

Birmingham Airport Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2015

Birmingham Airport Holdings Limited

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Birmingham Airport Holdings Limited

Company Information

Chairman	J L Hudson
Chief executive	P Kehoe
Directors	T Ali H Banger H Bills M A Bird Sir A Bore P Dransfield J D McNicholas M Morsillo R Piper G E Richards D M Stanton C Thomazi P Tilsley M Toms
Company secretary	S L C Richards
Registered office	Diamond House Birmingham Airport Birmingham West Midlands B26 3QJ
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

Review of the business and future outlook

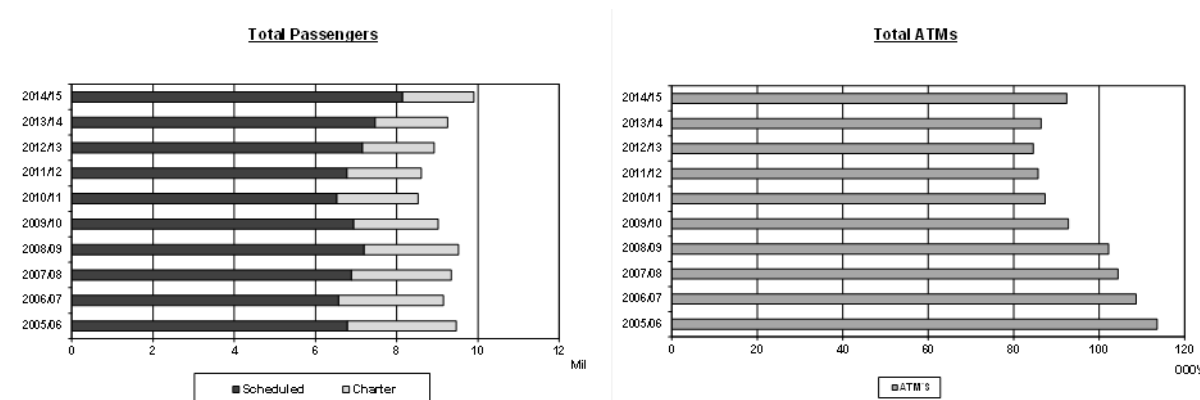
Market Position and Business Environment

During the year ended March 2015, Birmingham Airport reported its busiest ever year with 9.9 million passengers passing through the terminals. It was also the fourth consecutive year of passenger growth and was 4.0% higher than the previous busiest year of 2008/09. Passengers handled were 7.0% ahead of the previous year, outperforming UK GDP growth of 0.6% and the average UK aviation industry growth of 5.3%.

Birmingham Airport recorded the busiest month in its 75 year history in August 2014, seeing 1,104,831 passengers through the terminals, with 10 record passenger months being achieved during the financial year. The passenger records have been achieved as a result of airlines introducing new routes, including Icelandair to Reykjavik, Norwegian Air Shuttle to Madrid (the first of 3 Spanish routes) and Thomson Airways 787 Dreamliner flight to Montego Bay, Jamaica, along with more people realising the ease of travelling to and through Birmingham Airport. In July 2014, Birmingham was the first UK airport outside of London to operate a direct flight to China, with the China Southern Airlines flight being the first requiring the full length of the extended runway.

Birmingham Airport processed 9,900,075 passengers in the year, an increase of 7.0%, made up of:

- Scheduled +9.0%
- Charter -1.1%



Birmingham Airport further enhanced its extensive route network, with a number of new routes and increased frequencies on existing routes. Low Cost traffic saw double digit year-on-year growth with a number of new services and increased frequencies announced by Flybe (including Florence, Cologne, Toulouse, Porto, Hamburg and Oslo) and Ryanair (Gdansk and Kaunas and increased frequencies to Belfast and Dublin). There was also growth in the Long Haul sector with Air India increasing frequency to daily flights to Amritsar, additional weekly movements by Turkmenistan and higher passenger loads by Emirates.

Dublin remained the most popular destination, marginally ahead of Dubai and Amsterdam.

During the year, Marshall Aviation announced its first fixed based operation at Birmingham Airport, operating from the Elmdon site and providing a comprehensive offering of business aviation services, with further growth in general aviation through the addition of a Boeing 737 to the Cello Aviation fleet.

The coming year looks equally exciting as the airport continues to expand its route network providing more choice than ever from Birmingham in 2015 and striving to serve the region and attract passengers within its catchment area. Inaugural flights to Barcelona with Vueling and New York John F. Kennedy Airport with American Airlines, commenced during May and provided a successful start to the new year. Commencement of the 2015 summer season has seen further expansion of the Flybe network to include additional routes to Bastia, Biarritz and Deauville, and two new routes for Norwegian to Malaga and Barcelona. The summer season will see the commencement of a third daily Emirates service to Dubai, and we expect Dubai to overtake Dublin as the busiest route, and will also see the return of direct flights to China, with 17 movements scheduled between Birmingham and Beijing with Hainan Airways. Norwegian have also announced new routes for the winter season to Gran Canaria and Tenerife and Turkish Airlines increased their frequency to 12 departures a week from April 2015 along with more capacity being offered by Aegean, Thomson and Thomas Cook.

Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2015 (continued)

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 of the airport, whilst mitigating the impact on local communities.

Financial performance

Income

	2015	2014	% change over 2014
	£m	£m	
Aeronautical Income	51.2	49.2	4.1%
Commercial Income	69.9	64.6	8.2%
Total Revenue	121.1	113.8	6.4%

The airport earns its income from two key revenue streams. Aeronautical income generated by charges to airlines, for use of the airport facilities by both aircraft and passengers, together with commercial income generated from commercial activities including catering, retail, car parking, property rental and recharges.

Aeronautical income grew by 4.1% in the year, 2.9% below passenger growth, reflecting the changing mix of traffic. This resulted in a decrease in the yield per passenger to £5.18 compared to £5.32 in the previous year.

Commercial income continued its strong performance in excess of passenger growth at 8.2%. During the year, the redevelopment of the departure lounge enhanced both the food offer and the retail offer, with the introduction of premium brand clothing, jewellery, sunglasses, pens and watches. Further developments continue into the new financial year with the introduction of additional food offers which will further improve the passenger experience and enhance commercial yield. Property rental income increased by 12.4%, reflecting the revenue from rental of the Monarch Hangar. The commercial yield has increased to £7.06 per passenger from £6.98.

Operating Costs

	2015	2014	% change over 2014
	£m	£m	
Employee Costs	23.3	23.0	1.3
Running Costs	44.0	42.6	3.3
Depreciation & other charges	23.2	20.3	14.3
Total Operating Costs	90.5	85.9	5.4

Total operating costs increased by 5.4% to £90.5m in the year. Employee costs increased by 1.3% (if the 2013/14 one off contribution to the Employee Share Ownership Plan in lieu of dividends is removed the increase would be 6.4%), primarily due to a full year of insourcing the airside and car park bussing operation, pay awards and higher incentives reflecting the improved profitability, partially offset by staff and management savings from an organisation restructure. Running costs were 3.3% higher, reflecting increased marketing and promotional activity during the year, supporting passenger growth, along with additional costs for rates. These increases were partially offset by lower energy costs following a companywide focus on energy efficiency. Depreciation and other costs increased by 14.3% reflecting the depreciation on the new runway extension, also the prior year cost was lower due to the release of a previously held £1.9m provision for land compensation act provision claims.

Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2015 (continued)

The group's operating profit, before exceptional items, increased to £30.6m (2014: £27.9m), as a result of the higher income, partially offset by the higher costs and the impact of the prior year land compensation provision release. Exceptional costs in the year increased to £4.0m (2014: £1.4m) as a result of an organisation restructure during the year together with £1.3m transition costs associated with bringing the Air Traffic Control facility under direct control of the Airport through Birmingham Airport Air Traffic Limited (operations commenced 1 April 2015). This resulted in an operating profit after exceptional items of £26.6m (2014: £26.5m). The net interest costs increased by £2.8m to £11.7m (2014: £8.9m), reflecting a full year of interest associated with the £75m private placement senior notes issued on 3 December 2013, together with a £0.7m reduction in capitalised interest, as the construction phase of the runway extension was completed.

The group's tax charge for the year of £5.7m includes a corporation tax charge of £4.9m (2014: £4.7m) and a deferred tax charge of £0.8m (2014: £1.6m). This equates to an effective tax rate of 35.1% (2014: 33.6%) and remains significantly 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 £8.6m for the year ended 31 March 2014 was paid (2014: £7.3m) and an interim dividend of £5.9m was paid for the year ended 31 March 2015 (2014: £6.1m). In the prior year there was also a special dividend payment of £68.8m. This resulted in a total dividend of £14.5m (2014: £82.2m, which included the special dividend). This resulted in a net reduction in reserves of £4.0m (2014: £69.7m reduction).

Capital expenditure reduced to £23.4m (2014: £28.4m). The main expenditure in the year related to the resurfacing of the existing runway and completion of the runway extension, a new transit passenger facility, additional security search smart lanes and investment in asset replacements. The sale of vehicles and plant assets generated £0.1m (2014: £0.4m).

During the year the group generated £54.0m cash flow from operating activities, a £15.5m increase on the previous year (2014: £38.5m). The cash outflow from servicing of finance increased by £2.6m, reflecting the full year of the private placement notes interest paid. The corporation tax outflow reduced by £1.1m reflecting the timing of tax payments to HMRC and a higher prior year refund. Following capital expenditure of £23.4m and dividend payments of £14.5m, there was a net cash inflow of £2.4m (2014: £83.2m outflow). Short term cash deposits increased to £20.8m (2014: £19.2m) and net debt reduced to £178.7m (2014: £180.2m). Looking forward the group has strong operating cash flows and a committed bank facility to meet its ongoing liabilities as they fall due.

Security

Overall the security operation performed well during the year, managing to maintain standards as passenger throughput increased 7.0% year on year and achieved 83.1% of passengers processed within 10 minutes and 98.5% processed within 20 minutes.

The threat level remained at Substantial and sustaining compliance remains a significant operational challenge. Compliance levels remain positive with the department hitting key targets and achieving compliance with increasing standards since Spring 2014.

During the year there was further investment in personal development with additional coaching focusing on customer service delivery moving towards 'Shaping Tomorrow'. Work has continued in the year to deliver enhancements to operational throughput and to deliver resource efficiencies.

Birmingham Airport Holdings Limited

Strategic Report for the Year Ended 31 March 2015 (continued)

Health and Safety

The Airport sees good health and safety performance as paramount to the continued success of the business. Safety is part of our DNA and the Airport is committed to providing a safe and secure work and operational environment for all who use the Airport. This commitment is delivered through sound management systems that include:-

- Providing adequate control of the health and safety risks arising out of or in connection with our work activities
- Consultation with our employees on matters affecting their health and safety
- Maintaining safe plant and equipment
- Ensure the safe handling and use of substances
- Ensure all employees are competent to do their tasks, and to give them adequate training
- Systems to minimise accidents and cases of work-related ill health
- Comply with all applicable legislative and industry requirements
- Continual monitoring and improvement of performance including the use of measurable objectives and targets that are reviewed annually
- Measure and report health and safety performance on a regular basis

Taking compliance with legislation as a starting point, the Executive & Senior Management Team will work to ensure the Airport Company continually improves its health and safety performance. This policy will be reviewed on an annual basis and when required this policy will be revised to facilitate continuous improvement in performance.

There were 183 passenger accidents during the year (2014: 194), a 5.7% decrease on the previous year which was a considerable improvement considering the 7.0% additional passenger throughput. Staff accidents increased by 15% to 91 (2014: 79), none of which were of a serious nature. Birmingham Airport continues to meet the BS OHSAS 18001 certification, the international standard for occupational health and safety management. We continue to proactively manage health and safety performance with the aim of continually reducing incidents and improving employees' wellbeing.

Airside Safety

The safe operation of the airfield infrastructure remains a core business priority. Throughout 2014/15 the Airport Company again demonstrated its commitment to the safety of the operation with significant investment in airfield infrastructure and assets including the resurfacing of the main runway to tie-in with the newly completed runway extension. As part of this project all of the runway lighting was upgraded to the very latest technology and a number of the runway turn-offs were widened to accommodate the very largest aircraft types. The project to bring the provision of air traffic control (ATC) under the direct control of the Airport Company was completed following approval from the UK regulator (Civil Aviation Authority). This will enable much closer working between the Airfield Teams and ATC along with better harmonisation of the safety management systems.

Another relatively mild winter was appreciated as it resulted in minimal impact to the runway works programme though the winter operations plan was, as ever, prepared and tested should it have been required. Bird strikes involving those species classified as 'high' and 'medium' risk showed another year on year reduction, the largest of the previous 7 years, and further improvements to the Aerodrome Safety Management System were implemented.

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). Birmingham is scheduled to transition to EASA regulations in August 2015.

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 £20m committed un-drawn loan facility and £20.8m 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 by the Board on 15 July 2015 and signed on its behalf by:

.....
J L Hudson
Chairman



Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2015

The directors present their report and the audited consolidated financial statements for the year ended 31 March 2015.

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

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

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, together with the £20 million committed un-drawn loan facility to offset the company's net current liabilities, hence they continue to adopt the going concern basis in preparing the financial statements.

Directors of the company

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

T Ali
H Banger (appointed 25 June 2014)
H Bills
M A Bird (resigned 23 October 2014)
Sir A Bore
D Calaca (resigned 24 December 2014)
D C Cooper (resigned 25 June 2014)
S P Coughlan (appointed 23 October 2014 and resigned 24 June 2015)
P Dransfield
J L Hudson - Chairman
M Jaspal (resigned 25 June 2014)
P Kehoe - Chief executive
J D McNicholas
M Morsillo
R Piper (appointed 25 June 2014)
G E Richards
D M Stanton
C Thomazi
P Tilsley
M Toms (resigned 24 December 2014)
M Toms (appointed 18 March 2015)

The following director was appointed after the year end:

M A Bird (appointed 24 June 2015)

Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2015 (*continued*)

Political donations

During the year the company made political donations of £31,500, which mainly represented sponsorship of events and included sponsorship of Liberal Democrat party events of £9,000, Labour party events of £10,000 and Conservative party events of £12,500.

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 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. 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 company.

Approved by the Board on 15 July 2015 and signed on its behalf by:

.....
J L Hudson
Chairman



.....
S L C Richards
Company secretary

Registration number: 03312673

Birmingham Airport Holdings Limited
Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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.

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.


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S L G Richards
Company Secretary
15 July 2015

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 2015 and of the group's profit and the group's 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

Birmingham Airport Holdings Limited's financial statements, comprise:

- the Consolidated Balance Sheet as at 31 March 2015;
- the Parent Company Balance Sheet as at 31 March 2015;
- the Consolidated Profit and Loss Account for the year then ended;
- the Statement of Group Total Recognised Gains and Losses for the year then ended;
- the Note of Group Historical Cost Profits and Losses for the year then ended;
- the Reconciliation of Movements in Group Shareholders' Funds for the year then ended;
- the Consolidated Cash Flow Statement 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 their preparation is applicable law and United Kingdom Accounting Standards (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.

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 Statement 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 & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

What an audit of financial statements involves

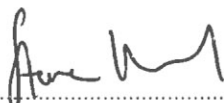
We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

- whether the accounting policies are appropriate to the group's and the 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 & Consolidated Financial Statements 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.



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

15 July 2015

Birmingham Airport Holdings Limited**Consolidated Profit and Loss Account for the Year Ended 31 March 2015**

	Note	2015 £ 000	2014 £ 000
Turnover	2	121,158	113,754
Net operating expenses		<u>(90,532)</u>	<u>(85,866)</u>
Group operating profit before operating exceptional items	3	30,626	27,888
Operating exceptional items	5	<u>(4,031)</u>	<u>(1,391)</u>
Group operating profit		26,595	26,497
Interest receivable and similar income	8	1,246	1,140
Interest payable and similar charges	9	<u>(11,677)</u>	<u>(8,863)</u>
Profit on ordinary activities before taxation		16,164	18,774
Tax on profit on ordinary activities	10	<u>(5,672)</u>	<u>(6,312)</u>
Profit for the financial year	23	<u><u>10,492</u></u>	<u><u>12,462</u></u>

Turnover and operating profit derive wholly from continuing operations.

Statement of Group Total Recognised Gains and Losses

	Note	2015 £ 000	2014 £ 000
Profit for the financial year		10,492	12,462
Asset revaluation		-	488
Actuarial (loss)/gain recognised on defined benefit pension scheme	26	(16,985)	2,867
Movement on current tax relating to pension contributions	10	106	-
Movement on deferred tax relating to pension scheme actuarial loss	10	<u>3,296</u>	<u>(659)</u>
Total recognised gains and losses relating to the year		<u><u>(3,091)</u></u>	<u><u>15,158</u></u>

Note of Group Historical Cost Profits and Losses

	2015 £ 000	2014 £ 000
Reported profit on ordinary activities before taxation	16,164	18,774
Excess depreciation on revalued assets	<u>4,526</u>	<u>4,318</u>
Historical cost profit on ordinary activities before taxation	<u><u>20,690</u></u>	<u><u>23,092</u></u>
Historical cost profit for the year retained after taxation	<u><u>15,018</u></u>	<u><u>16,780</u></u>

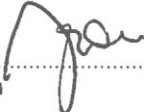
Birmingham Airport Holdings Limited**Reconciliation of Movements in Group Shareholders' Funds for the Year Ended 31 March 2015**

	2015 £ 000	2014 £ 000
Profit for the financial year	10,492	12,462
Other recognised gains and losses relating to the year	(13,583)	2,696
Dividends (Note 11)	(14,520)	(82,202)
Net sale of own shares from share trust	<u>(76)</u>	<u>(118)</u>
Net reduction to shareholders' funds	(17,687)	(67,162)
Total shareholders' funds at 1 April	<u>196,327</u>	<u>263,489</u>
Total shareholders' funds at 31 March	<u><u>178,640</u></u>	<u><u>196,327</u></u>

Birmingham Airport Holdings Limited
Consolidated Balance Sheet at 31 March 2015

	Note	£ 000	2015 £ 000	£ 000	2014 £ 000
Fixed assets					
Tangible fixed assets	12		436,237		438,523
Current assets					
Stocks	14	1,159		1,162	
Debtors	15	17,919		15,594	
Cash at bank and in hand		20,830		19,213	
		<u>39,908</u>		<u>35,969</u>	
Creditors: Amounts falling due within one year	16	(48,403)		(40,113)	
Net current liabilities			(8,495)		(4,144)
Total assets less current liabilities			427,742		434,379
Creditors: Amounts falling due after more than one year	17		(206,776)		(207,546)
Provisions for liabilities	21		(7,461)		(7,163)
Net assets excluding pension asset/liability			213,505		219,670
Net pension liability	26		(34,865)		(23,343)
Net assets			<u>178,640</u>		<u>196,327</u>
Capital and reserves					
Called up share capital	22	3,240		3,240	
Share premium account	23	43,644		43,644	
Revaluation reserve	23	107,137		111,663	
Merger reserves	23	25,588		25,588	
Profit and loss account	23	(969)		12,192	
Total shareholders' funds			<u>178,640</u>		<u>196,327</u>

Approved by the Board on 15 July 2015 and signed on its behalf by:


 J L Hudson
 Chairman

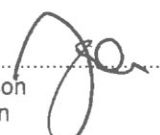

 P Kehoe
 Chief executive

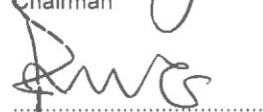
Company registration number: 03312673

Birmingham Airport Holdings Limited
Parent Company Balance Sheet at 31 March 2015

	Note	2015 £ 000	2014 £ 000
Fixed assets			
Investments	13	282,865	289,577
Current assets			
Debtors	15	223	257
Cash at bank and in hand		8	13
		231	270
Creditors: Amounts falling due within one year	16	(2,601)	(2,884)
Net current liabilities		(2,370)	(2,614)
Total assets less current liabilities		280,495	286,963
Creditors: Amounts falling due after more than one year	17	(176,743)	(179,233)
Net assets		103,752	107,730
Capital and reserves			
Called up share capital	22	3,240	3,240
Share premium account	23	43,644	43,644
Merger reserves	23	51,380	51,380
Profit and loss account	23	5,488	9,466
Total shareholders' funds		103,752	107,730

Approved by the Board on 15 July 2015 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 2015**

Cash flow statement

	Note	2015 £ 000	2014 £ 000
Net cash inflow from operating activities	24	<u>54,046</u>	<u>38,505</u>
Returns on investments and servicing of finance			
Interest received		234	652
Interest paid		<u>(11,080)</u>	<u>(8,910)</u>
		<u>(10,846)</u>	<u>(8,258)</u>
Taxation paid		<u>(2,940)</u>	<u>(4,055)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(23,448)	(28,410)
Sale of tangible fixed assets		101	426
Receipts of grants		-	180
Development Loan		<u>-</u>	<u>639</u>
		<u>(23,347)</u>	<u>(27,165)</u>
Equity dividends paid to shareholders	11	<u>(14,520)</u>	<u>(82,202)</u>
Net cash inflow/(outflow) before management of liquid resources and financing		<u>2,393</u>	<u>(83,175)</u>
Management of liquid resources			
(Increase)/Decrease in short term deposits		<u>(149)</u>	<u>9,358</u>
Financing			
Value of new loans obtained during the year		-	75,000
Lease and leaseback premium	25	(700)	(905)
Net sale of own shares from share trust		<u>(76)</u>	<u>(118)</u>
		<u>(776)</u>	<u>73,977</u>
Increase in cash	25	<u><u>1,468</u></u>	<u><u>160</u></u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015

1 Accounting policies

Basis of preparation

The financial statements 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 2015.

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 £10,618,000 (2014 - £50,167,000).

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 revenue 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. 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 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 12).

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 machinery	between 4 and 30 years
Motor vehicles (included in plant & machinery)	between 4 and 15 years

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

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 financial statements 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 2015 (continued)

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 11%. The scheme was fully funded from 28 March 2013, following the introduction of the asset backed funding arrangement.

2 Turnover

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

	2015	2014
	£ 000	£ 000
Aeronautical income	51,242	49,184
Concessions, property income and recharges	69,916	64,570
	<u>121,158</u>	<u>113,754</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2015	2014
	£ 000	£ 000
Auditors' remuneration (note 4)	98	134
Depreciation of owned assets (note 12)	23,371	22,835
Capital grant releases (note 16)	(179)	(179)
Operating leases - plant and machinery	88	83
Operating leases - other assets	450	450
Loss/(profit) on sale of tangible fixed assets	<u>23</u>	<u>(400)</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

4 Auditors' remuneration

During the year the group obtained the following services from the company's auditors:

	2015 £ 000	2014 £ 000
Fees payable to company's auditors for the audit of parent company and consolidated financial statements	15	15
Fees payable to the company's auditors and its associates for other services:		
The audit of the company's subsidiaries	73	66
Other services	10	53
	<u>98</u>	<u>134</u>

5 Exceptional items

	2015 £ 000	2014 £ 000
Reorganisation or restructuring	4,031	1,198
Other exceptional costs	-	193
	<u>4,031</u>	<u>1,391</u>

During the year restructuring costs (being mostly severance pay and related costs together with start up costs associated with Birmingham Airport Air Traffic Limited) of £4.031m (2014: £1.198m) were incurred. The £ 0.193m prior year other exceptional costs relate to consultancy fees for the group refinancing.

6 Particulars of employees

Staff costs for the group during the year

	2015 £ 000	2014 £ 000
Wages and salaries	19,443	19,371
Social security costs	1,955	1,823
Staff pensions	1,948	1,852
	<u>23,346</u>	<u>23,046</u>

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

	2015 Number	2014 Number
Engineering	49	55
Operations and security	406	348
Support services	100	105
Terminal services	31	49
	<u>586</u>	<u>557</u>

Birmingham Airport Holdings Limited**Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)****7 Directors' emoluments**

The directors' emoluments for the year were as follows:

	2015	2014
	£ 000	£ 000
Directors emoluments (excluding pension contributions)	599	474
Company contributions to money purchase pension schemes	40	50

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

	2015	2014
	No.	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:

	2015	2014
	£ 000	£ 000
Salary	252	257
Benefits in kind	29	29
Bonus	175	99
Long-term incentive plan	93	48
Total emoluments	549	433
Company contributions to money purchase pension schemes	40	50

8 Interest receivable and similar income

	2015	2014
	£ 000	£ 000
Bank interest receivable	229	308
Other interest receivable	9	271
Pension scheme other finance income (note 26)	1,008	561
	1,246	1,140

9 Interest payable and similar charges

	2015	2014
	£ 000	£ 000
Bank loans and overdrafts	105	236
Preference share dividends	971	971
Corporate bond	6,663	6,663
Private placement senior notes	3,392	1,106
Other interest payable	903	937
Capitalised Interest	(357)	(1,050)
	11,677	8,863

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

10 Taxation

Tax on profit on ordinary activities

	2015	2014
	£ 000	£ 000
Current tax		
Corporation tax charge	5,265	5,378
Adjustments in respect of previous years	(369)	(691)
UK Corporation tax	<u>4,896</u>	<u>4,687</u>
Deferred tax		
Origination and reversal of timing differences	820	619
Deferred tax adjustment relating to previous years	(44)	227
Deferred tax relating to FRS 17	-	969
Effect of changes in tax rates	-	(190)
Group deferred tax	<u>776</u>	<u>1,625</u>
Total tax on profit on ordinary activities	<u><u>5,672</u></u>	<u><u>6,312</u></u>

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

	2015	2014
	£ 000	£ 000
Statement of Group Total Recognised Gains and Losses Current Tax	(106)	-
P&L reserve - Deferred tax on actuarial (loss)/gain recognised in pension	(3,296)	659
	<u>(3,402)</u>	<u>659</u>

Deferred tax credited to provisions for liabilities and charges (Note 21)

Origination and reversal of timing differences	820	619
Deferred tax adjustment relating to previous years	(44)	227
Effect of changes in tax rates	-	(365)
Asset backed funding arrangement timing difference	(416)	(1,160)
	<u>360</u>	<u>(679)</u>

Deferred tax credited/(debited) to pension liability (Note 26)

Deferred tax on pension deficit movement charged in the profit and loss account	-	969
Deferred tax (credited)/charged to statement of total recognised gains and losses	(3,296)	659
Deferred tax - change in rate	-	175
Asset backed funding arrangement timing difference	416	1,160
	<u>(2,880)</u>	<u>2,963</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

Taxation (continued)

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is higher than (2014 - higher than) the standard rate of corporation tax in the UK of 21% (2014 - 23%).

The differences are reconciled below:

	2015 £ 000	2014 £ 000
Profit on ordinary activities before taxation	16,164	18,774
Corporation tax at standard rate	3,394	4,318
Depreciation in excess of capital allowances	419	798
Movement on pension liability	(1,292)	(2,384)
Short term timing differences	-	(2)
Disallowed expenses	2,744	2,648
Adjustments in respect of prior years	(369)	(691)
Total current tax	4,896	4,687

Factors that may affect future tax charges

The standard rate of corporation tax in the UK reduced from 23% to 21% with effect from 1 April 2014. Accordingly the company's profits for this accounting period are taxed at a rate of 21%. The Finance Act 2013 also included legislation to reduce the main rate of corporation tax to 20% from 1 April 2015, which was substantively enacted on 2 Jul 2013, and in accordance with accounting standards the relevant deferred tax balances have been remeasured accordingly.

11 Dividends

	2015 £ 000	2014 £ 000
Dividends paid		
Prior year final dividend paid at 2.7157p per share (2014: 2.299p)	8,658	7,330
Current year interim dividend paid at 1.8386p per share (2014: 1.9139p)	5,862	6,105
Special Dividend nil per share (2014: 21.5592p)	-	68,767
	14,520	82,202

A dividend of 1.8199p per share will be proposed at the Annual General Meeting to be paid in July 2015 (2014: 2.716p). This will amount to:-

Recommended final dividend proposed for approval by shareholders	5,896	8,799
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The ESOP Trust waived its right to the payment of a dividend on the 5,012,565 (2014: 5,099,441) ordinary shares that it owns.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

12 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
Cost or valuation						
At 1 April 2014	323,734	200	90,792	141,114	36,558	592,398
Additions	-	-	-	-	22,421	22,421
Capitalised interest	-	-	-	-	357	357
Transfers	372	-	48,585	7,141	(56,098)	-
Disposals	(672)	-	(1,659)	(1,126)	-	(3,457)
At 31 March 2015	323,434	200	137,718	147,129	3,238	611,719
Depreciation						
At 1 April 2014	30,711	-	16,334	106,830	-	153,875
Charge for the year	10,252	-	6,814	6,305	-	23,371
Disposals	(198)	-	(669)	(897)	-	(1,764)
At 31 March 2015	40,765	-	22,479	112,238	-	175,482
Net book value						
At 31 March 2015	282,669	200	115,239	34,891	3,238	436,237
At 31 March 2014	293,023	200	74,458	34,284	36,558	438,523

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 £18.231m was taken to the revaluation reserve. The valuation was reviewed internally during the current 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 2014 by Ruxton Chartered Surveyors and Fisher German LLP. The valuation has been incorporated into the accounts and identified impairments of £15,686 and revaluation gains of £487,500.

Included in land and buildings is land at a value of £54.201m (2014: £54.381m) and investment properties at a value of £5.555m (2014: £5.825m) which are not depreciated.

Interest capitalised in the year amounted to £0.357m (2014: £1.050m) at a capitalisation rate of 6.5% (2014: 6.5%). The cumulative amount of £12.587m (2014: £12.230m) is included within the cost of fixed assets.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (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 machinery £ 000	Assets in the course of construction £ 000	Total £ 000
At 31 March 2015						
Cost	292,436	202	186,778	147,131	3,238	629,785
Accumulated depreciation	(103,437)	-	(84,844)	(112,238)	-	(300,519)
Net Book Value	188,999	202	101,934	34,893	3,238	329,266
At 31 March 2014						
Cost	292,731	202	140,863	141,114	36,558	611,468
Accumulated depreciation	(96,525)	-	(81,093)	(106,830)	-	(284,448)
Net Book Value	196,206	202	59,770	34,284	36,558	327,020

13 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
Subsidiary undertakings			
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 2015 (continued)

Investments (continued)

Company

	2015 £ 000	2014 £ 000
Shares in group undertakings and participating interests	143,745	143,745
Loans to group undertakings and participating interests	139,120	145,832
	<u>282,865</u>	<u>289,577</u>

Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000
Cost	
At 1 April 2014	<u>143,745</u>
At 31 March 2015	<u>143,745</u>
Net book value	
At 31 March 2015	<u>143,745</u>
At 31 March 2014	<u>143,745</u>

Loans to group undertakings and participating interests

	£ 000
At 1 April 2014	145,832
Repaid	<u>(6,712)</u>
At 31 March 2015	<u>139,120</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 and treated as an investment.

14 Stocks and development land

	Group		Company	
	2015 £ 000	2014 £ 000	2015 £ 000	2014 £ 000
Stocks	519	522	-	-
Development land	640	640	-	-
	<u>1,159</u>	<u>1,162</u>	<u>-</u>	<u>-</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

15 Debtors

	Group		Company	
	2015 £ 000	2014 £ 000	2015 £ 000	2014 £ 000
Trade debtors	9,445	8,584	-	-
Other debtors	219	87	-	-
Prepayments and accrued income	8,255	6,923	223	257
	<u>17,919</u>	<u>15,594</u>	<u>223</u>	<u>257</u>

16 Creditors: Amounts falling due within one year

	Group		Company	
	2015 £ 000	2014 £ 000	2015 £ 000	2014 £ 000
Trade creditors	2,281	1,754	-	-
Corporation tax	5,426	3,572	15	350
Other taxes and social security	481	502	-	-
Deferred income	6,669	6,016	-	-
Capital grants	179	179	-	-
Accruals	33,367	28,090	2,586	2,534
	<u>48,403</u>	<u>40,113</u>	<u>2,601</u>	<u>2,884</u>

17 Creditors: Amounts falling due after more than one year

	Group		Company	
	2015 £ 000	2014 £ 000	2015 £ 000	2014 £ 000
Preference shares	15,384	15,384	15,384	15,384
Amounts owed to subsidiary undertakings	-	-	161,359	163,849
Other loans	179,415	179,314	-	-
Net premium arising on lease and leaseback	4,732	4,732	-	-
Deferred income	2,490	3,182	-	-
Capital grants	4,755	4,934	-	-
	<u>206,776</u>	<u>207,546</u>	<u>176,743</u>	<u>179,233</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 2015 (continued)****18 Loans**

	Group		Company	
	2015 £ 000	2014 £ 000	2015 £ 000	2014 £ 000
Loans falling due in one year or less	-	-	-	-
Loans falling due in two to five years	-	-	161,174	163,003
Loans falling due in over five years	180,000	180,000	-	-
	180,000	180,000	161,174	163,003
less un-amortised issue costs and discounts	(585)	(686)	-	-
	<u>179,415</u>	<u>179,314</u>	<u>161,174</u>	<u>163,003</u>

Loans not wholly repayable within 5 years

	Group		Company	
	2015 £ 000	2014 £ 000	2015 £ 000	2014 £ 000
Series A Senior Notes repayable on 03 December 2023	30,000	30,000	-	-
Series B Senior Notes repayable on 03 December 2028	45,000	45,000	-	-
Bonds repayable on 22 February 2021	105,000	105,000	-	-
Less un-amortised issue costs and discount	(585)	(686)	-	-
	<u>179,415</u>	<u>179,314</u>	<u>-</u>	<u>-</u>

The private placement senior notes A and senior notes B will mature, unless previously redeemed, purchased or cancelled, on 3 December 2023 and 3 December 2028 respectively. Interest on the senior notes is payable on 3 June and 3 December at a fixed rate of 4.472 per cent for the senior A notes and 4.557 per cent for the senior B notes.

The corporate bonds will mature unless previously redeemed or purchased or cancelled on 22 February 2021. Interest on the bonds is payable on 22 February at a fixed rate of 6.25 per cent 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 2015 (continued)

19 Derivatives and other financial instruments

The group's principal financial instruments comprise bonds, private placement senior notes, 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 £105m bond issue, £75m private placement senior notes, £20m loan facility, £1m overdraft facility and £20.8m 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 private placement notes are at a fixed interest rate of 4.472 per cent for senior A notes and 4.557 per cent for senior B notes. The bank revolving credit 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:

	2015 £ 000	2014 £ 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	20,000	20,000
	<u>20,000</u>	<u>20,000</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 £ 000	No interest is earned £ 000	Total £ 000
2015 Sterling	21,071	(241)	20,830
2014 Sterling	18,701	512	19,213

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 2015 (continued)

Derivatives and other financial instruments (continued)

Interest rate risk and profile of financial liabilities

	Financial liabilities			Total £ 000	Fixed rate liabilities	
	Fixed rate	Floating rate	No rate		Interest rate	Fixed period
	£ 000	£ 000	£ 000		%	Years
2015: Sterling Senior Notes series A	30,000	-	-	30,000	4.472%	9
2014: Sterling Senior Notes series A	30,000	-	-	30,000	4.472%	10
2015: Sterling Senior Notes series B	45,000	-	-	45,000	4.557%	14
2014: Sterling Senior Notes series B	45,000	-	-	45,000	4.557%	15
2015: Sterling Bond	125,116	-	3	125,119	6.25%	6
2014: Sterling Bond	125,116	-	65	125,181	6.25%	7

The above financial liabilities do not include a deduction for the un-amortised issue costs and discount of £0.585m (2014: £0.686m).

Maturity profile of the group's financial liabilities

	2015 £ 000	2014 £ 000
In one year or less, or on demand	3	65
In more than one year but not more than two years	-	-
In more than two years but not more than five years	-	-
In more than five years	200,116	200,116
	<u>200,119</u>	<u>200,181</u>

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 2015.

	Book Value 2015 £ 000	Fair Value 2015 £ 000	Book Value 2014 £ 000	Fair Value 2014 £ 000
Cash (including short term deposits)	20,830	20,830	19,213	19,213
Bonds	(104,415)	(122,803)	(104,314)	(114,652)
Private placement senior notes	(75,000)	(83,315)	(75,000)	(72,116)
Preference shares	(15,384)	(20,653)	(15,384)	(16,736)
Development provisions	(3)	(3)	(65)	(65)
Pension scheme liability	(34,865)	(34,865)	(23,343)	(23,343)

Market value has been used to determine the fair value of the bonds and discounted cashflows for the fair value of the private placement senior notes and preference shares. A fair value for the lease and leaseback liability cannot be determined due to the nature of the transaction (note 29) and its predominantly non financial nature. Trade creditors, accruals and deferred income, as disclosed in note 16 and 17, are excluded from the analysis above.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

20 Obligations under lease contracts (Group)

	Land and Buildings		Other	
	2015 £ 000	2014 £ 000	2015 £ 000	2014 £ 000
Annual commitments under leases which expire:				
- Within one year	-	-	5	26
- In the second to fifth year inclusive	450	450	92	50
- After five years	-	-	-	-
	<u>450</u>	<u>450</u>	<u>97</u>	<u>76</u>

21 Provisions for liabilities

Group

	Deferred tax £ 000	Other provisions £ 000	Total £ 000
At 1 April 2014	<u>7,098</u>	<u>65</u>	<u>7,163</u>
Charged to the profit and loss account	360	50	410
Utilised during the year	<u>-</u>	<u>(112)</u>	<u>(112)</u>
	<u>360</u>	<u>(62)</u>	<u>298</u>
At 31 March 2015	<u>7,458</u>	<u>3</u>	<u>7,461</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 payments under the Land Compensation Act 1973. Provisions are made in line with foreseen liabilities and there is currently no provision for Land Compensation Act claims, but this will be kept under close review following the recent runway works. With regards to the noise insulation scheme, the future liability for the next twelve months is estimated at £200,000 (2014: £200,000) and is charged in the year to which it relates.

Analysis of deferred tax

	2015 £ 000	2014 £ 000
Capital allowances in advance of depreciation	4,606	5,038
Other timing differences	<u>2,852</u>	<u>2,060</u>
	<u>7,458</u>	<u>7,098</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 26.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

22 Share capital

Allotted, called up and fully paid shares

			2015		2014	
			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
C Ordinary Shares of	£0.01	each	1,000	-	-	-
1 special (non participating) voting share of	£1.00	each	1	-	1	-
			<u>323,993,601</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.

New shares allotted

During the year 1,000 'C' Ordinary Shares having an aggregate nominal value of £10 were allotted for an aggregate consideration of £10. 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.

23 Reserves

Group

	Share premium account £ 000	Revaluation reserve £ 000	Merger reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2014	43,644	111,663	25,588	12,192	193,087
Profit for the financial year	-	-	-	10,492	10,492
Dividends (note 11)	-	-	-	(14,520)	(14,520)
Transfer of realised profits	-	(4,526)	-	4,526	-
Actuarial loss on pension schemes	-	-	-	(16,985)	(16,985)
Movement on current tax on pension scheme	-	-	-	106	106
Movement on deferred tax on pension scheme	-	-	-	3,296	3,296
Net sale of own shares from share trust	-	-	-	(76)	(76)
At 31 March 2015	<u>43,644</u>	<u>107,137</u>	<u>25,588</u>	<u>(969)</u>	<u>175,400</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

Reserves (continued)

Company

	Share premium account £ 000	Merger reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2014	43,644	51,380	9,466	104,490
Profit for the year	-	-	10,618	10,618
Dividends	-	-	(14,520)	(14,520)
Net sale of own shares from share trust	-	-	(76)	(76)
At 31 March 2015	<u>43,644</u>	<u>51,380</u>	<u>5,488</u>	<u>100,512</u>

Birmingham Airport Holdings Limited is the sponsoring company of an ESOP Trust. 'B' ordinary shares to the value of £2.750m 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 2014	5,009,441	2,963
Shares vested in employees	(278,869)	(165)
Shares purchased from employees	281,993	241
Investment at 31 March 2015	<u>5,012,565</u>	<u>3,039</u>

24 Reconciliation of operating profit to net cash flow from operating activities

	2015 £ 000	2014 £ 000
Operating profit	26,595	26,497
Depreciation, amortisation and impairment charges	23,371	22,835
Loss/(profit) on disposal of fixed assets	23	(400)
Amortisation of deferred income and grants	(179)	(179)
Difference between defined benefit pension charge and cash contributions	(1,575)	(5,654)
Decrease/(increase) in stocks	3	(46)
Increase in debtors	(2,411)	(659)
Increase/(decrease) in creditors	8,281	(1,929)
Decrease in provisions	(62)	(1,960)
Net cash inflow from operating activities	<u>54,046</u>	<u>38,505</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

25 Reconciliation of net cash flow to movement in net debt

	2015 £ 000	2014 £ 000
Increase in cash	1,468	160
Movement in short term deposits	149	(9,358)
Net movement in long term borrowing	-	(75,000)
Lease and leaseback premium	700	905
Change in net debt resulting from cash flows	2,317	(83,293)
Lease and leaseback - accrued interest	(700)	(905)
Movement in corporate bond - non cash	(101)	(101)
Movement in net debt	1,516	(84,299)
Net debt at 1 April	(180,217)	(95,918)
Net debt at 31 March	(178,701)	(180,217)

	1 April	Cash flow	Non - cash	31 March
	2014	Cash flow	movements	2015
	£ 000	£ 000	£ 000	£ 000
Cash at bank and in hand	2,984	1,468	-	4,452
Short term deposits	16,229	149	-	16,378
Lease and leaseback premium	(4,732)	700	(700)	(4,732)
Corporate bond	(104,314)	-	(101)	(104,415)
Private placement senior notes	(75,000)	-	-	(75,000)
Preference shares	(15,384)	-	-	(15,384)
	(180,217)	2,317	(801)	(178,701)

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. The non-cash movements relates to the charges to the profit and loss account for the un-amortised issue costs and discounts relating to the corporate bond and the lease and leaseback premium.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

26 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. 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 £33.3m 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 £25.3m and on the same day the pension scheme used this contribution to acquire an interest in the partnership for its fair value of £25.3m. This interest entitles the pension scheme to a distribution from the income of the partnership of £2m 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:

	2015 %	2014 %
Discount rate	3.40	4.50
Future salary increases	2.85	3.20
Future pension increases	3.10	3.45
Inflation (CPI)	2.10	2.45
Expected return on scheme assets - equity	7.50	7.50
Expected return on scheme assets - cash	0.50	0.50
Expected return on scheme assets - corporate bonds	3.40	4.50
Expected return on scheme assets - target return funds	7.50	7.50

Following recent government announcements, within the scheme there are different categories of members to which either CPI or RPI applies.

	2015 Based on S1PA tables with CMI projections and long term rates of improvement of 1.5% pa	2014 Based on S1PA tables with CMI projections and long term rates of improvement of 1.5% pa
Post retirement mortality assumption		

Birmingham Airport Holdings Limited**Notes to the Financial Statements for the Year Ended 31 March 2015 (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:

	2015 £ 000	2014 £ 000
Fair value of scheme assets	127,075	114,449
Present value of scheme liabilities	<u>(170,656)</u>	<u>(143,628)</u>
Defined benefit pension scheme deficit	(43,581)	(29,179)
Related deferred tax asset	<u>8,716</u>	<u>5,836</u>
Net liability in the balance sheet	<u><u>(34,865)</u></u>	<u><u>(23,343)</u></u>

Scheme assets

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

	2015 £ 000	2014 £ 000
Fair value at start of year	114,449	104,017
Expected return on assets	7,429	6,784
Actuarial gains and losses	5,503	(318)
Employer contributions	3,356	7,267
Contributions by scheme participants	137	181
Benefits paid	<u>(3,799)</u>	<u>(3,482)</u>
Fair value at end of year	<u><u>127,075</u></u>	<u><u>114,449</u></u>

Analysis of assets

The major categories of scheme assets are as follows:

	2015 £ 000	2014 £ 000
Equity instruments	51,759	46,055
Debt instruments	38,291	34,248
Cash	1,127	826
Other assets	<u>35,898</u>	<u>33,320</u>
	<u><u>127,075</u></u>	<u><u>114,449</u></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 £12.932m (2014: £6.466m).

Birmingham Airport Holdings Limited**Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)****Pension scheme (continued)****Scheme liabilities**

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

	2015	2014
	£ 000	£ 000
Present value at start of year	143,628	142,276
Current service cost	1,431	1,615
Actuarial gains and losses	22,488	(3,185)
Interest cost	6,421	6,223
Benefits paid	(3,799)	(3,482)
Contributions by scheme participants	137	181
Effect of curtailments	350	-
Present value at end of year	<u>170,656</u>	<u>143,628</u>

Amounts recognised in the profit and loss account

	2015	2014
	£ 000	£ 000
Amounts recognised in operating profit		
Current service cost	(1,431)	(1,615)
(Gains)/losses on curtailments and settlements	(350)	-
Recognised in arriving at operating profit	<u>(1,781)</u>	<u>(1,615)</u>
Amounts recognised in other finance income		
Interest cost	(6,421)	(6,223)
Expected return on scheme assets	7,429	6,784
Recognised in other finance income/(cost)	<u>1,008</u>	<u>561</u>
Total recognised in the profit and loss account	<u>(773)</u>	<u>(1,054)</u>

Amounts recognised in the statement of total recognised gains and losses

	2015	2014
	£ 000	£ 000
Actual return less expected return on scheme assets	5,503	(318)
Changes in assumptions	(22,488)	3,185
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	<u>(16,985)</u>	<u>2,867</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and (losses) since 1 January 2002 is (£65,949,000) (2014 - (£48,964,000)). The changes in assumptions mainly reflect the fall in bond yields partially offset by lower implied inflation levels.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

Pension Scheme (continued)

History of experience adjustments on scheme assets and liabilities

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

	2015 £ 000	2014 £ 000	2013 £ 000	2012 £ 000	2011 £ 000
Fair value of scheme assets	127,075	114,449	104,017	91,207	85,932
Present value of scheme liabilities	<u>(170,656)</u>	<u>(143,628)</u>	<u>(142,276)</u>	<u>(124,472)</u>	<u>(113,703)</u>
Deficit in scheme	<u>(43,581)</u>	<u>(29,179)</u>	<u>(38,259)</u>	<u>(33,265)</u>	<u>(27,771)</u>
Experience adjustments:					
	2015 £ 000	2014 £ 000	2013 £ 000	2012 £ 000	2011 £ 000
Experience adjustments arising on scheme assets	<u>5,503</u>	<u>(318)</u>	<u>4,996</u>	<u>(3,109)</u>	<u>(500)</u>
Experience adjustments arising on scheme liabilities	<u>-</u>	<u>-</u>	<u>4,072</u>	<u>-</u>	<u>-</u>

27 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 £105m 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 £75m private placement senior notes issued by Birmingham Airport (Finance) plc. Series A senior notes of £30m 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 £45m 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 3 December 2013 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 £20m banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of five years with an expiry date of 3 December 2018. At the date of signing these financial statements, the total amount outstanding under the facility was £nil.

28 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £1,118,594 (2014 - £7,434,901).

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

29 Related party transactions

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other wholly owned members of the Birmingham Airport Holdings Limited group.

In accordance with section 479C of the Companies Act 2006, Birmingham Airport Holdings Limited has provided guarantees for the year ended 31 March 2015, to enable BHX Fire and Rescue Limited, Birmingham Airport Developments Limited, First Castle Developments Limited, Birmingham Airport Services 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 2015 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 £8.201m (2014: £42.375m).

In 1995 Birmingham Airport Limited entered into 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 £100m 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 £96.5m.

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 financial statements of the Group and is disclosed at Note 17.

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 payable in the year was £747,984 (2014: £730,039). The amount at the end of the year was £4.732m (2014: £4.732m), 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 financial statements 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 £5.237m 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 financial statements and the grant will be released to income on a straight line basis over the life of the asset. At the 31 March 2015, £3.971m was held within deferred income (2014: £4.076m).

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 Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2015 (continued)

Related party transactions (continued)

Birmingham City Council

In support of the A45 transport corridor improvement scheme the Airport Company is contributing up to £7m 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.

Airport Group Investments Limited

Airport Group Investments Limited are shareholders and received dividends of £7.120m during the year (2014: £40.289m).

30 Control

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.