

Birmingham Airport (Finance) PLC

INTERIM FINANCIAL REPORT For the six months ended 30 September 2015

The directors present their unaudited interim report for the year period ended 30 September 2015.

Review of the business and principal activity

From the commencement of trading on 1 February 2001, the principal activity of the company has been the provision of financing facilities to Birmingham Airport Holdings Limited (the ultimate holding company of Birmingham Airport (Finance) plc) and group companies. The company has a 20 year £105 million corporate bond issued in 2001 and Private Placement Senior Notes, issued in 2013, for £30 million and £45 million with terms of 10 years and 15 years respectively. The net proceeds of these transactions have been lent to other group companies at a commercial rate of interest.

Principal risks and uncertainties

The company is risk averse in its principal activities as detailed above. The principal risk is interest rates. The company has limited exposure, as both the corporate bond and private placement senior notes have fixed interest rates. The amounts owed by group undertakings attract interest at a rate composed of current interest rate payable on the company's bond plus 0.5 per cent.

Interim financial report

The profit before tax for the six months to 30 September 2015 amounted to £0.765 million (2014: £0.792 million, restated for FRS102). During the period a final dividend was paid for the year ended 31 March 2015 of £14.69 (2014: £8.77) per ordinary share amounting to £0.734 million (2014: £0.439 million).


Directors' Responsibility Statement

This report has been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the United Kingdom Financial Services Authority. The directors responsible for preparing the interim financial report are:-

J L Hudson	Chairman
P Kehoe	Director
S L C Richards	Director

The condensed set of financial statements included in this Interim Report has been prepared in accordance with new United Kingdom Generally Accepted Accounting Practice FRS102 (United Kingdom Accounting Standards and applicable law) and give a true and fair view of the state of affairs of the company. The Directors regularly review management accounts, cash balances, forecasts and the annual budget, together with covenant reporting. The Directors confirm they are satisfied that the company has adequate resources to continue operating for the foreseeable future and to continue to adopt the going concern basis for preparing the Interim Report.

Approved by the Board on 26 November 2015 and signed on its behalf by:


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S L C Richards
Director

Registered Number: 4061664

Birmingham Airport (Finance) PLC

Comprehensive Income Statement for the six months ended 30 September 2015 (unaudited)

	Note	2015 £000	2014 £000
Turnover		-	-
Administration expenses		(5)	(5)
Operating loss		(5)	(5)
Interest receivable and similar income		6,052	6,095
Interest payable and similar charges	2	(5,091)	(5,087)
Profit on ordinary activities before taxation		956	1,003
Tax charge on profit on ordinary activities	3	(191)	(211)
Profit for the period		765	792

The operating loss is derived wholly from continuing operations.

There are no recognised gains and losses other than the profit for the six months ended 30 September 2015 and 30 September 2014.

2014 has been restated for transition to FRS102.

Statement of changes in equity (unaudited)

	Share Capital £000	Profit and Loss Account £000	Total £000
At 31 March 2014 restated for FRS102	50	1,156	1,206
Profit for the financial year	-	792	792
Dividends paid	-	(439)	(439)
At 30 September 2014	50	1,509	1,559
Profit for the financial year	-	774	774
Dividends paid	-	(846)	(846)
At 31 March 2015	50	1,437	1,487
Profit for the financial year	-	765	765
Dividends paid	-	(734)	(734)
At 30 September 2015	50	1,468	1,518

Birmingham Airport (Finance) PLC

Balance Sheet as at 30 September 2015 (unaudited)

	<u>Note</u>	<u>30/09/15</u> <u>£000</u>	<u>31/03/15</u> <u>£000</u>
Current assets			
Debtors		186,486	182,907
Cash at bank and in hand		12	8
		<u>186,498</u>	<u>182,915</u>
Creditors			
Amounts falling due within one year		(5,777)	(2,287)
Net current assets		<u>180,721</u>	<u>180,628</u>
Creditors			
Amounts falling due after more than one year	5	<u>(179,203)</u>	<u>(179,141)</u>
Net assets		<u>1,518</u>	<u>1,487</u>
Capital and Reserves			
Called up share capital	8	50	50
Profit and loss account		1,468	1,437
Total shareholders funds		<u>1,518</u>	<u>1,487</u>

Prior period has been restated for transition to FRS102.

Birmingham Airport (Finance) PLC

Notes to the unaudited interim financial report for the period ending 30 September 2015

1. Accounting Policies

Basis of Preparation

The interim financial report has been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and with Financial Reporting Standard 102 (FRS102). The principal accounting policies, which have been applied consistently throughout the period, are set out below.

This is the first year that the company has presented its results under FRS102. The date of transition to FRS102 was 1 April 2014. The last financial statements under UK GAAP were for the year ended 31 March 2015. Under UK GAAP in force at that time the interest expense for the corporate bond was recognised based on the straight line method, whilst FRS102 requires debt instruments to be measured at amortised cost using the effective interest method. Set out below are the changes in accounting policies which reconcile equity and profit for the financial year ended 31 March 2014 and 31 March 2015 between UK GAAP as previously reported and FRS102.

Reconciliation of equity

	31/03/15 £000	31/03/14 £000
Capital and Reserves (as previously reported)	1,268	973
Amortisation of debt issue costs and launch discount	274	291
Corporation tax	(55)	(58)
Capital and Reserves (as restated)	1,487	1,206

Reconciliation of profit for the year

	£000	£000
Profit and loss account UK GAAP – as previously reported at 31 March 2014		923
Amortisation of debt issue costs and launch discount	291	
Corporation tax	(58)	
Total adjustment to prior period profit		233
Profit and loss account to 31 March 2014 restated		1,156
2014/15 Profit for the financial year UK GAAP – as previously reported		1,580
Amortisation of debt issue costs and launch discount	(17)	
Corporation tax	3	
Total adjustment to profit for the financial year		(14)
2014/15 Profit restated for FRS102		1,566
Dividends		(1,285)
Profit and loss account to 31 March 2015 restated		1,437

The Company is a wholly owned subsidiary company of Birmingham Airport Holdings Limited, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the Company has taken advantage of the exemption within FRS102 section 1 from preparing a cash flow statement.

These condensed interim financial statements for the six months ended 30 September 2015 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with UK GAAP in force at that time.

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Notes to the unaudited interim financial report for the period ending 30 September 2015 (continued)

Accounting Policies (continued)

Related parties

The company is exempt from disclosing related party transactions with entities that are part of the Birmingham Airport Holdings group.

Taxation

The tax charge for the period is based on the profits or losses on ordinary activities for the period and takes into account full provision for deferred tax in respect of timing differences.

Financial Instruments

Amounts receivable from group companies are classified as "loans and receivables" and are measured at amortised cost. These are included in current assets, except for maturities greater than 12 months after the end of the reporting date. The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Borrowings are stated at amortised cost after deduction of transaction costs. Transaction costs and finance charges are charged to the income statement on amortised cost over the term of the borrowings.

The disclosure complies with FRS102 section 11 basic financial instruments and section 12 other financial instruments has been considered. Fair value disclosures are included in note 7 in accordance with the Companies Act 2006.

2. Interest payable and similar charges

	2015 £000	2014 £000
Corporate bond (note 6)	3,353	3,349
Private placement senior notes (note 6)	1,738	1,738
	<u>5,091</u>	<u>5,087</u>

Interest payable includes the private placement debt issue costs and the Corporate bond launch discount amortised over the lives of the related debt.

3. Taxation

Current tax

	2015 £000	2014 £000
Corporation tax charge	191	211

Factors affecting the tax charge for the year

Tax on profit on ordinary activities for the six months to 30 September is the same as the standard rate of corporation tax in the UK of 20% (2014: 21%).

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Notes to the unaudited interim financial report for the period ending 30 September 2015 (continued)

4. Dividends

	2015 £000	2014 £000
Prior period final dividend paid at £14.69 per share (2015: £8.77)	734	439

5. Creditors: amounts falling due after more than one year

	30/09/15 £000	31/03/15 £000
Loans (note 6)	179,203	179,141

6. Loans

Details of loans not wholly repayable within five years are as follows:

	30/09/15 £000	31/03/15 £000
Bonds repayable 2021 – original principal	105,000	105,000
Private Placement Series A Senior Notes – original principal	30,000	30,000
Private Placement Series B Senior Notes – original principal	45,000	45,000
Less: issue costs and discount	(797)	(859)
	<u>179,203</u>	<u>179,141</u>

The private placement senior notes A and senior notes B will mature, unless previously redeemed or 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 bonds will mature, unless previously redeemed or purchased or cancelled, on 22 February 2021. Interest on the bonds is payable annually on 22 February at a fixed rate of 6.25 per cent on 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 effective interest rate of 6.349 per cent.

7. Financial Instruments

The company's principal financial instruments comprise bonds, private placement senior notes and inter-company loans. The main purpose of these financial instruments is to raise and provide finance for the parent's and its subsidiaries' operations. The company does not enter into any form of derivative financial instruments.

Funding

The company's funding is provided by its £105,000,000 6.25 per cent, guaranteed bond issue, due for redemption on 22 February 2021, £30,000,000 4.472 per cent Series A Senior Note private placement maturing on 3 December 2023 and £45,000,000 4.557 per cent Series B Senior Note private placement maturing on 3 December 2028. The funding provided financing to the parent undertaking and group subsidiary (Birmingham Airport Limited) via interest bearing inter-company loans. The company has no further funding.

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Notes to the unaudited interim financial report for the period ending 30 September 2015 (continued)

Financial Instruments (continued)

Interest rate risk

The company's borrowing is fixed at a interest rate of 6.25 per cent through its £105,000,000 sterling bond issue. This equates to a rate of 6.349 per cent if the launch discount of 1.102 per cent is amortised back into the cashflow. The interest rates on both Series A and Series B senior notes are fixed at 4.472 per cent and 4.557 per cent. The company charges an interest rate of 6.75 per cent on all funds which it lends to its parent undertaking (Birmingham Airport Holdings Limited) and a group subsidiary (Birmingham Airport Limited) via inter-company loan accounts.

Interest risk profile of financial liabilities

Financial Liabilities	Fixed Rate £000	Floating Rate £000	Total £000
30 Sept 2015: Sterling	180,000	-	180,000
31 Mar 2015: Sterling	180,000	-	180,000

The above financial liabilities do not include a deduction for the un-amortised issue costs and discount of £0.797 million (31/03/15: £0.859 million).

Fixed Rate Financial Liabilities	Interest Rate %	Fixed Rate Years
30 Sept 2015: Sterling Private Placement Senior Notes Series A	4.472%	8
31 Mar 2015: Sterling Private Placement Senior Notes Series A	4.472%	9
30 Sept 2015: Sterling Private Placement Senior Notes Series B	4.557%	13
31 Mar 2015: Sterling Private Placement Senior Notes Series B	4.557%	14
30 Sept 2015: Sterling Bond	6.25%	5
31 Mar 2015: Sterling Bond	6.25%	6

Interest rate risk and profile of financial assets

	Floating Rate Financial Assets £000	Financial Assets On Which No Interest Is Earned £000	Total £000
30 Sept 2015: Sterling	180,163	-	180,163
31 Mar 2015: Sterling	179,051	-	179,051

Floating rate financial assets comprise cash lent to the parent undertaking (Birmingham Airport Holdings Limited) via the inter-company loan. The interest rate is set annually to cover the interest and other costs of the company, and is currently 6.75 per cent. This figure does not include amounts owed by group undertakings in relation to interest receivable and treasury deposits of £5.603 million (31/03/15: £3.098 million) as these carry no interest rate risk.

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Notes to the unaudited interim financial report for the period ending 30 September 2015 (continued)

Financial Instruments (continued)

Fair value of financial assets and financial liabilities

Set out below is a comparison of the book value and fair value of all the Company's financial assets and financial liabilities as at 30 September 2015.

	Book Value 30/09/15	Fair Value 30/09/15	Book Value 31/03/15	Fair Value 31/03/15
	£000	£000	£000	£000
Loans and receivables	180,163	217,944	179,051	223,794
Private Placement Senior Notes Series A	(30,000)	(31,927)	(30,000)	(32,499)
Private Placement Senior Notes Series B	(45,000)	(49,721)	(45,000)	(50,816)
Bonds	(104,203)	(120,747)	(104,415)	(122,803)

The fair value of the bonds is based on the market value at the balance sheet date. The fair value of the intercompany loan is based on future discounted cash flows.

8. Share Capital

Allotted, called up and fully paid shares

	30/09/15		31/03/15	
	No. 000	£000	No. 000	£000
Ordinary Shares of £1 each	50	50	50	50

9. Contingent liabilities

The financial statements for the year ended 31 March 2015 include details of the contingent liabilities and to date there has been no changes.