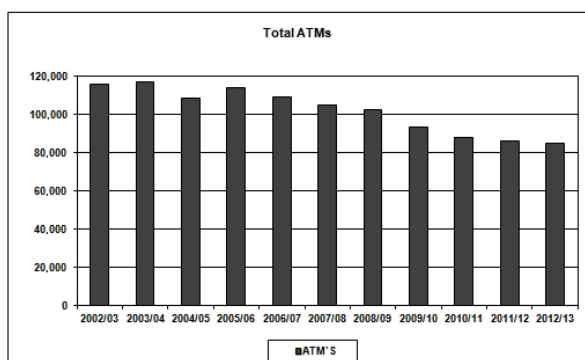
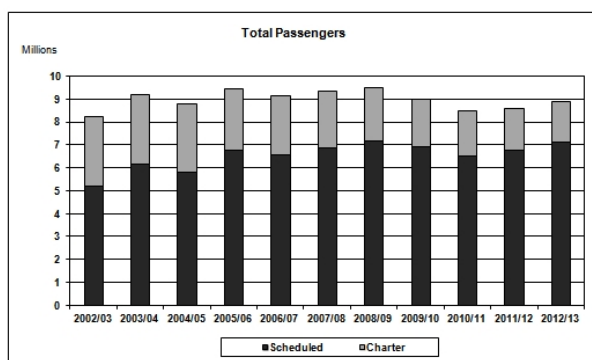
#### Business review

##### Market Position and Business Environment

During the year ending March 2013 Birmingham Airport experienced its second consecutive year of passenger growth, with passengers 3.7% above the previous year, outperforming the UK's economic growth and the UK aviation industry growth which grew by 0.4% and 0.3% respectively. The year wasn't without its challenges for Birmingham Airport with the phased cessation of bmibaby from July and with all their operations finishing in September 2012. However operators quickly stepped in with additional services from easyJet, Flybe and Monarch Airlines picking up the shortfall from the bmibaby demise. In addition there was double digit year-on-year growth from full service carriers Lufthansa, Turkish Airlines, Air France and Aer Arann Regional, contributing to the overall increase.

Birmingham Airport processed 8,919,218 passengers this year, an increase of 3.7%. Summarised as:

- Low Cost +8.3%
- Full Service Schedule +7.1%
- Long Haul - 6.3%
- Charter - 5.9%



## Birmingham Airport Holdings Limited

### Directors' Report for the Year Ended 31 March 2013 (*continued*)

Birmingham Airport continues to offer an extended route choice to its region and there were a number of new services announced throughout our low cost carriers, Aer Lingus (three additional daily Dublin services), easyJet (Belfast), Flybe (Amsterdam, Lyon & Waterford), Monarch Airlines (Barcelona, Bordeaux, Dubrovnik, Funchal, Gibraltar, Grenoble, Heraklion, Milan, Munich, Nice & Sharm-el-Sheikh) and Ryanair (Krakow), along with new full service scheduled, Aer Arann (Knock), Lufthansa (Berlin and Hamburg), SAS (Stockholm) and Turkish Airlines (increased frequencies to now 10 per week).

Dublin remained the largest destination by passenger numbers, marginally ahead of Dubai and Amsterdam.

2012 continued to see the evolution of new terminal facilities, No.1 Traveller opened its latest lounge in October 2012 - its first outside of London and the company's sixth UK opening. The new lounge has created 20 jobs in the local area and brings a new level of pre-flight experience to the travelling public in the Midlands. There was also an enlarging of the Champagne bar, 'Blanc et Noir', due to its success, and to Boots enhancing its offer to passengers.

The Airport continues to develop its infrastructure and during 2012 Monarch Aircraft Engineering announced its investment in commencing the build of a new 110,000 square foot state of the art aircraft maintenance facility, creating 150 new jobs at Birmingham Airport, with the potential for a further 150. The hangar is due to be completed and operational by the end of 2013 and will incorporate industry-leading design and build standards. It is the first UK hangar to have the capacity for Boeing 787 Dreamliner maintenance, with sufficient capacity for other wide body aircraft, such as Boeing 777, 747 and Airbus A350. The facility will be large enough to accommodate two Boeing 777-300ER aircraft or ten narrow-body aircraft.

The new air traffic control tower became operational on 17 April 2013, and has recently been crowned the project of the year and best regeneration scheme at the 2013 RICS West Midlands awards. Alongside this, the new state of the art primary radar system became operational.

Birmingham continues to strive to serve its region and attract passengers within its catchment area rather than them travelling to the congested South East. The Airport launched a major outdoor advertising campaign to 'claw back' passengers from its catchment that currently travel outside of the region to catch flights. By making use of existing capacity across the UK, at airports such as Birmingham, capacity can be released in the South East, which would also pave the way for growth outside of London and the South East, and help rebalance the UK's economy. Work continues to support and offer evidence to the Airports Commission for a clear and concise long-term aviation strategy that will benefit the whole of the UK economy.

Birmingham Airport was also awarded 'Airport of the Year' in 2012 at the UK National Transport Awards, in recognition for excellence and its ongoing major improvement programme. The Airport has invested £132 million over the last five years and is currently investing in extending its existing runway, which, when operational in Spring 2014, will allow aircraft to fly direct to the West Coast of the United States, South America, China and South Africa.

#### Financial Performance

Income	2013 £m	2012 £m	% Change over 2012
Aeronautical income	47.2	47.6	(0.8%)
Commercial income	60.3	56.4	6.9%
<b>Total revenue</b>	<b>107.5</b>	<b>104.0</b>	<b>3.4%</b>

The Airport's income is generated from two key income streams. Aeronautical income, which are the charges levied to airlines for the use of its facilities by both passengers and aircraft, and from commercial activities on the airport site, including car parking, catering and retail and property rental.

Despite the 3.7% increase in passengers in the year, aeronautical income fell by 0.8%, reflecting the changing mix of traffic and incentivised growth. This resulted in a reduction in the yield per passenger to £5.29 compared to £5.38 in the previous year. Commercial income, as with previous years, continued to grow with the year being 6.9% above the previous year and benefited from the full year trading of the high street branded outlets in the departure lounge which opened in summer 2011, along with benefiting from the new No1 traveller lounge and other enhanced retail and catering offers. As well as the retail outlets' growth, strong performances were also seen from catering, property rentals, recharges and the settlement of an insurance claim. The commercial yield per passenger has increased from £6.56 to £6.76.

## Birmingham Airport Holdings Limited

### Directors' Report for the Year Ended 31 March 2013 (continued)

Operating Costs	2013 £m	2012 £m	% Change over 2012
Employee costs	21.1	19.9	6.0%
Running costs	39.7	39.8	(0.3%)
Depreciation & other charges	22.0	21.2	3.8%
<b>Total operating costs</b>	<b>82.8</b>	<b>80.9</b>	<b>2.3%</b>

Total operating costs have risen by 2.3% to £82.8m in the year. Within this, employee costs rose by 6.0% reflecting pay awards and increased pension costs. Running costs were 0.3% lower despite the significant additional cost of winter operations, for snow clearing and de-icing, and the impact of higher inflation. These were mitigated by the ongoing focus on efficiency and control of the cost base. Depreciation and other costs increased by 3.8% due to an increase in depreciation from the recent terminal developments and a smaller release of the land compensation act provision in the year of £0.6m (2012: £1.4m)

The group's operating profit before exceptional items increased by 6.6% as a result of the higher commercial income. Exceptional items incurred include restructuring costs of £0.2m (2012: £0.7m) and non trading costs associated with the set up of a new asset backed pension arrangement of £0.4m (2012: nil). This resulted in an operating profit after exceptional items of £24.2m (2012: £22.5m). The net interest costs, before capitalised interest, reduced by £0.3m as a result of a higher return on pension scheme assets.

The tax charge for the year of £5.6m, includes a corporation tax charge of £6.7m (2012: £7.4m) and a deferred tax credit of £1.1m (2012: £0.8m), this equates to a tax effective rate of 34.2% (2012: 45.4%). This remains considerably higher than the ordinary rate of UK corporation tax and continues to reflect the high level of non qualifying depreciation in the group as a result of asset revaluations and the removal of the industrial buildings tax allowances.

During the year dividends of £9.7m were paid (2012: £9.9m), including a final dividend of £5.3m for the year ended 31 March 2012 (2011: £6.2m) and an interim dividend for the year ended 31 March 2013 of £4.4m (2012: £3.7m). This resulted in an increase in reserves of £1.1m (2012: £1.9m reduction)

Capital expenditure increased to £19.3m in the year (2012: £14.7m). During the year the new air traffic control tower equipment fit out was completed, with operations transferring to the new facility in April 2013, a new primary radar became operational in February 2013, and there was continued investment in major IT projects with replacement airport operations database and new check in equipment. New projects commenced in the year include the runway extension project, which is scheduled to be complete in spring 2014 and infrastructure works for the new Monarch hangar which is due to become operational in November 2013. The forthcoming year will see the commencement of the north airfield drainage project and the receipt of five new fire vehicles over the summer.

The group generated £44.0m cash from its operating activities during the year (2012: £44.2m). The cash outflow from the servicing of finance decreased by £0.2m as a result of the timing of bank deposit receipts and lower deposit rates. The corporation tax cash outflow increased by £1.1m, reflecting the final payments for the 2012 charge, reflecting higher profits than the previous year. With the capital expenditure and the dividend payments of £9.7m, there was a net cash inflow of £0.8m (2012: £8.0m). Short term deposits cash increased to £28.4m (2012: £28.3m), whilst net debt decreased to £95.9m (2012: £96.0m). Looking forward, the company has strong operating cash-flows and a committed bank facility to meet its ongoing liabilities as they fall due.

#### Security

The Security department has undergone significant change during 2012. The strategy is being embedded and is delivering positive results. The focus areas remain as Compliance, Customer, our People and Cost, as summarised below:

- Compliance: The Department for Transport conducted an audit during February 2013, the results of which were favourable with some areas for improvement identified which have now been addressed. The Airfield security contractor, MITIE, has also delivered good levels of compliance during their first year at Birmingham.
- Customer: Customers remain at the heart of everything we do, all security staff have undertaken The Airport's Great People Programme
- Our People: Significant investment has been made within the Security Duty Management team who have undergone bespoke leadership training; this has given them the skills to become strategic leaders of change.

## **Birmingham Airport Holdings Limited**

### **Directors' Report for the Year Ended 31 March 2013 (continued)**

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- Cost: Sickness absence levels are above average during the financial year. The department has an ageing workforce and the majority of absences are attributed to long term conditions. The Airport is working in conjunction with the Trade Union, led by the Head of Aviation Security to mitigate the cost of absence.

The Airport continues to recruit security officers, despite the slow growth in the economy, to meet the demand of passenger growth and to replace staff leavers. Thirty three officers were recruited during January and April 2013.

#### **Airside Safety**

The safe operation of the airfield infrastructure is a core business priority. The Aerodrome Safety Management System continued to evolve with the updating of the formal Safety Review Board, chaired by the Accountable Manager (Chief Executive Officer). During the year the Airport was also subject to an interim Civil Aviation Authority (CAA) audit in October 2012 with no serious non-compliances being identified. Bird strikes involving those species classified as 'high' and 'medium' risk showed reduction for the fifth consecutive year and a number of major airfield projects either commenced or were completed with little or no impact to the operation.

The Airport experienced a challenging end to the year due to the weather, with frequent frosts combined with snow in January and March which led to the Airport's Winter Operations Plan being tested frequently. Through the snow events, including one that lasted for 72 hours, the operation was maintained with minimal disruption and feedback from stakeholders was positive.

The Airport continues to work on a number of current safety priorities and is fully engaged with the changes that are happening in the regulatory environment as we move towards a single European regulatory authority, the European Aviation Safety Agency, (EASA) in 2014 and the developments driven by the Eurocontrol Single European Skies (SES) initiative, which includes the implementation of Collaborative Decision Making (CDM).

#### **Health & Safety**

A safe and secure work and operational environment continues to be a key focus of our operating strategies. During the last year, the safety team has delivered a substantial programme of work, working collaboratively across functional teams to progress further our health and safety agenda. It has demonstrated how a strategic and practical approach to occupational health and workplace safety supports the development of an effective business and a strong safety culture.

An essential part of being a responsible business is managing risks and delivering a safe Airport. We achieve this through a comprehensive Safety Management System (SMS) underpinned by a safety-focused culture. Our SMS serves as our framework for continuous improvement and delivery. This will continue to develop and expand in the coming year as we seek accreditation to BS OHSAS 18001 Occupational Health and Safety Management system. Information and performance measurement is gathered on a monthly basis and reviewed through a monthly Operations Safety Management Meeting chaired by the Operations Director. This frequency and reporting process ensures we can promptly respond to any arising trends or issues. The Airport uses a quarterly Health and Safety Committee to consult with its workforce, which includes a wider review of the management of health and safety across the business. A Safety Management Board meets semi-annually to bring together all aspects of safety management and target setting. Any recommendations arising from the Safety Management Board and the Health and Safety Committee are reported directly to the Executive Team and the Board.

#### **Principal risks and uncertainties**

Competition with neighbouring airports remains strong during turbulent economic times, with minimum growth in the UK aviation market. The unsatisfied demand within the airports catchment area is a significant opportunity for growth. In the medium term, the runway extension with increased payload opportunities and in the longer term with the high speed rail links from London and beyond, Birmingham is well placed to satisfy that demand. The airport has detailed its strong growth potential in its submission to the Airports Commission.

Many of the risks which could potentially affect the future levels of air traffic and the airport's growth prospects are similar to those identified in previous years, including the current economic environment and prospects for the economy, the eurozone uncertainty and environmental lobby. The airport is committed to adopting a sustainable approach to the operation and future development of the airport, whilst mitigating the impact on local communities. The airport contributed £50,000 to the Community Trust Fund to assist local organisations affected by aircraft activity during the year.

## **Birmingham Airport Holdings Limited**

### **Directors' Report for the Year Ended 31 March 2013 (continued)**

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'One off events', although not possible to forecast, continue to pose a risk whether they be severe weather, terrorist activities or health scares. The airport carefully considers these factors when developing its medium and long-term plans. We have also considered the potential adverse effect of risks arising from the collapse of an airline or other stakeholder. The staff pension scheme remains a risk and, in addition to the agreement in the previous year to reduced future accrual rate with staff, an asset backed pension arrangement was introduced on 28 March 2013 with guaranteed returns to the scheme on that investment over 15 years. Risk is still present from the market performance of the remainder of the scheme assets, whilst the economy is struggling and uncertainty remains in the financial sectors.

#### **Future developments**

The company will continue to operate Birmingham Airport, providing additional facilities and infrastructure as required to maintain the successful operation of the airport.

#### **Financial instruments**

##### **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 relevant Board meeting.

##### **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 funds on the money market which, whilst exposing the group to interest rate risk on the receivable side, 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 £45m committed, un-drawn, loan facility and £28.4m cash are considered sufficient to meet the group's ongoing funding 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 additional 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 both the corporate bond and bank facility. These are monitored on an ongoing basis with formal testing certified by the auditors and reported to the Audit Committee.

##### **Going Concern**

The directors have reviewed the prospects for the business 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 the 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 to offset the company's net current liabilities, hence they continue to adopt the going concern basis in preparing the financial statements.



## Birmingham Airport Holdings Limited

### Directors' Report for the Year Ended 31 March 2013 (*continued*)

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#### Directors of the company

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

T Ali  
H Bills (appointed 15 February 2013)  
M A Bird  
Sir A Bore (appointed 13 June 2012)  
R A M Brew (resigned 13 June 2012)  
D Calaca  
D M Caunt (resigned 13 June 2012)  
D C Cooper  
P Dransfield  
J L Hudson - Chairman  
M Jaspal (appointed 13 June 2012)  
P Kehoe - Chief executive  
R C Lawrence (resigned 13 June 2012)  
P Lowe (appointed 13 June 2012 and resigned 15 February 2013)  
J D McNicholas  
M Morsillo  
G E Richards  
D M Stanton  
C Thomazi  
P Tilsley  
M Toms

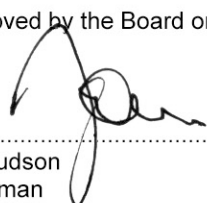
#### Employment of disabled persons

The company is committed to ensuring that all members of the community have the opportunity to apply for vacancies as they arise within the Company, and to ensure that all applications receive fair treatment. We continue to meet the Two Ticks Positive about Disabled People Standard and all applications for employment from disabled people are considered within this framework.

#### Employee involvement

Employee contribution to our business is key to our success. The company 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. It is the Company's policy to regularly exchange information concerning the operation with its employees. 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 company.

Approved by the Board on 17 July 2013 and signed on its behalf by:



.....  
J L Hudson  
Chairman

Registration number: 03312673

## **Birmingham Airport Holdings Limited**

### **Statement of Directors' Responsibilities**

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The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **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 group's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.



**M J Kelly**  
Company Secretary

## **Independent Auditor's Report to the Members of Birmingham Airport Holdings Limited**

We have audited the group and parent company financial statements (the "financial statements") of Birmingham Airport Holdings Limited for the year ended 31 March 2013 which comprise the group profit and loss account, the group statement of recognised gains and losses, the group note of historical cost profit and losses, the group reconciliation of movements in shareholders funds, the group and parent company balance sheets, the group cash flow statement and the related notes, set out on pages 10 to 37. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 8), 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

### **Scope of the audit of the financial statements**

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 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion 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 2013 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.


### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

  
.....  
Stephen Snook (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP,  
Chartered Accountants and Statutory Auditors  
Birmingham

Date: 17/7/13

**Birmingham Airport Holdings Limited****Consolidated Profit and Loss Account for the Year Ended 31 March 2013**

	<b>Note</b>	<b>2013 £ 000</b>	<b>2012 £ 000</b>
Turnover	2	107,504	104,037
Net operating expenses		<u>(82,792)</u>	<u>(80,864)</u>
Group operating profit before exceptionals	3	24,712	23,173
Exceptional items	5	<u>(539)</u>	<u>(683)</u>
Group operating profit		24,173	22,490
Interest receivable and similar income		841	483
Interest payable and similar charges	8	<u>(8,518)</u>	<u>(8,383)</u>
Profit on ordinary activities before taxation		16,496	14,590
Tax on profit on ordinary activities	9	<u>(5,647)</u>	<u>(6,617)</u>
Profit for the financial year	22	<u>10,849</u>	<u>7,973</u>

Turnover and operating profit derive wholly from continuing operations.

**Statement of group total recognised gains and losses**

	<b>Note</b>	<b>2013 £ 000</b>	<b>2012 £ 000</b>
Profit for the financial year		10,849	7,973
Actuarial loss recognised on defined benefit pension scheme	25	(8,402)	(9,026)
Movement on current tax relating to pension contributions		2,016	918
Movement on deferred tax relating to pension scheme actuarial loss		-	1,428
Change in taxation rate		<u>(76)</u>	<u>(394)</u>
Total recognised gains and losses relating to the year		<u>4,387</u>	<u>899</u>

**Note of Group historical cost profits and losses**

	<b>2013 £ 000</b>	<b>2012 £ 000</b>
Reported profit on ordinary activities before taxation	16,496	14,590
Excess depreciation on revalued assets	<u>4,371</u>	<u>4,403</u>
Historical cost profit on ordinary activities before taxation	<u>20,867</u>	<u>18,993</u>
Historical cost profit for the year retained after taxation	<u>15,220</u>	<u>12,376</u>

**Birmingham Airport Holdings Limited****Reconciliation of movements in Group Shareholders Funds for the Year Ended 31 March 2013**

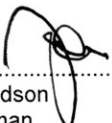
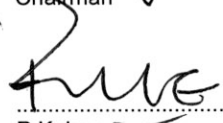
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	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Profit for the financial year	10,849	7,973
Other recognised gains and losses relating to the year	(6,462)	(7,074)
Dividends	(9,710)	(9,854)
Net sale of own shares from share trust	<u>(129)</u>	<u>(185)</u>
Net reduction to shareholders' funds	(5,452)	(9,140)
Shareholders' funds at 1 April	<u>268,941</u>	<u>278,081</u>
Shareholders' funds at 31 March	<u><u>263,489</u></u>	<u><u>268,941</u></u>

**Birmingham Airport Holdings Limited**  
**Consolidated Balance Sheet at 31 March 2013**

	Note	£ 000	2013 £ 000	£ 000	2012 £ 000
<b>Fixed assets</b>					
Tangible fixed assets	11		428,033		431,545
<b>Current assets</b>					
Stocks	13	1,116		1,183	
Debtors	14	16,784		13,248	
Cash at bank and in hand		28,411		28,277	
		<u>46,311</u>		<u>42,708</u>	
Creditors: Amounts falling due within one year	15	(38,474)		(35,641)	
Net current assets			<u>7,837</u>		<u>7,067</u>
Total assets less current liabilities			435,870		438,612
Creditors: Amounts falling due after more than one year	16		(133,119)		(133,858)
Provisions for liabilities	20		(9,802)		(10,531)
Net assets excluding pension asset/liability			<u>292,949</u>		<u>294,223</u>
Net pension liability	25		(29,460)		(25,282)
Net assets			<u><u>263,489</u></u>		<u><u>268,941</u></u>
<b>Capital and reserves</b>					
Called up share capital	21	3,240		3,240	
Share premium account	22	43,644		43,644	
Revaluation reserve	22	115,493		119,864	
Merger reserves	22	25,588		25,588	
Profit and loss account	22	75,524		76,605	
Total shareholders' funds			<u><u>263,489</u></u>		<u><u>268,941</u></u>

Approved by the Board on 17 July 2013 and signed on its behalf by:

  
 .....  
 J L Hudson  
 Chairman  
  
 .....  
 P Kehoe  
 Chief executive

Company registration number: 3312673

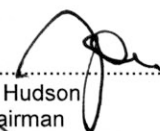
The notes on pages 15 to 37 form an integral part of these financial statements.  
 Page 12

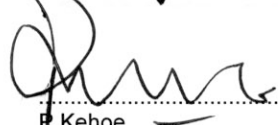
## Birmingham Airport Holdings Limited

### Balance Sheet at 31 March 2013

	Note	2013 £ 000	2012 £ 000
<b>Fixed assets</b>			
Investments	12	<u>290,617</u>	<u>278,486</u>
<b>Current assets</b>			
Debtors	14	201	332
Cash at bank and in hand		<u>9</u>	<u>10,188</u>
		210	10,520
Creditors: Amounts falling due within one year	15	<u>(1,928)</u>	<u>(1,877)</u>
Net current (liabilities)/assets		<u>(1,718)</u>	<u>8,643</u>
Total assets less current liabilities		288,899	287,129
Creditors: Amounts falling due after more than one year	16	<u>(149,016)</u>	<u>(150,173)</u>
Net assets		<u><u>139,883</u></u>	<u><u>136,956</u></u>
<b>Capital and reserves</b>			
Called up share capital	21	3,240	3,240
Share premium account	22	43,644	43,644
Merger reserves	22	51,380	51,380
Profit and loss account	22	<u>41,619</u>	<u>38,692</u>
Total shareholders' funds		<u><u>139,883</u></u>	<u><u>136,956</u></u>

Approved by the Board on 17 July 2013 and signed on its behalf by:

  
.....  
J L Hudson  
Chairman

  
.....  
P Kehoe  
Chief executive

**Birmingham Airport Holdings Limited****Consolidated Cash Flow Statement for the Year Ended 31 March 2013**

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**Cash flow statement**

	<b>Note</b>	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Net cash inflow from operating activities	23	44,044	44,186
<b>Returns on investments and servicing of finance</b>			
Interest received		548	319
Interest paid		(7,829)	(7,845)
		(7,281)	(7,526)
Tax paid		(6,281)	(5,137)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(19,314)	(14,667)
Sale of tangible fixed assets		1	968
Development Loan		(639)	-
		(19,952)	(13,699)
Equity dividends paid		(9,710)	(9,854)
Net cash inflow before management of liquid resources and financing		820	7,970
<b>Management of liquid resources</b>			
Increase in short term deposits		(5,407)	(75)
<b>Financing</b>			
Lease and leaseback premium	24	(557)	(682)
Net sale of own shares from share trust		(129)	(185)
		(686)	(867)
(Decrease)/increase in cash	24	(5,273)	7,028

The notes on pages 15 to 37 form an integral part of these financial statements.



## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2013

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#### 1 Accounting policies

##### Basis of preparation

The accounts are prepared on a going concern basis under the historical cost convention modified to include the revaluation of certain assets in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year are set out below.

##### Basis of consolidation

The group accounts consolidate the financial statements of Birmingham Airport Holdings Limited and its subsidiary undertakings drawn up to 31 March 2013.

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006. Its profit for the financial year was £12,766,000 (2012 - £5,803,000).

##### Turnover

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 are 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. Concession 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

European Regional Development Fund (ERDF) grants, Trans European Network (TENS) grants and Local Transport Plan (LTP) 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.

##### Capitalised Interest

Interest on funding obtained to finance capital projects is capitalised subject to valuation exceeding cost. Once projects have been commissioned no further interest is capitalised.

##### Fixed asset revaluations

The group revalues land, buildings and infrastructure of a further subsidiary in accordance with Financial Reporting Standard 15 ('FRS 15') 'Tangible Fixed Assets', with independent valuations being undertaken every five years. An independent valuation was undertaken in 2011 (Note 11).

##### Depreciation

Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the 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 equipment	between 4 and 30 years
Motor vehicles	between 4 and 15 years

## **Birmingham Airport Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

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#### **Accounting policies (continued)**

##### **Investment properties**

Freehold land and buildings (primarily off-site residential properties) belonging to certain subsidiary companies are held as investment properties and are accounted for in accordance with SSAP 19. Consequently their open market value is reviewed internally on an annual basis, with an external valuation every five years performed by an appropriately qualified valuer. If any identified deficit is expected to be permanent it is recognised in the profit and loss account for the year. Depreciation has not been provided as the directors believe this is necessary in order for the accounts to give a true and fair view. If it had been provided, it would not be material. Depreciation is one of the many factors reflected in the annual valuation.

##### **Investments**

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

##### **Stock and work in progress**

Stores of consumable items and development land held within stock are valued at the lower of purchase cost and estimated net realisable value. Costs associated with holding the land are expensed as incurred.

##### **Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated at the balance sheet date, but not reversed except for the following:

Deferred tax assets are only recognised where, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which they can be recovered.

In respect of fixed asset revaluations, deferred tax is not provided unless there is a binding agreement to sell the assets at the balance sheet date. However, no provision is made if any gain is to be rolled over into replacement assets.

The group has elected not to discount the deferred tax assets and liabilities. Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

##### **Leases**

Payments under contract hire agreements and operating leases are charged to the profit and loss account as incurred.

Assets obtained under finance lease contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over the shorter of the lease term or their useful lives. The interest element of such contracts is charged to the profit and loss account over the period of the lease in proportion to the outstanding balance of repayments.

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

##### **Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the group is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)

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#### Accounting policies (continued)

##### Pensions

The group operates a defined benefit pension scheme that requires contributions to be made to a separately administered fund. The accounting for the pension scheme is in accordance with Financial Reporting Standard 17 ('FRS 17').

The pension cost is determined by an independent qualified actuary on the basis of a triennial valuation using the projected unit method using assumptions agreed between the Trustees and the company. Actuarial gains and losses are recognised in full on the Balance Sheet. Actuarial gains and losses are also recognised through the Statement of Total Recognised Gains and Losses as incurred. Payments to the defined contributions scheme are charged against profits as incurred.

The most recent full actuarial valuation was at 31 October 2012, the company currently pays contributions of 14.5% and additional contributions of £232,300 per month during the year. These payments ceased as at 28 March 2013 as the scheme was fully funded by the introduction of the asset backed funding arrangement removing the deficit.

## 2 Turnover

An analysis of turnover by class of business is given below:

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
Aeronautical income	47,181	47,593
Concessions, property income and recharges	60,323	56,444
	<u>107,504</u>	<u>104,037</u>

## 3 Operating profit

Operating profit is stated after charging:

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
Auditors' remuneration (note 4)	90	85
Depreciation of owned assets	22,789	22,818
Capital grant releases	(179)	(176)
Operating leases - plant and machinery	94	84
Operating leases - other assets	450	450
Profit on sale of tangible fixed assets	<u>(1)</u>	<u>(14)</u>

**Birmingham Airport Holdings Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****4 Auditors' remuneration**

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Audit of the financial statements	81	78
<b>Other fees to auditors</b>		
Other services	9	7
	<u>90</u>	<u>85</u>

**5 Exceptional items**

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Reorganisation or restructuring	161	683
Exceptional administrative expenses	378	-
	<u>539</u>	<u>683</u>

During the year restructuring costs (being mostly severance pay and related costs) of £0.161 million (2012: £0.683 million) were incurred. Other exceptional costs relate to the set up costs associated with the asset backed pension funding arrangement (2012:£nil).

**6 Particulars of employees**

Staff costs for the group during the year

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Wages and salaries	17,351	16,725
Social security costs	1,754	1,685
Staff pensions	1,959	1,472
	<u>21,064</u>	<u>19,882</u>

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

	<b>2013</b> <b>Number</b>	<b>2012</b> <b>Number</b>
Engineering	54	62
Operations and security	329	325
Support services	104	101
Terminal services	48	49
	<u>535</u>	<u>537</u>

**Birmingham Airport Holdings Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

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**7 Directors' emoluments**

The directors' emoluments for the year was as follows:

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
Directors emoluments (excluding pension contributions)	<u>425</u>	<u>448</u>

In respect of the highest paid director:

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
Salary	210	210
Benefits in kind	23	22
Bonus	95	100
Long-term incentive plan	57	76
Total emoluments	<u>385</u>	<u>408</u>
Company contributions to money purchase pension schemes	<u>42</u>	<u>25</u>

**8 Interest payable and similar charges**

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
Bank loans and overdrafts	304	309
Preference share dividends	971	971
Corporate bond	6,663	6,662
Other interest payable	833	808
Capitalised Interest	<u>(253)</u>	<u>(367)</u>
Group interest payable and similar charges	<u>8,518</u>	<u>8,383</u>

**Birmingham Airport Holdings Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

**9 Taxation**

**Tax on profit on ordinary activities**

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current tax</b>		
Corporation tax charge	7,460	8,148
Adjustments in respect of previous years	(760)	(722)
UK Corporation tax	<u>6,700</u>	<u>7,426</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,030)	(711)
Deferred tax adjustment relating to previous years	9	292
Effect of changes in tax rates	(32)	(390)
Group deferred tax	<u>(1,053)</u>	<u>(809)</u>
Total tax on profit on ordinary activities	<u><u>5,647</u></u>	<u><u>6,617</u></u>

**Tax on recognised gains and losses not included in the profit and loss account**

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
STRGL Current Tax	2,016	918
P&L reserve - Deferred tax on actuarial (loss)/gain recognised in pension	-	1,428
STRGL - change in tax rate	(76)	(394)
	<u>1,940</u>	<u>1,952</u>

**Deferred tax credited to provisions for liabilities and charges (Note 20)**

Origination and reversal of timing differences	(1,030)	(711)
Deferred tax adjustment relating to previous years	9	292
Effect of changes in tax rates	(85)	(661)
	<u>(1,106)</u>	<u>(1,080)</u>

**Deferred tax credited to pension liability (Note 25)**

Deferred tax charged to statement of total recognised gains and losses	-	(1,428)
Deferred tax - change in rate	129	665
	<u>129</u>	<u>(763)</u>

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)

#### Taxation (continued)

##### Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is higher than (2012 - higher than) the standard rate of corporation tax in the UK of 24% (2012 - 26%).

The differences are reconciled below:

	2013 £ 000	2012 £ 000
Profit on ordinary activities before taxation	<u>16,496</u>	<u>14,590</u>
Corporation tax at standard rate	3,959	3,793
Depreciation in excess of capital allowances	1,394	729
Movement on pension liability	(322)	-
Short term timing differences	(42)	(18)
Disallowed expenses	2,471	3,644
Adjustments in respect of prior years	<u>(760)</u>	<u>(722)</u>
Total current tax	<u>6,700</u>	<u>7,426</u>

##### Factors that may affect future tax charges

In his recent budgets the Chancellor of the Exchequer proposed a decrease in the rate of UK corporation tax from 26% to 20% falling by 2% in 2012/13, a further 1% in 2013/14, 2% in 2014/15 and 1% in 2015/16. The 1% reduction to 23% for 2013 was enacted on 3 July 2012 and in accordance with accounting standards, has been reflected in the company's financial statements. The reductions for 2014 and 2015 were substantively enacted on 2 July 2013 and will be reflected in the 2014 financial statements.

The effect of these tax rate reductions would be to decrease the net deferred tax liability by £133,000.

#### 10 Dividends

	2013 £ 000	2012 £ 000
<b>Dividends paid</b>		
Prior year final dividend paid at 1.648p per share (2012: 1.9281p)	5,254	6,150
Current year interim dividend paid at 1.397p per share (2012:1.161p)	<u>4,456</u>	<u>3,704</u>
	<u>9,710</u>	<u>9,854</u>

A dividend of 2.299p per share will be proposed at the Annual General Meeting to be paid in July 2013 (2012: 1.648p). This will amount to:-

Recommended final dividend proposed for approval by shareholders	<u>7,449</u>	<u>5,339</u>
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The ESOP Trust waived its right to the payment of a dividend on the 4,957,539 ordinary shares that it owns.

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2013 *(continued)*

#### 11 Tangible fixed assets

	Freehold land and buildings £ 000	leasehold land and buildings £ 000	Infrastructure £ 000	Plant and machinery £ 000	Assets in the course of construction £ 000	Total £ 000
<b>Cost or valuation</b>						
At 1 April 2012	315,166	200	88,638	129,673	9,098	542,775
Additions	-	-	-	-	19,024	19,024
Capitalised interest	-	-	-	-	253	253
Transfers	2,190	-	476	3,290	(5,956)	-
Disposals	-	-	-	(24)	-	(24)
At 31 March 2013	<u>317,356</u>	<u>200</u>	<u>89,114</u>	<u>132,939</u>	<u>22,419</u>	<u>562,028</u>
<b>Depreciation</b>						
At 1 April 2012	10,190	-	5,471	95,569	-	111,230
Charge for the year	10,301	-	5,482	7,006	-	22,789
Disposals	-	-	-	(24)	-	(24)
At 31 March 2013	<u>20,491</u>	<u>-</u>	<u>10,953</u>	<u>102,551</u>	<u>-</u>	<u>133,995</u>
<b>Net book value</b>						
At 31 March 2013	<u>296,865</u>	<u>200</u>	<u>78,161</u>	<u>30,388</u>	<u>22,419</u>	<u>428,033</u>
At 31 March 2012	<u>304,976</u>	<u>200</u>	<u>83,167</u>	<u>34,104</u>	<u>9,098</u>	<u>431,545</u>

#### Group

The group's land, buildings and infrastructure (excluding the investment properties held by First Castle Developments Limited, a subsidiary company) were revalued as at 31 March 2011 by DTZ Debenham Tie Leung Limited, Chartered Surveyors. The valuations were undertaken in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors and with Financial Reporting Standard 15 (Tangible Fixed Assets) issued by the Accounting Standards Board. Due to the specialist nature of the airport's assets, the depreciated replacement cost methodology was used for operational assets, and the existing use methodology was used for other assets and land. These revaluations were incorporated into the financial statements and the resulting revaluation surplus of £18.231 million was taken to the revaluation reserve. The valuation was reviewed internally during the year and the directors are of the opinion the carrying values brought forward are still appropriate.

Investment properties held by First Castle Developments Limited have been revalued at their open market value in accordance with the appraisal and valuation manual of the Royal Institute of Chartered Surveyors on 31 March 2009 by Phoenix Beard Limited. The valuation has been incorporated into the accounts and identified impairments of £6,076 and revaluation gains of £481,576.

Included in land and buildings is land at a value of £54.381 million (2012: £54.381 million) and investment properties at a value of £5.353 million (2012: £5.353 million) which are not depreciated.

Interest capitalised in the year amounted to £0.253 million (2012: £0.367 million) at a capitalisation rate of 6.5% (2012: 6.5%). The cumulative amount of £11.180 million (2012: £10.927 million) is included within the cost of fixed assets.



## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)

#### Tangible fixed assets (continued)

On the historical cost basis, tangible fixed assets would have been included as follows:

	Freehold Land and Buildings £ 000	Leasehold Land and Buildings £ 000	Infrastructure £ 000	Plant and Equipment £ 000	Assets in the course of construction £ 000	Total £ 000
<b>At 31 March 2013</b>						
Cost	286,825	202	139,184	132,939	22,419	581,569
Accumulated depreciation	(89,440)	-	(76,878)	(102,551)	-	(268,869)
<b>Net Book Value</b>	<b>197,385</b>	<b>202</b>	<b>62,306</b>	<b>30,388</b>	<b>22,419</b>	<b>312,700</b>
<b>At 31 March 2012</b>						
Cost	284,636	202	138,708	129,676	9,098	562,320
Accumulated depreciation	(82,298)	-	(72,608)	(95,570)	-	(250,476)
<b>Net Book Value</b>	<b>202,338</b>	<b>202</b>	<b>66,100</b>	<b>34,106</b>	<b>9,098</b>	<b>311,844</b>

## 12 Investments

#### Details of subsidiary undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
<b>Subsidiary undertakings</b>			
Birmingham Airport Limited	Ordinary Shares	100%	Airport terminal management & operation
Euro-Hub (Birmingham) Limited	Ordinary & Preference Shares	100%	Non trading
Birmingham Airport (Finance) PLC	Ordinary Shares	100%	Financing
First Castle Developments Limited	Ordinary Shares	100%	Property holding company
Birmingham Airport Developments Limited	Ordinary Shares	100%	Site development
BHX Fire and Rescue Limited	Ordinary Shares	100%	Airport rescue and fire fighting services
Birmingham Airport Air Traffic Limited *	Ordinary Shares	100%	Provision of air traffic services
Birmingham Airport Services Limited *	Ordinary Shares	100%	Provision of services at Birmingham Airport
BHX (Scotland) Limited	Ordinary Shares	100%	Property holding and investment
BHX Limited Partnership	Capital Contribution	100%	Property holding and investment

\* *dormant company*

Birmingham Airport Limited, Eurohub (Birmingham) Limited and Birmingham Airport (Finance) Limited are direct subsidiaries of Birmingham Airport Holdings 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, BHX (Scotland) Limited and BHX Limited Partnership.

**Birmingham Airport Holdings Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

**Investments (continued)**

**Company**

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Shares in group undertakings and participating interests	143,745	143,745
Loans to group undertakings and participating interests	146,872	134,741
	<u>290,617</u>	<u>278,486</u>

**Shares in group undertakings and participating interests**

	<b>Subsidiary undertakings £ 000</b>
<b>Cost</b>	
At 1 April 2012	<u>143,745</u>
At 31 March 2013	<u>143,745</u>
<b>Net book value</b>	
At 31 March 2013	<u>143,745</u>
At 31 March 2012	<u>143,745</u>

**Loans to group undertakings and participating interests**

	<b>£ 000</b>
At 1 April 2012	134,741
Additions	<u>12,131</u>
<b>At 31 March 2013</b>	<u><b>146,872</b></u>

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The inter-company loans are unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. However in practice this balance represents long term advances and is unlikely to be repaid within one year.

**13 Stocks and development land**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Stocks	416	483	-	-
Development land	700	700	-	-
	<u>1,116</u>	<u>1,183</u>	<u>-</u>	<u>-</u>

**Birmingham Airport Holdings Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

**14 Debtors**

	Group		Company	
	2013 £ 000	2012 £ 000	2013 £ 000	2012 £ 000
Trade debtors	8,140	7,994	-	-
Other debtors	724	189	-	-
Prepayments and accrued income	7,920	5,065	201	332
	<u>16,784</u>	<u>13,248</u>	<u>201</u>	<u>332</u>

Other debtors includes £0.639 million (2012 - £nil) receivable after more than one year and relates to a development loan for an on site construction project. The loan is repayable by November 2017, with the option to extend to 2029. The parent company debtors includes £nil (2012 - £nil) receivable after more than one year.

**15 Creditors: Amounts falling due within one year**

	Group		Company	
	2013 £ 000	2012 £ 000	2013 £ 000	2012 £ 000
Trade creditors	1,225	2,566	-	-
Corporation tax	2,938	4,535	536	489
Other taxes and social security	573	1,202	-	-
Deferred income	6,841	6,587	-	-
Capital grants	179	179	-	-
Accruals	26,718	20,572	1,392	1,388
	<u>38,474</u>	<u>35,641</u>	<u>1,928</u>	<u>1,877</u>

**16 Creditors: Amounts falling due after more than one year**

	Group		Company	
	2013 £ 000	2012 £ 000	2013 £ 000	2012 £ 000
Preference shares	15,384	15,384	15,384	15,384
Amounts owed to subsidiary undertakings	-	-	133,632	134,789
Other loans	104,213	104,113	-	-
Net premium arising on lease and leaseback	4,732	4,732	-	-
Deferred income	3,858	4,518	-	-
Capital grants	4,932	5,111	-	-
	<u>133,119</u>	<u>133,858</u>	<u>149,016</u>	<u>150,173</u>

The inter-company loan is unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. However in practice this balance represents a long term advance and is unlikely to be repaid within one year.

**Birmingham Airport Holdings Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****17 Loans**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Loans falling due in one year or less	-	-	-	-
Loans falling due in two to five years	-	-	<b>133,632</b>	134,789
Loans falling due in over five years	<b>105,000</b>	105,000	-	-
	<b>105,000</b>	105,000	<b>133,632</b>	134,789
less un-amortised issue costs and discounts	<b>(787)</b>	(887)	-	-
	<b>104,213</b>	104,113	<b>133,632</b>	134,789

**Loans not wholly repayable within 5 years**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Bonds repayable on 22 February 2021	<b>105,000</b>	105,000	-	-
Less un-amortised issue costs and discount	<b>(787)</b>	(887)	-	-
	<b>104,213</b>	104,113	-	-

The corporate bonds will mature unless previously redeemed or purchased or cancelled on 22 February 2021. Interest on the bonds is payable on 22 February at a fixed rate of 6.25 per cent in the par value. The bonds are listed on the London Stock Exchange. The bonds were issued at a discount of 1.102 per cent, which, if amortised into the cashflow, gives an interest rate of 6.349 per cent.

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)

#### 18 Derivatives and other financial instruments

The group's principal financial instruments comprise bonds, bank loans and cash. The main purpose of these financial instruments is to raise and provide finance for the group's operations. The group does not enter into any form of derivative financial instruments. As permitted by FRS 13 'Derivatives and other financial instruments', the following financial information excludes all of the group's short term debtors and creditors.

##### Funding

The group's funding is provided by its £105 million bond issue, £45 million 'club' loan facility, £1 million overdraft facility and £28.4 million cash reserves.

##### Interest rate risk

The group's borrowings are a combination of fixed and floating rate liabilities. The bond is at a fixed interest rate of 6.25 per cent equating to a rate of 6.349 per cent if the launch discount of 1.102 per cent is amortised back into the cashflow. The bank 'club' facility is based upon LIBOR (fixed at each draw-down) and a defined mark up.

##### Currency Exposure

The group has no overseas investments and all invoicing is carried out in sterling. Currency exposure relates to ongoing operating costs when materials and services are sourced from overseas. These are not considered to be a significant part of the group's business. Future capital projects may include some element of currency exposure in which case consideration will be given to hedging the exposure.

##### Borrowing facilities

The group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2013	2012
	£ 000	£ 000
Expiring in one year or less	-	-
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years	45,000	45,000
	<u>45,000</u>	<u>45,000</u>

##### Preference shares

The company has in issue £15,383,600 of cumulative redeemable preference shares with a fixed coupon rate of 6.31% and no voting rights

##### Interest rate risk and profile of financial assets

The interest rate profile of the financial assets of the group as at 31 March was as follows:

	Floating Rate	No interest is earned	Total
	£ 000	£ 000	£ 000
2013 Sterling	30,969	(2,558)	28,411
2012 Sterling	29,463	(1,186)	28,277

Floating rate financial assets comprise surplus cash balances deposited on the overnight and short term money markets. The interest rate is based upon prevailing market rates and is set upon deposit. The financial assets on which no interest is earned comprise surplus cash balances and uncleared transactions.

**Birmingham Airport Holdings Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

**Derivatives and other financial instruments (continued)**

**Interest rate risk and profile of financial liabilities**

	Financial Liabilities			Total £ 000	Fixed rate liabilities	Fixed period Years
	Fixed rate £ 000	Floating rate £ 000	No rate £ 000		Weighted average	
					Interest rate %	
2013 Sterling	125,116	-	2,025	127,141	6.52%	9
2012 Sterling	125,116	-	2,593	127,709	6.52%	10

The above financial liabilities do not include a deduction for the un-amortised issue costs and discount of £0.787 million (2012: £0.887 million).

**Maturity profile of the group's financial liabilities**

	2013 £ 000	2012 £ 000
In one year or less, or on demand	2,025	-
In more than one year but not more than two years	-	2,593
In more than two years but not more than five years	-	-
In more than five years	125,116	125,116
	<b>127,141</b>	<b>127,709</b>

**Fair value of financial assets and financial liabilities**

Set out below is a comparison of book value and fair value of all the group's financial assets and financial liabilities as at 31 March 2013.

	Book Value 2013 £ 000	Fair Value 2013 £ 000	Book Value 2012 £ 000	Fair Value 2012 £ 000
Cash (including short term deposits)	28,411	28,411	28,277	28,277
Bonds	(104,213)	(117,655)	(104,113)	(115,556)
Preference shares	(15,384)	(17,030)	(15,384)	(15,657)
Development provisions	(2,025)	(2,025)	(2,593)	(2,593)
Pension scheme liability	(29,460)	(29,460)	(25,282)	(25,282)

Market value has been used to determine the fair value of the bonds and discounted cashflows for the fair value of the preference shares. A fair value for the lease and leaseback liability cannot be determined due to the nature of the transaction (note 28) and its predominantly non financial nature. Trade creditors, accruals and deferred income, as disclosed in note 15, are excluded from the analysis above.

**Birmingham Airport Holdings Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

**19 Obligations under lease contracts (Group)**

	Land and Buildings		Other	
	2013 £ 000	2012 £ 000	2013 £ 000	2012 £ 000
Annual commitments under leases which expire:				
- Within one year	-	-	15	10
- In the second to fifth year inclusive	450	450	42	94
- After five years	-	-	-	-
	<u>450</u>	<u>450</u>	<u>57</u>	<u>104</u>

**20 Provisions**

**Group**

	Deferred tax £ 000	Other provision £ 000	Total £ 000
At 1 April 2012	<u>7,938</u>	<u>2,593</u>	<u>10,531</u>
Credited to the profit and loss account	(161)	(431)	(592)
Utilised during the year	<u>-</u>	<u>(137)</u>	<u>(137)</u>
	<u>(161)</u>	<u>(568)</u>	<u>(729)</u>
At 31 March 2013	<u>7,777</u>	<u>2,025</u>	<u>9,802</u>

**Development Related Provisions**

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 provisions for payments under the Land Compensation Act 1973. Provisions are made in line with foreseen liabilities. An element of the development related provision relates to potential claims which, by their nature are uncertain, arising under the Land Compensation Act as a result of certain developments being undertaken at the Airport. The timing for the transfer of the related economic benefits are not expected to be significant within the next 12 months. With regards to the Noise insulation scheme, the future liability for the next twelve months is estimated at £200,000 (2012: £200,000)

**Analysis of deferred tax**

	2013 £ 000	2012 £ 000
Capital allowances in advance of depreciation	6,454	8,086
Other timing differences	<u>1,323</u>	<u>(148)</u>
	<u>7,777</u>	<u>7,938</u>

Deferred tax has not been provided on the revaluation surplus as there is no present intention to dispose of any of the revalued fixed assets. The above does not include deferred tax assets disclosed in Note 25.

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)

#### 21 Share capital

##### Allotted, called up and fully paid shares

			2013		2012	
			Number	£ 000	Number	£ 000
A Ordinary shares of	£0.01	each	315,082,900	3,151	315,082,900	3,151
B Ordinary shares of	£0.01	each	8,909,700	89	8,909,700	89
1 special (non participating) voting share of	£1.00	each	1	-	1	-
			<u>323,992,601</u>	<u>3,240</u>	<u>323,992,601</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 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.

#### 22 Reserves

##### Group

	Share premium account £ 000	Revaluation reserve £ 000	Merger reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2012	43,644	119,864	25,588	76,605	265,701
Profit for the financial year	-	-	-	10,849	10,849
Dividends	-	-	-	(9,710)	(9,710)
Transfer of realised profits	-	(4,371)	-	4,371	-
Actuarial loss on pension schemes	-	-	-	(8,402)	(8,402)
Movement on current tax on pension scheme	-	-	-	2,016	2,016
Pension deferred tax change in tax rate	-	-	-	(76)	(76)
Net sale of own shares from share trust	-	-	-	(129)	(129)
At 31 March 2013	<u>43,644</u>	<u>115,493</u>	<u>25,588</u>	<u>75,524</u>	<u>260,249</u>



## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)

#### Reserves (continued)

##### Company

	Share premium account £ 000	Merger reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2012	43,644	51,380	38,692	133,716
Profit for the year	-	-	12,766	12,766
Dividends	-	-	(9,710)	(9,710)
Net sale of own shares from share trust	-	-	(129)	(129)
At 31 March 2013	<u>43,644</u>	<u>51,380</u>	<u>41,619</u>	<u>136,643</u>

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 and they were financed by the ESOP Trust by way of a loan from the group's syndicated facility. The loan is guaranteed by Birmingham Airport Holdings Limited and its subsidiary companies.

The shares and funding liabilities of the Trust are recognised on the company's balance sheet because the company is deemed to have de facto control until such time as the shares held by the Trust vest unconditionally with the employees. A scheme has been agreed with the Inland Revenue 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.

#### ESOP Shares

	Own Shares Number	Own Shares £ 000
Investment at 1 April 2012	4,875,486	2,716
Shares vested in employees	(260,821)	(145)
Shares purchased from employees	342,874	274
<b>Investment at 31 March 2013</b>	<b><u>4,957,539</u></b>	<b><u>2,845</u></b>

**Birmingham Airport Holdings Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

**23 Reconciliation of operating profit to net cash flow from operating activities**

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Operating profit	24,173	22,490
Depreciation, amortisation and impairment charges	22,789	22,818
Profit on disposal of fixed assets	(1)	(14)
Amortisation of deferred income and grants	(179)	(176)
Difference between defined benefit pension charge and cash contributions	(3,035)	(3,485)
Decrease/(increase) in stocks	67	(38)
Increase in debtors	(959)	(182)
Increase in creditors	1,714	4,180
Decrease in provisions	(525)	(1,407)
Net cash inflow from operating activities	<u>44,044</u>	<u>44,186</u>

**24 Reconciliation of net cash flow to movement in net debt**

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
(Decrease)/increase in cash	(5,273)	7,028
Movement in short term deposits	5,407	75
Lease and leaseback premium	557	682
Change in net debt resulting from cash flows	691	7,785
Lease and leaseback - accrued interest	(557)	(682)
Movement in corporate bond - non cash	(100)	(100)
Movement in net debt	34	7,003
Net debt at 1 April	<u>(95,952)</u>	<u>(102,955)</u>
Net debt at 31 March	<u>(95,918)</u>	<u>(95,952)</u>

	<b>1 April</b> <b>2012</b> <b>£ 000</b>	<b>Cash flow</b> <b>£ 000</b>	<b>Non - cash</b> <b>movements</b> <b>£ 000</b>	<b>31 March</b> <b>2013</b> <b>£ 000</b>
Cash at bank and in hand	8,097	(5,273)	-	2,824
Short term deposits	20,180	5,407	-	25,587
Lease and leaseback premium	(4,732)	557	(557)	(4,732)
Corporate bond	(104,113)	-	(100)	(104,213)
Preference shares	(15,384)	-	-	(15,384)
	<u>(95,952)</u>	<u>691</u>	<u>(657)</u>	<u>(95,918)</u>

Short term deposits are included within cash at bank and in hand in the balance sheet. The amounts included for finance leases are net of prepayments.

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2013 (*continued*)

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#### 25 Pension schemes

##### **Birmingham Airport Limited pension scheme**

A subsidiary undertaking of the group operates a defined benefit arrangement called the Birmingham Airport Limited Pension Scheme (the scheme). The scheme provides benefits on a defined benefits 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. During the year the group paid contributions of £232,200 per month in connection with the funding deficit from the 31 October 2009 actuarial valuation. Members pay 5.5 per cent of pensionable earnings, and the group pays contributions so that overall contributions of 20 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 and consolidated 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. This 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 balance sheet date are as follows:

	2013 %	2012 %
Discount rate	4.40	4.90
Future salary increases	3.60	3.75
Future pension increases	3.35	3.25
Inflation (CPI)	2.35	2.50
Expected return on scheme assets - equity	7.50	8.00
Expected return on scheme assets - cash	0.50	0.50
Expected return on scheme assets - corporate bonds	4.30	5.00
Expected return on scheme assets - target return funds	<u>7.50</u>	<u>8.00</u>

Following recent government announcements, within the scheme there are different categories of members to which either CPI or RPI applies. The RPI inflation figure at 31 March 2013 was 3.35% (2012: 3.25%).

	2013	2012
	Based on	Based on
	S1PA tables	S1PA tables
	with CMI	with medium
	projections and	cohort
	long term rates	adjustments
	of improvement	and minimum
	of 1.5% pa	rates of
		improvement of
		1% pa

**Birmingham Airport Holdings Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****Pension scheme (continued)****Reconciliation of scheme assets and liabilities to assets and liabilities recognised**

The amounts recognised in the balance sheet are as follows:

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
Fair value of scheme assets	104,017	91,207
Present value of scheme liabilities	(142,276)	(124,472)
Defined benefit pension scheme deficit	(38,259)	(33,265)
Related deferred tax asset	8,799	7,983
Net liability in the balance sheet	<u>(29,460)</u>	<u>(25,282)</u>

**Scheme assets**

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

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
Fair value at start of year	91,207	85,932
Expected return on assets	6,432	6,272
Actuarial gains and losses	4,996	(3,109)
Employer contributions	4,589	4,845
Contributions by scheme participants	288	331
Benefits paid	(3,495)	(3,064)
Fair value at end of year	<u>104,017</u>	<u>91,207</u>

**Analysis of assets**

The major categories of scheme assets are as follows:

	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>
Equity instruments	40,908	34,899
Debt instruments	33,868	28,858
Cash	741	967
Other assets	28,500	26,483
	<u>104,017</u>	<u>91,207</u>

The assets do not include any investment in the shares of the company. The assets do not include any provisions that may be in the company accounts for unfunded benefits.

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity and property returns are developed based on the selection of an appropriate risk premium above the rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the scheme's holdings of these instruments.

The actual return on scheme assets in the year was a £11.428 million (2012: £3.163 million)

**Birmingham Airport Holdings Limited****Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)****Pension scheme (continued)****Scheme liabilities**

Changes in the present value of scheme liabilities are as follows:

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Present value at start of year	124,472	113,703
Current service cost	1,545	1,144
Actuarial gains and losses	13,398	5,917
Interest cost	6,059	6,221
Benefits paid	(3,495)	(3,064)
Contributions by scheme participants	288	331
Liabilities extinguished on settlements	9	220
Present value at end of year	<u>142,276</u>	<u>124,472</u>

**Amounts recognised in the profit and loss account**

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
<b>Amounts recognised in operating profit</b>		
Current service cost	(1,545)	(1,144)
(Gains)/losses on curtailments and settlements	(9)	(220)
Recognised in arriving at operating profit	<u>(1,554)</u>	<u>(1,364)</u>
<b>Amounts recognised in other finance income</b>		
Interest cost	(6,059)	(6,221)
Expected return on scheme assets	6,432	6,272
Recognised in other finance income/(cost)	<u>373</u>	<u>51</u>
Total recognised in the profit and loss account	<u>(1,181)</u>	<u>(1,313)</u>

**Amounts recognised in the statement of total recognised gains and losses**

	<b>2013</b> <b>£ 000</b>	<b>2012</b> <b>£ 000</b>
Actual return less expected return on scheme assets	4,996	(3,109)
Changes in assumptions	(17,470)	(5,917)
Experience adjustments arising on scheme liabilities	4,072	-
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	<u>(8,402)</u>	<u>(9,026)</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and (losses) since 1 January 2002 is (£51,831,000) (2012 - (£43,429,000)).

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)

#### Pension Scheme (continued)

##### History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous 4 periods are as follows:

	2013 £ 000	2012 £ 000	2011 £ 000	2010 £ 000	2009 £ 000
Fair value of scheme assets	104,017	91,207	85,932	78,300	56,809
Present value of scheme liabilities	(142,276)	(124,472)	(113,703)	(107,129)	(83,196)
Deficit in scheme	<u>(38,259)</u>	<u>(33,265)</u>	<u>(27,771)</u>	<u>(28,829)</u>	<u>(26,387)</u>
Experience adjustments:					
	2013 £ 000	2012 £ 000	2011 £ 000	2010 £ 000	2009 £ 000
Experience adjustments arising on scheme assets	<u>4,996</u>	<u>(3,109)</u>	<u>(500)</u>	<u>14,147</u>	<u>(17,972)</u>
Experience adjustments arising on scheme liabilities	<u>4,072</u>	<u>-</u>	<u>-</u>	<u>(606)</u>	<u>-</u>

#### 26 Contingent liabilities

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 annum.

On 25 June 2010 the company along with other members of the group provided guarantees to Santander UK plc and The Royal Bank of Scotland plc in support of a £45 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of 5 years, with an expiry date of 25 June 2015. At the date of signing these accounts, the total amount outstanding under the facility was £nil.

#### 27 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £28,887,000 (2012 - £2,188,000).

## **Birmingham Airport Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2013 (continued)**

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#### **28 Related party transactions**

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

In accordance with section 479C of the Companies Act 2006, Birmingham Airport Holdings Limited has provided guarantees for the year ended 31 March 2013, to enable BHX Fire and Rescue Limited, Birmingham Airport Developments Limited, First Castle Developments Limited and Eurohub (Birmingham) Limited to take advantage of the audit exemption in section 479A of the Companies Act 2006.

With regards to other related parties, all the existing shareholders except the ESOP Trust have rights to appoint directors and have done so. They have therefore been considered as related parties under FRS8 and any transactions between them and the Birmingham Airport Holdings Limited group during the year ended 31 March 2013 are disclosed below.

#### **West Midland District Councils**

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 £5.805 million (2012: £5.875 million).

In 1995 Birmingham Airport Limited entered into arms-length lease arrangements with Solihull Metropolitan Borough Council on behalf of the West Midlands District Councils, 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 £96.500 million.

In accordance with SSAP 21 "Accounting for leases and hire purchase contracts", the net premium arising as adjusted for associated stamp duty and legal costs has been treated as a finance lease in the accounts of the Group and is disclosed at Note 16.

Under the lease arrangement, the Company pays a basic rent of £600,000 p.a. 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 paid in 2013 was £706,849 (2012: £682,485). The amount at the end of the year was £4.732 million (2012: £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 £200,000 was paid with a peppercorn rent for the remaining lease term along with costs of £2,000. In accordance with SSAP21 "Accounting for leases and hire purchase contracts", the lease payments have been treated as a finance lease in the accounts of the Group. The amount due at the end of the year was £nil.

#### **Solihull Metropolitan Borough Council**

Solihull Metropolitan Borough Council provided a grant during 2002/03 of £5.237 million from the West Midlands Local Transport Plan fund towards the cost of building a Multi Modal Interchange. The building has been capitalised in the Company's accounts and the grant will be released to income on a straight line basis over the life of the asset. At the 31 March 2013, £4.181 million was held within deferred income (2012: £4.286 million).

Solihull Metropolitan Borough Council is the local authority for the airport and transacts with the Company 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 to cover the cost of the realignment of the improved A45 corridor. This transaction is carried out on an arms length basis at a full commercial rate.