

# Birmingham Airport Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2021

# **Birmingham Airport Holdings Limited**

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# Birmingham Airport Holdings Limited

## Company Information

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<b>Chairman</b>	T Clarke
<b>Chief Executive</b>	N Barton
<b>Directors</b>	N Barton P T A Bateman M A Bird T Chatfield T Clarke K K Lezama J Mutton R K Sleigh D M Stanton P C Tilsley M R Toms
<b>Company Secretary</b>	F Penhallurick
<b>Registered office</b>	Diamond House Birmingham Airport Birmingham West Midlands B26 3QJ
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors One Chamberlain Square Birmingham West Midlands B3 3AX
<b>Bankers</b>	National Westminster Bank plc 2 St Philips Place Birmingham West Midlands B3 3RB
<b>Solicitors</b>	Eversheds Sutherland (International) LLP 115 Colmore Row Birmingham West Midlands B3 3AL

# Birmingham Airport Holdings Limited

## Strategic Report for the Year Ended 31 March 2021

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The Directors present their strategic report for the year ended 31 March 2021.

### Principal activity

The principal activity of the group is the operation and management of Birmingham Airport (“The 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.

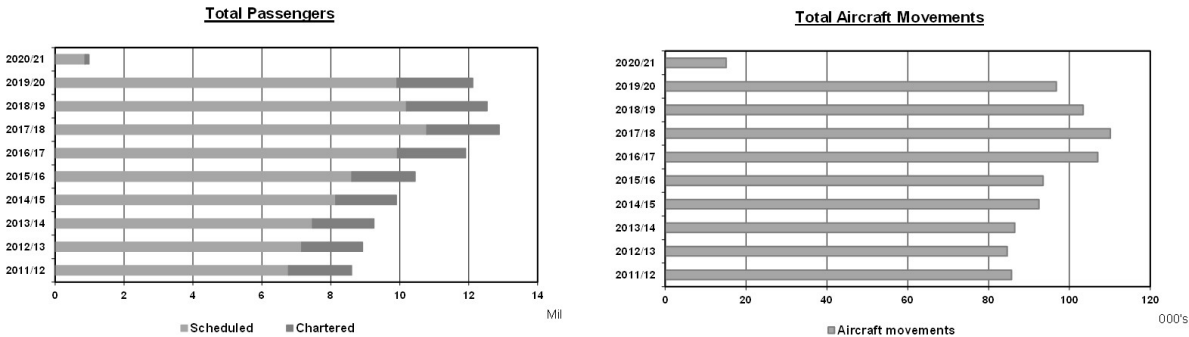
The Airport is a key economic accelerator for the Midlands region, providing the air connectivity vital for international trade, investment and employment, the growth of inbound tourism, and access to outbound leisure destinations. Under normal conditions 7,000 people are directly employed by companies located within the Airport boundary, a further 9,900 people are employed indirectly to supply goods and services to the Airport and the Airport’s net economic impact including catalytic effects in the region is estimated as £1.5 billion GVA (Gross Value Added) and 30,900 jobs. In the year ended 31 March 2021 the Airport and other aviation partners have been severely affected by the Covid-19 pandemic but it is expected that a recovery will take place from 2021/22.

### Review of the business and future outlook

#### Market position and business environment

The global aviation market has suffered considerably during 2020/21 as a result of the Covid-19 pandemic. The UK aviation market has seen a year on year decrease of 89.8%. During the year, the Airport processed 980,576 passengers, a decrease of 91.9% on 2019/20 (12,120,236). The fall in passenger numbers was driven by Government restrictions and guidelines which changed throughout the year, as the Covid-19 pandemic expanded and contracted.

Looking back over the last 10 years, prior to the Covid-19 pandemic the Airport had seen growth of 51.1% since 2010/11 and following the demise of Thomas Cook in 2019, growth was expected to return in 2020/21 and continue into future years, driving significant expansion plans to meet the growing passenger demand. The timing of the recovery from the Covid-19 pandemic is still unclear and the aviation market is not expected to fully recover until at least 2023, therefore expansion plans have been halted until passenger demand returns.



## **Birmingham Airport Holdings Limited**

### **Strategic Report for the Year Ended 31 March 2021 (*continued*)**

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The Covid-19 pandemic and the Government restrictions on international travel have impacted the route dynamics in 2020-21, with the most popular destination this year being Belfast (previously Dublin), followed by Amsterdam, Dubai and then Dublin.

The priority throughout the Covid-19 pandemic has been to ensure that the business is able to maintain liquidity and where possible mitigate outflows of cash, to put the Airport in a strong position to support passenger demand as soon as travel restrictions are lifted.

Throughout the financial year 2020/21 a number of significant actions have been taken by the Directors to reduce the cost base and cash outflow of the Airport. These actions include a staff restructuring programme, delaying capital expenditure, temporarily mothballing large parts of the Airport including all of the South Terminal, halting dividend payments and utilising the support offered by the Government through the Coronavirus Job Retention Scheme and the Airport & Ground Operations Support Scheme. The Airport's intention throughout the Covid-19 pandemic has been to maintain a core level of operations to support those airlines and passengers who were able to continue to fly. The runway and main operating terminal therefore remained open throughout 2020/21.

The Airport played a significant role in providing facilities to support to the region through the pandemic and the post Brexit challenges. It supported the repatriation of both UK and International citizens, provided facilities for an NHS Covid-19 testing centre on one car park and provided facilities for an inland border facility on another car park.

The Government provided additional grant support through the Airport & Ground Operations Support Scheme (AGOSS). The Airport received £6.4 million from this scheme in April 2021 and anticipate a further £3.2 million in 2021/22 following the extension of the scheme announced in the Budget. The grant income will be recognised in 2021/22.

Looking forward to 2021/22, we are expecting another challenging year with continuing uncertainty created by the impact of the Covid-19 pandemic and the actions taken by UK and overseas governments. However, as a result of the actions taken by management to reduce operating costs, we believe the Airport is in a good position to recover once restrictions on air travel are lifted.

Whilst the duration and impact of the Covid-19 pandemic is still unknown, we remain confident that the Airport will return to the passenger volumes we have seen in previous years, leading to a successful long-term future for the Airport.

#### **Future developments**

Birmingham Airport is the preferred national and international aviation hub for the Midlands and our ambition is to build on this to become one of Europe's leading regional airports, acting as a key economic accelerator, delivering great service to passengers, and helping to showcase the region at the upcoming Commonwealth Games in 2022.

We understand that the significant social and economic benefits created by the Airport must be balanced with a sustainable operation. We take very seriously our responsibility to manage our impact on the environment and involve our local communities in the development of our significant projects through the Airport Consultative Committee, which includes resident associations and parish councils.

Our Master Plan, published in 2019, sets out £500 million of investment over the next 15 years to modernise and extend our facilities so they are fit for the future. The key elements of this investment are to expand and modernise our departure lounge, enlarge our passenger security search area and equip it with the latest x-ray equipment, introduce further self-service bag-drop technology at check-in, increase capacity in our baggage make-up hall and install additional arrivals baggage carousels.

Whilst we are still planning to carry out this investment, the impact of the Covid-19 pandemic on our passenger volumes means that the timing of the investment programme will be revisited once the rate of recovery in passenger volumes becomes clear.

## **Birmingham Airport Holdings Limited**

### **Strategic Report for the Year Ended 31 March 2021 (*continued*)**

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We published our Sustainability Strategy in November 2019 which set out the airport's commitment to become a net zero carbon airport by the year 2033, prioritising zero carbon airport operations and minimising carbon offsets. Recognising that climate change is happening, we saw the need to set an ambitious target ahead of the UK's target, to reduce its carbon footprint further and quicker.

In addition to climate change mitigation, the strategy focuses on our priorities to reduce its other environmental impacts and make improvements in areas, such as local air quality, waste, supply chain and the circular economy, water and biodiversity.

Whilst the Airport's trading was significantly impacted in 2020-21 by the Covid-19 pandemic, it has continued to focus on its journey planning on becoming a net zero carbon airport by the year 2033.

## **Financial Performance**

### **Income**

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

Aeronautical income declined by 87.9% during 2020/21 including release of prior year provisions, with underlying income falling 91.5%. Income fell by less than passenger volume principally due to the mix of airlines flying and higher than normal cargo traffic as the Airport supported medical and protective equipment supplies during the Covid-19 pandemic and provided an alternative to potential sea and rail port congestion following the UK leaving the EU. The underlying average Aeronautical yield per passenger increasing by 5.3% to £5.30 compared with £5.04 for the previous year.

Commercial income declined by 90.6%, but was 1.3% ahead of the decline in passenger volume. Due to the considerable passenger decline and Government restrictions on shops, bars and restaurants, a large number of outlets were temporarily closed in the year including some car parks.

Property Income and Recharges declined by 66.0% due to reduced charges to Airlines as a result of the reduction in passengers and closure of a number of sites in the year leading to reduced rental income.

The Group received £6.5m Government support through the furloughing of staff under the Coronavirus Job Retention Scheme, this is shown in Other Operating Income.

Following the UK's departure from the EU, there is an opportunity once passenger volumes return with Duty Free prices on alcohol and tobacco now open to all international passengers. However, there is also a risk from the Government's decision to remove tax-free shopping on other goods for all passengers.

### **Operating costs**

Total operating costs before exceptional items decreased by 24.6% to £87.7 million (2020: £116.3 million). Within this, staff costs decreased by 10.3% due to a restructuring programme which saw 43% of staff leaving part way through the year, along with furloughed staff receiving 80% of salary and other reductions in working hours and pay for the remaining workforce. Non-staff costs decreased by 46.1%, achieved by working collaboratively with third parties to minimise costs driven by lower passengers.

Depreciation remained in line with last year with increases in depreciation from new assets completed, offset by assets reaching end of life.

One of our key performance indicators is Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA), which fell by 141.4% to a loss of £29.9m (2020: £72.4m profit), reflecting the income decline driven by the significant drop in passenger volume as a result of the Covid-19 pandemic, partly offset by actions taken to reduce operating costs.

## **Birmingham Airport Holdings Limited**

### **Strategic Report for the Year Ended 31 March 2021 (continued)**

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The group's operating profit, before exceptional items, reduced by 232.2% to a loss of £57.2 million (2020: £43.3 million profit).

The exceptional charge of £3.3 million (2020: £0.1 million) was principally due to staff redundancy costs but also includes the legal costs of agreeing covenant waivers with our lenders. This resulted in a group operating loss, post exceptional items, of £60.5 million (2020: £43.2 million profit).

The group's net interest cost increased by £2.6 million to £20.6 million (2020: £17.9 million) as a result of securing financing early to repay the Corporate Bond in February 2021, along with the drawdown of a £25 million bank facility to ensure liquidity during the Covid-19 pandemic.

The tax credit for the year was £13.4 million (2020: £6.8 million charge), including a corporation tax credit of £0.3 million (2020: £7.0 million charge) and a deferred tax credit of £13.1 million (2020: £0.2 million credit). This equates to an effective tax rate of 16.5% (2020: 26.8%) which is lower than the ordinary rate of UK corporation tax, reflecting the past ineligibility of industrial buildings for tax allowances.

During the year, there was no final dividend paid for the year ended 31 March 2020 (2020: £14.6 million) and no interim dividend was paid for the year ended 31 March 2021 (2020: £11.4 million). This resulted in a total dividend of £nil (2020: £26.0 million).

The Directors recommend that no final dividend payment be made in respect of the financial year ended 31 March 2021 due to the uncertainty facing the Airport as a result of the Covid-19 pandemic.

#### **Capital expenditure**

Cash outflow for capital projects amounted to £21.4 million (2020: £32.8 million). The main projects in the year were the outbound baggage system upgrades in the North and South Terminals, works to complete the first stage of the terminal extension project (which is now halted until passenger volumes return to pre Covid-19 levels), completion of electrical power infrastructure capacity works and airfield drainage improvements. The cash outflow also includes payment of an accrued creditor for the A45 transport corridor improvement scheme.

The sale of vehicles and plant assets generated £0.163 million (2020: £0.025 million).

#### **Cash flow**

During the year, the group expended cash of £40.5 million from operating activities (2020: £62.4 million generated). Corporation tax paid decreased to £nil and £0.079 million was received in the year due to an overpayment for 2019/20 (2020: £12.7 million was paid). Interest paid increased by £0.6 million due to the interest and associated costs of the £45 million private placement senior notes issued in May 2020, £25 million Revolving Credit Facility in March 2020 and a full year of the £85 million private placement senior notes issued in January 2020. The overall net cash position has decreased by £138.8 million (2020: £86.2 million increase) to £73.2 million (2020: £212.1 million), mainly reflecting the £105 million repayment of the corporate bond, £40.5 million outflow from operations due to the impact of the Covid-19 pandemic, capital expenditure of £21.4 million and pension deficit repair contributions, partly offset by the new £45 million private placement senior notes. Looking forward, the group still has a strong liquidity position to meet its ongoing liabilities as and when they fall due.

#### **Security**

The UK threat level remains at Substantial but was temporarily increased to Severe between November 2020 and February 2021 as a precautionary measure due to attacks in France and Austria.

We work very closely with the Department for Transport, the Civil Aviation Authority, West Midlands Police, Border Force, the Centre for the Protection of National Infrastructure and other agencies to continuously improve our Security Excellence Culture, focussing on personnel, equipment and processes to maintain high security standards and proactively address emerging security threats.

## **Birmingham Airport Holdings Limited**

### **Strategic Report for the Year Ended 31 March 2021 (*continued*)**

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Our security procedures are subject to rigorous internal and external audits by regulators and internal teams, to regularly test their effectiveness and identify opportunities for improvement.

The significant reduction in footfall at the Airport due to the Covid-19 pandemic prompted regular reviews of the site security measures with the Airport Police Unit to ensure our site remained safe and secure in the context of the changed threat environment and proportionate to the perceived risk.

The department underwent a significant restructure predominantly to reflect the lower passenger volumes due to the Covid-19 pandemic, however this new structure will form the basis for a team-focussed Security operating model, with a clear focus on Compliance, Customer Service and Performance standards. This model also drives efficiency by enabling a better allocation of staff.

Our IT system security, particularly the security of our customer data, is extremely important to us. We have extensive defences within our IT environment and continuously review and upgrade our infrastructure and systems to the latest security standards. This year we have completed our first CAA Cyber Security Audit which outlines the risks, mitigations and controls around our critical systems. We continue to build on our compliance with the General Data Protection Regulations (GDPR), adding measures to ensure compliance is robust and embedded into the culture of Birmingham Airport.

#### **Health and Safety**

Birmingham Airport is committed to providing a safe and secure workplace and operational environment for all who use the Airport. Our Occupational Health and Safety Management System has been developed to meet the ISO 45001 standard and as such was successfully certified in March 2021.

The Health, Safety and Fire team's primary focus has been to work with the wider Airport Community to respond to the Covid-19 pandemic and to ensure a safe and secure environment. In April 2021, the Airport is proud to have been awarded the Airports Council International (ACI) Airport Health Accreditation.

There were 27 staff accidents during the year (2019/20: 117) The accident frequency rate was 1.9 accidents per 100,000 hours worked (2019/20: 7.2). The lost time injury frequency rate for the year was 0.14 lost time accidents per 100,000 hours worked (2019/20: 0.80). The reduction in incidents is primarily due to lower levels of staffing on site due to the Covid-19 pandemic.

To accelerate the development of an even stronger safety culture a 'Just Culture' Policy statement was developed which emphasises that mistakes are generally a product of organisational failures, rather than solely brought about by the persons or persons directly involved.

This Policy is therefore to encourage an open environment where people can feel empowered and confident to freely report health and safety concerns.

#### **Greenhouse Gas Emissions, energy consumption and energy efficiency action**

Birmingham Airport is committed to becoming a net zero carbon Airport by 2033, prioritising zero carbon Airport operations and minimising carbon offsets. We have voluntarily measured our carbon footprint since 2012/13 and have reduced emissions by 15,591 tonnes, or approximately 62%, in this time. However, 2020/21 has been an exceptionally low emissions year due to the impact of the Covid-19 pandemic, with temporary closures of Terminals and reduced Runway operating hours and although some of the initiatives implemented during the year will continue to reduce emissions into future years, it is inevitable as passenger volumes return and the Airport fully opens that we will also see an increase in our emissions from 2020/21 exceptionally low levels.

Our Greenhouse Gas (GHG) Emissions footprint has been calculated using the GHG Reporting Protocol - Corporate Standard, with guidance issued by the Department for Environment, Food and Rural Affairs (DEFRA). A full report on the GHG emissions calculations and more information on our carbon reduction measures can be found via our website.



## Birmingham Airport Holdings Limited

### Strategic Report for the Year Ended 31 March 2021 (*continued*)

#### Carbon footprint

Energy Usage & Tonnes of CO <sub>2</sub> e by Emissions Type				
Emissions Type	2020/21		2019/20	
	Energy Usage (kWh/ litres/kg)	Tonnes of CO <sub>2</sub> e	Energy Usage (kWh/ litres/kg)	Tonnes of CO <sub>2</sub> e
Scope 1 (Gas)	16,473,415 kWh	3,029	18,265,628 kWh	3,358
Scope 1 (Fuel – owned transport)	93,144 litres	236	258,157 litres	673
Scope 1 (Fuel – diesel generators)	65,134 litres	166	42,867 litres	111
Scope 1 (Refrigerants)	0 kg	0	84.4 kg	176
Scope 1 (total)	-	3,431	-	4,319
Scope 2 (purchased electricity)	18,091,238 kWh	4,218	23,459,285 kWh	5,996
<b>Totals (Scope 1 &amp; 2)</b>	-	<b>7,649</b>	-	<b>10,315</b>
Scope 3 (Business Car Travel)	180,128 miles	50	319,240 miles	88
<b>Totals (Scope 1, 2 &amp; 3)</b>	-	<b>7,699</b>	-	<b>10,403</b>

Gas and electricity used by tenants and retail concessions are excluded as they are reported under SECR by these third-party companies.

#### Intensity ratio

Carbon emissions have also been normalised against passenger numbers. This intensity ratio is widely used throughout the aviation industry as there is an inevitable link between passenger numbers and carbon emissions. However, the industry has been one of the worst affected by the Covid-19 pandemic resulting in a 92% reduction in passenger numbers in 2020/21 compared to the prior year. Whilst extensive steps have been taken to minimise our CO<sub>2</sub> output during these times there is a significant proportion of energy that is required to maintain an operational airport, regardless of passenger throughput. Therefore, as a result of these exceptionally low passenger numbers the link between passenger numbers and CO<sub>2</sub> emissions has been somewhat disestablished and the results reported in the table below should be viewed in this context.

kg CO <sub>2</sub> per passenger – Scope 1, 2 & 3 emissions					
Year	Passenger Numbers	Scope 1	Scope 2	Scope 3	Total
2019/20	12,120,236	0.36	0.49	0.01	<b>0.86</b>
2020/21	980,576	3.50	4.30	0.05	<b>7.85</b>

## Birmingham Airport Holdings Limited

### Strategic Report for the Year Ended 31 March 2021 (*continued*)

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#### Energy efficiency actions

A summary of our actions is set out below and more information can be found on our website.

Carbon Reduction Actions	
<b>Net Zero Leaders</b>	<p>A monthly Net-Zero Working Group has been established, made up of Net-Zero leaders for all key business areas. The group's aim is for Net-Zero leaders to support the delivery of energy and carbon savings for their individual areas in line with our commitment to be a net zero carbon Airport by 2033.</p> <p><u>In order to bring a strategic focus on where savings can be made, the group is updated on monthly energy consumption and the associated carbon emissions by business area. Actions for energy saving are assigned to Net-Zero leaders for progression and leaders are encouraged to initiate behavior change with colleagues through knowledge and data sharing.</u></p>
<b>Behaviour Change Campaign</b>	<p>As part of the launch of a behavioural change campaign to promote our journey to be net zero by 2033 staff were engaged to help choose a new logo and share their energy saving ideas with the business.</p> <p>The winning logo was launched on Earth Day alongside an educational video to explain to staff what net-zero means, the targets for the Airport and the aviation sector, the work there is to do as a business and as an industry to reach the targets, and the contributions all staff can make to help us achieve carbon savings.</p>
<b>COVID-19 Energy Savings</b>	<p>Due to the Covid-19 pandemic restrictions there were significantly lower levels of traffic and passenger volumes over the 2020-21 year. This presented a unique opportunity to further examine our operations and infrastructure and eliminate as much wasted energy as possible. To facilitate this, five site-wide energy audits were carried out, with 123 energy saving actions identified and completed. This delivered a 26% emissions reduction, saving 2,666 tonnes of carbon from 2019/20 to 2020/21 (Scope 1&amp;2).</p>
<b>Energy Efficiency Operational Procedure</b>	<p>A governance process now controls when facilities are re-energised, in line with the recovery in passenger volumes. This process includes energy consumption in operational decision-making and should enable energy savings introduced during the pandemic to be maintained in the long-term.</p> <p>One example of improvements is airfield lighting, where we turned off High Mass Lighting at unused stands, reduced ground lighting wherever possible, replaced taxiway observation lighting with LEDs, tightly controlled dawn/dusk timings on all High Mass Lighting and utilised 'eco-mode' on runway ground lighting whenever the runway is not in use.</p>

#### Statement by the Directors on performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of Birmingham Airport Holdings Limited have acted in a way they consider to be most likely to promote the success of the group for the benefit of its members as a whole in the decisions taken during the year ended 31 March 2021.

*(i) the likely consequences of any decision in the long term*

The Airport's Master Plan, published in 2019, sets out our strategy for the Airport over the next 15 years within the context of the Midlands region. This important strategic document guides our internal decision-making and how we work with our many stakeholders to balance sometimes competing priorities and find mutually acceptable ways forward.

## Birmingham Airport Holdings Limited

### Strategic Report for the Year Ended 31 March 2021 (*continued*)

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A number of key decisions have been made in the year to preserve cash and ensure as far as possible that the Airport emerges in a strong position from the Covid-19 pandemic. These includes deferring capital expenditure, mothballing facilities, reducing employee hours through use of the Coronavirus Job Retention Scheme, as well as a significant restructuring programme to reduce the number of employees in the business. For each of these decisions a proposal was made to the Board of Directors to discuss and agree the best way forward. All proposals follow internal policy, whereby the report is prepared by one of the Directors, the written proposal is distributed to all members in advance and the proposal is concluded with a clear action point for approval.

For each of the above decisions s172 has been considered and all decisions made are to achieve the strongest possible position when the aviation market emerges from the Covid-19 pandemic, considering the long-term interests of the Company's remaining employees, as well as suppliers, customers and all other stakeholders.

#### *(ii) the interests of the group's employees*

Our employees are fundamental to the delivery of our Master Plan and our day-to-day operations. In the year 2020/21 a number of difficult decisions have been made which had a direct impact on our employees. The two key decisions were to furlough staff when the Government supported Coronavirus Job Retention Scheme was introduced and, regrettably, a restructuring program which resulted in a large number of staff leaving the Airport through redundancy.

In deciding to furlough staff a number of options were also considered, including significantly reduced working hours and/or salaries for a large proportion of the workforce, however it was concluded that the Coronavirus Job Retention Scheme was the best way forward for the Airport and for employees. We also consulted with and agreed this position with both employees and the unions who represent many of them.

The headcount reduction was in two phases and each phase involved extensive consultation with the Board and with employees and unions. After considering all its options to reduce its cash outflow, the Airport had no option but to reduce its workforce, but at this stage has set out to retain sufficient skilled resources to recover quickly when passenger volumes return. We were very pleased to be able to agree innovative secondment arrangements with other local employers to retain staff in employment and able to return to work at the Airport when required.

The Health and Safety of our employees is our number one priority, supported by our dedicated Health and Safety team. During the year there has been an increased focus on the mental health and wellbeing of our staff as the Covid-19 pandemic has affected them in many ways. Some staff have been furloughed (or a family member has been furloughed); some staff have been working on site throughout the pandemic with additional duties; others have been working from home with the additional challenges that brings; many staff have been home schooling their children; and sadly, some staff have lost a loved one to Covid-19 or suffered illness themselves.

To support staff the Airport carried out mental health and wellbeing awareness training and recruited and trained Mental Health First Aiders and Ambassadors within the business. As we recover from the Covid-19 pandemic and staff start to return to the workplace, whether from furlough or working from home, the Airport is providing return to work tool kits including safety measures and mental health and wellbeing support.

Our "have your say" annual employee survey did not take place in 2020 due to the pandemic but the response rate in our Autumn 2019 survey was high at 88% and a number of initiatives which came from the survey will be implemented once recovery is underway.

The survey identified that employees wanted a greater understanding of the wider business and decision-making. As a result, Employee Roadshows were launched where Directors would meet with small groups of staff to talk through the latest plans for the Airport and listen to staff feedback about the Business. These were unable to continue in the normal way due to the Covid-19 pandemic, but have been replaced temporarily by fortnightly online CEO broadcasts through which all employees can hear the latest developments directly from the CEO.

## Birmingham Airport Holdings Limited

### Strategic Report for the Year Ended 31 March 2021 (*continued*)

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Employee development is also a key factor and whilst we regrettably had to suspend many of the training initiatives planned during the restructuring programme, looking ahead as we recover from the Covid-19 Pandemic, we have launched a number of new initiatives to support our employees' personal development in 2021/22. This includes a new leadership development programme, launched in June 2021, which focusses on soft skills and is delivered by a mix of e-learning and classroom-based training, this is in addition to employees technical training and we continue to train and support our apprentices whilst utilising the Apprenticeship Levy.

*(iii) the need to foster the group's business relationships with suppliers, customers and others*

We know that a great customer experience is not only about our facilities but also how our staff operate every day to consistently deliver a great service. During the year, we have implemented extensive measures, in line with Government guidance, to protect the Health and Safety of everyone at the Airport in light of the Covid-19 pandemic, and to ensure that any passengers travelling through the Airport felt safe and comfortable doing so.

Despite the pandemic, we continue to work closely with the business community across the region, including major corporates, the Chambers of Commerce and travel management companies, to understand their plans and make sure we are meeting their demand for additional destinations and frequency of service. Any plans are currently extremely uncertain but we are continually updating our view of the recovery of air travel and revising our aviation strategy.

We have strong relationships with a wide range of airlines from each of the three leading airline alliances (Star Alliance, Oneworld & SkyTeam) serving domestic, short-haul and long-haul markets. In normal times we provide a diverse and balanced choice of scheduled, low cost and charter flights. Our aviation development team are ambassadors for the region, constantly engaged with existing airline partners and with potential new carriers to Birmingham, raising their awareness of the Midlands and focussing their attention on the opportunities to fulfil route demand from our region. Dialogue with our airline partners is almost continuous at present as we work together to plan flexibly for the easing of restrictions and recovery in passenger volumes.

We consider our supply chain as critical to enabling the Airport to achieve its objectives. The Procurement Strategy seeks to segment our supply chain by criticality and level of expenditure so that procurement activities can be focused on delivering best practice supply chain solutions which represent value for money, are innovative and have an emphasis on sustainability and health and safety and deliver outcomes which meet our requirements. Through the delivery of effective procurement, there is also a commitment to engaging with local small and medium enterprises with a recognition of the need to be socially responsible. We are particularly grateful to all our suppliers for their flexibility during the pandemic, which has necessitated them taking significant actions within their own businesses by furloughing staff and taking other cost-cutting measures.

*(iv) the impact of the group's operations on the community and the environment,*

We take our community responsibilities seriously and work closely with local residents, who are represented on our Airport Consultative Committee, on a wide range of projects and initiatives. The Airport makes annual contributions to a Community Trust Fund, and its independent trustees allocate the funds to worthwhile causes in the areas surrounding the Airport and this work has continued throughout the pandemic. We also have a partnership with Solihull Council on the Youth Promise Plus Programme and operate a Learning Hub in partnership with the Schools of King Edward VI, supporting young people in gaining valuable experience of the aviation industry.

We also take our environmental responsibilities very seriously across all areas such as noise, carbon reduction, water and waste. Our objectives in these areas are set out in our Sustainability Strategy which was published in 2019.

## **Birmingham Airport Holdings Limited**

### **Strategic Report for the Year Ended 31 March 2021 (*continued*)**

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Managing noise is our top priority and we have implemented a comprehensive Noise Action Plan to address issues of noise and track-keeping, noise monitoring and community complaints about aircraft noise. We have listened to our neighbours to understand attitudes to aircraft noise and, in partnership with community representatives, have developed a new night flying policy which is among the most stringent in the UK.

Another key part of our Sustainability Strategy is our commitment to becoming a net zero carbon Airport by 2033, prioritising zero carbon Airport operations and minimising carbon offsets. The mothballing of some of our facilities during the pandemic has led to significant reductions in carbon emissions in 2020/21. Whilst all these reductions will not be retained once all facilities re-open, we expect a number of the steps we have taken to reduce power consumption to continue in future.

Our strategy is to make the best use of our existing runway, in line with the Department for Transport's policy. The significant amount of investment planned for the Airport focuses on ensuring that we maximise the potential of the existing site and runway.

*(v) the desirability of the group maintaining a reputation for high standards of business conduct, and*

The Airport is a public-private partnership that has a high profile and generates significant public interest, particularly in the Midlands region. This makes it particularly important that the standards of business conduct are maintained at a high standard. This is achieved through a suite of company policies which are regularly reviewed and subject to internal audit reporting to the Audit Committee.

*(vi) the need to act fairly as between members of the group.*

The relationship between the Group and its members is primarily guided by a Shareholder Agreement and the trust deeds which govern the employee share scheme. The limited number of members also enables each to be represented on the Board of Directors.

## **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.

### **Assessment of principal risks and uncertainties**

#### **Interest rate risk**

The group's policy is to maintain an appropriate mix of credit facilities within Board approved parameters. The interest costs are fixed for the long-term borrowings, with the only variable interest costs being on the revolving credit facility which was fully drawn down in March 2020 as part of the contingency planning for the Covid-19 pandemic. The group has considered and remains satisfied with its 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. Throughout the year, cash is invested in the money markets which, whilst exposing the group to interest rate risk, does maximise returns, whilst maintaining 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 cash or committed facilities to meet anticipated funding requirements, whilst ensuring that the group is not exposed to excessive refinancing in any one year. In addition to the £73.2 million cash balance, shareholders have put in place a £65 million loan facility and these are considered sufficient to meet the company's ongoing liquidity requirements.

## **Birmingham Airport Holdings Limited**

### **Strategic Report for the Year Ended 31 March 2021 (*continued*)**

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#### 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 frequent 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. This year the low trading revenues has also led to correspondingly low trade debtors.

#### Cost 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. Due to the impact of the Covid-19 pandemic, agreement has been reached with unions and employees that a pay review will be carried out after the summer season where it is hoped there will be sufficient confidence in the recovery and the Group's financial position to consider a pay increase. Other cost exposures relate to general market inflation and building costs during periods of expansion, the programme for which has been significantly reduced.

#### Competition risk

The key competitive risks are passengers and/or airline operators switching to other airports. These risks are mitigated by maintaining strong relationships with our airline customers and through continuous improvements targets to improve the customer experience.

#### Covenant risk

The group has financial covenants relating to gearing and interest cover which are required by the private placement senior loan note holders and the bank Revolving Credit Facility.

As a result of the prolonged traffic disruption it became clear these covenant tests would not be passed in 2020/21, therefore an agreement was reached with lenders to waive the covenants at the 30 September 2020 and 31 March 2021 testing dates. As the impact of the pandemic has continued a further waiver of these covenant tests has been agreed for the 30 September 2021, 31 March 2022 and 30 September 2022 test dates. The next covenant test date is 31 December 2022.

An alternative liquidity covenant test has been introduced which compares cash and undrawn facilities against six months' projected costs on a monthly basis.

#### Brexit risk

The UK successfully negotiated a new trade deal with the EU which came into effect on 1 January 2021, therefore the risks associated with Brexit have reduced and any potential impact on the Airport has been overshadowed by the severe disruption caused by Covid-19.

#### Travel restrictions

Whilst there has been some easing of the travel restrictions from 17 May 2021, there remains a significant risk that either further easing is delayed or travel restrictions are reinstated, should there be any flare-ups of the disease in the UK or destination countries.

In addition, the current restrictions imposed on passengers have created additional documentation and therefore increased processing time on arrivals, which could create delays or additional staffing requirements when more destinations are permitted.

#### Passenger demand

The rate at which demand for air travel returns remains uncertain, however the Airport is confident that the demand will return and that the long-term prospects remain positive. We are continually reviewing and updating passenger projections for the near-term, to ensure we are well prepared for the recovery when it takes hold. Following the actions taken by the Airport in 2020/21, it is in a strong position to recover when restrictions on air travel are lifted.

## Birmingham Airport Holdings Limited

### Strategic Report for the Year Ended 31 March 2021 (*continued*)

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We would like to take this opportunity to thank all colleagues who have worked so hard for the Airport over the past year. It has been challenging for everyone, both at work and at home, and their dedication to helping the Airport through the Covid-19 pandemic and preparing for the recovery has been exemplary and very much appreciated.

Approved and authorised by the Board on 7 July 2021 and signed on its behalf by:



T Clarke  
Chairman



F Penhallurick  
Company Secretary

## **Birmingham Airport Holdings Limited**

### **Directors' Report for the Year Ended 31 March 2021**

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The Directors present their report and the audited financial statements of the group and company for the year ended 31 March 2021.

#### **Future developments, dividends and financial risk management**

The Strategic Report on pages 2 to 13 includes details of the group's and company's financial performance, dividends, future developments, statement of engagement with suppliers, customers and others in a business relationship with the company which is covered by s172, stakeholder engagement, financial risk management objectives and policies, and its greenhouse gas emissions, energy consumption and energy efficiency action.

#### **Directors of the group**

The Directors of the company who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were:

N Barton - Chief executive

M A Bird

T Chatfield

T Clarke - Chairman

K J Hicks (resigned 1 July 2020)

R Lawrence (appointed 1 July 2020 and resigned 30 June 2021)

K K Lezama (appointed 10 March 2021)

S Masters-Clark (resigned 1 July 2020)

J D McNicholas (resigned 1 July 2020)

R F Piper (resigned 1 July 2020)

G E Richards (resigned 30 June 2021)

E Ruane (appointed 1 July 2020 and resigned 30 June 2021)

T M R G Silva (resigned 10 March 2021)

G Singh (resigned 1 July 2020)

D M Stanton

P C Tilsley

M R Toms

W Zaffar (resigned 1 July 2020)

The following directors were appointed after the year end:

P T A Bateman (appointed 30 June 2021)

J Mutton (appointed 30 June 2021)

R K Sleigh (appointed 30 June 2021)

#### **Company Secretary**

F Penhallurick

#### **Directors liabilities**

The Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained Directors' and Officers' liability insurance in respect of itself and its Directors throughout the financial year.



## Birmingham Airport Holdings Limited

### Directors' Report for the Year Ended 31 March 2021 (*continued*)

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#### Going concern

The Directors have reviewed the prospects for the group and company to March 2023 (twenty-four months from the balance sheet date) in the context of the ongoing Covid-19 pandemic. At the balance sheet date the group had strong liquidity, with a cash balance of £73.212 million, and this was bolstered on 1 April by receipt of the £6.3 million AGOSS grant from Government (note 35). Actions taken since the start of the pandemic to reduce expenditure have led to average cash outflows in the second half of 2020/21 (excluding the now matured corporate bond) averaging £5.5 million per month. Therefore, on a simple basis the group has sufficient cash to operate for 13 months. To further support the group, a £65 million shareholder loan facility has been put in place. Together with the cash balance, the group therefore has liquidity sufficient for almost two years from the date of signing these financial statements.

The Directors have also considered the continuing uncertainties facing the group over the next two years and carried out financial modelling of a range of trading scenarios along with the actions which could be taken in response. In assessing the going concern position, the Directors have considered:

- the potential impact of Covid-19 on the group's cash flow and liquidity over the next 24 months, and
- the associated impact on the covenants in the group's financing arrangements.

Due to the uncertainty over the timing of when UK and international travel restrictions will be lifted, along with the uncertainty over airlines' capacity plans and passenger demand, in addition to a Base Case scenario of 4.4 million passengers in 2021/22 and 9.9 million passengers in 2022/23, a severe but plausible Low Case has been created against which to assess liquidity and covenants. This assumes continued low activity of 1.0 million passengers in 2021/22, with correspondingly low revenues, followed by a delayed recovery to 6.0 million passengers in 2022/23 and 9.9 million passengers in 2023/24.

The group has significantly reduced cash outflows in both operating and capital expenditure throughout 2020/21 as the impact of the pandemic continued. The Government's Coronavirus Job Retention Scheme has been utilised to fund the cost of up to two-thirds of employees who have been furloughed. Regrettably, the duration of the pandemic has led to 43% of employees leaving the group during the year. The majority of these were made redundant but some security staff have been seconded to other organisations and are expected to return to the Airport once passenger volumes recover.

The group has no debt maturities until £30 million of private placement loan notes mature in December 2023.

Waivers on covenant compliance were granted by lenders in May 2020 to avoid events of default arising from the potential failures against the leverage and interest cover tests at September 2020 and March 2021. A new testing date was introduced for June 2021 together with a six month forward liquidity covenant, tested monthly. Due to the continuing pandemic a further extension of the waivers until December 2022 was sought and granted by lenders in May 2021.

It is the December 2022 covenant test which therefore represents the key uncertainty in the going concern assessment because compliance relies on the timing and pace of recovery in the sector. The group forecasts to pass this covenant test under the base case scenario with 9.9 million passengers in 2022/23. The group forecasts to retain a satisfactory cash balance but the Low Case scenario shows it will not comply with EBITDA-based covenant ratios unless passenger volumes and revenues recover quickly enough. If the pace of recovery is not quick enough then a combination of a further waiver and shareholder support or alternative funding will be required to avoid a covenant breach, which is not certain.

## **Birmingham Airport Holdings Limited**

### **Directors' Report for the Year Ended 31 March 2021 (*continued*)**

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#### **Going concern (*continued*)**

The Directors have kept shareholders fully informed regarding the projected finances of the group and the risks around the lending covenants. Shareholders are fully supportive of actions taken to date and are ready to engage in further discussion should further support be required in due course.

After due consideration of the matters set out above, the Directors are satisfied that it remains appropriate to prepare the financial statements on a going concern basis. However, the uncertain course of the Coronavirus pandemic and its impact on the ability of the group to meet its covenant tests, and to take corrective measures should it not be able to do so, continue to cast some doubt in the medium-term on the group and company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. These financial statements do not contain any adjustment that would arise if the financial statements were not drawn up on a going concern basis.

#### **Political donations**

There were no political donations during the year.

#### **Employment of disabled persons**

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. We are committed to being a Disability Confident employer. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment either in the same or an alternative position, where possible, with appropriate retraining being given if necessary

#### **Employee involvement**

Employee contribution to our business is key to our success. The Group commits to meet the investors in people standard, ensuring the skills and knowledge of all our employees are updated to meet changes in our industry. The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group.

## Birmingham Airport Holdings Limited

### Directors' Report for the Year Ended 31 March 2021 (*continued*)

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#### Reappointment of auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved and authorised by the Board on 7 July 2021 and signed on its behalf by:



T Clarke  
Chairman



F Penhállurick  
Company Secretary

## **Birmingham Airport Holdings Limited**

### **Statement of Directors' Responsibilities in respect of the financial statements**

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The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Directors' confirmations**

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the 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 and company's auditors are aware of that information.

Approved and authorised by the Board on 7 July 2021 and signed on its behalf by:



F Penhallurick  
Company Secretary

## **Birmingham Airport Holdings Limited**

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

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#### **Report on the audit of the financial statements**

##### ***Opinion***

In our opinion, Birmingham Airport Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2021 and of the group's and company's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated financial statements (the "Annual Report"), which comprise: the consolidated and company statement of financial position as at 31 March 2021; the consolidated income statement; the consolidated statement of comprehensive income; the consolidated statement of changes in equity; the company statement of changes in equity and the consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### ***Independence***

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Birmingham Airport Holdings Limited**

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

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#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

## **Birmingham Airport Holdings Limited**

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

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#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Civil Aviation Authority (CAA) regulations, employment law including the Coronavirus Job Retention Scheme (CJRS) requirements, health and safety laws, pensions legislation and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of fraudulent journals and manipulating the Group's key performance indicators to meet externally communicated targets. Audit procedures performed by the engagement team included:

- Inquiring of management and those charged with governance, as to whether the entity is in compliance with such laws and regulations, including consideration of actual or potential litigation and claims;
- Inspecting correspondence with the relevant authorities and obtaining direct confirmations from third party advisors;
- Review of evidence including the involvement of pension experts to review financial assumptions and fair values of assets;
- Identifying and testing journal entries focussing on entries with unusual account combinations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing minutes of meetings of those charged with governance, reviews of legal expenses and discussion with legal counsel;
- Review of estimates for evidence of bias; and
- Incorporating elements of unpredictability within audit procedures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## **Birmingham Airport Holdings Limited**

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

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#### *Use of this report*

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.

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



.....  
**Paul Norbury (Senior Statutory Auditor)**  
**For and on behalf of PricewaterhouseCoopers LLP,**  
**Chartered Accountants and Statutory Auditor**  
**Birmingham**

7 July 2021



## Birmingham Airport Holdings Limited

### Consolidated Income Statement for the Year Ended 31 March 2021

	Note	2021 £ 000	2020 £ 000
Turnover	4	24,003	159,591
Other operating income	7	6,491	-
Employee benefits expense	9	(30,841)	(34,400)
Depreciation and amortisation expense	6	(27,545)	(27,579)
Other operating charges		(29,313)	(54,350)
Exceptional administrative expenses	5	<u>(3,252)</u>	<u>(105)</u>
Operating (loss)/profit		<u>(60,457)</u>	<u>43,157</u>
Other interest receivable and similar income	11	274	1,019
Interest payable and similar charges	12	<u>(20,832)</u>	<u>(18,935)</u>
		<u>(20,558)</u>	<u>(17,916)</u>
(Loss)/profit before tax		(81,015)	25,241
Taxation	13	<u>13,402</u>	<u>(6,754)</u>
(Loss)/profit for the year		<u>(67,613)</u>	<u>18,487</u>
<b>Profit/(loss) attributable to:</b>			
Owners of the company		<u>(67,613)</u>	<u>18,487</u>

The above results were derived from continuing operations.

The Consolidated Income Statement has been re-presented in the current year to show expenses by nature.

## Birmingham Airport Holdings Limited

### Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2021

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
(Loss)/profit for the financial year	<u>(67,613)</u>	<u>18,487</u>
Deficit on tangible assets revaluation	-	(2,162)
Deferred tax on tangible assets revaluation	-	411
Deferred tax change in rate on tangible asset revaluations	-	(3,144)
Remeasurement (loss)/gain on net defined benefit pension liability	(14,921)	9,051
Deferred tax effect on actuarial (loss)/gain recognised on net defined benefit pension liability	<u>2,835</u>	<u>(1,266)</u>
Other comprehensive (expense)/income for the year	<u>(12,086)</u>	<u>2,890</u>
<b>Total comprehensive (expense)/income for the year</b>	<u><u>(79,699)</u></u>	<u><u>21,377</u></u>

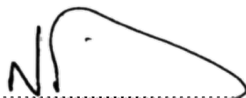
# Birmingham Airport Holdings Limited

(Registration number: 3312673)

## Consolidated Statement of Financial Position as at 31 March 2021

	Note	2021 £ 000	2020 £ 000
<b>Fixed assets</b>			
Tangible assets	14	471,272	484,266
Investment property	15	10,415	10,229
		<u>481,687</u>	<u>494,495</u>
<b>Current assets</b>			
Inventories	17	1,250	1,181
Debtors	18	11,227	28,592
Cash at bank and in hand	19	73,212	212,059
		<u>85,689</u>	<u>241,832</u>
<b>Creditors: Amounts falling due within one year</b>	20	<u>(49,616)</u>	<u>(176,806)</u>
<b>Net current assets</b>		<u>36,073</u>	<u>65,026</u>
<b>Total assets less current liabilities</b>		517,760	559,521
Creditors: Amounts falling due after more than one year	20	(417,264)	(372,455)
Provisions for liabilities	24	(13,846)	(29,813)
Post employment benefits	25	(47,216)	(38,092)
		<u>(39,434)</u>	<u>(119,161)</u>
<b>Net assets</b>		<u>39,434</u>	<u>119,161</u>
<b>Capital and reserves</b>			
Called up share capital	26	3,240	3,240
Revaluation reserve	27	49,675	50,768
Merger reserve	27	25,588	25,588
(Accumulated losses)/retained earnings		<u>(39,069)</u>	<u>39,565</u>
<b>Total equity</b>		<u>39,434</u>	<u>119,161</u>

The financial statements on pages 23 to 62 were approved and authorised by the Board on 7 July 2021 and signed on its behalf by:



N Barton

Chief Executive



T Clarke

Chairman

The notes on pages 30 to 62 form an integral part of these financial statements.

# Birmingham Airport Holdings Limited

(Registration number: 3312673)

## Company Statement of Financial Position as at 31 March 2021

	Note	2021 £ 000	2020 £ 000
<b>Fixed assets</b>			
Investments	16	<u>143,745</u>	<u>143,745</u>
<b>Current assets</b>			
Debtors	18	125,415	150,205
Cash at bank and in hand	19	<u>608</u>	<u>625</u>
		126,023	150,830
<b>Creditors: Amounts falling due within one year</b>	20	<u>(160,148)</u>	<u>(175,771)</u>
<b>Net current liabilities</b>		<u>(34,125)</u>	<u>(24,941)</u>
<b>Total assets less current liabilities</b>		109,620	118,804
Creditors: Amounts falling due after more than one year	20	<u>(40,384)</u>	<u>(40,384)</u>
<b>Net assets</b>		<u>69,236</u>	<u>78,420</u>
<b>Capital and reserves</b>			
Called up share capital	26	3,240	3,240
Merger reserve	27	51,380	51,380
Retained earnings		<u>14,616</u>	<u>23,800</u>
<b>Total equity</b>		<u>69,236</u>	<u>78,420</u>

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual income statement. Its loss for the financial year was £9.156 million (2020: £20.642 million profit).

The financial statements on pages 23 to 62 were approved and authorised by the Board on 7 July 2021 and signed on its behalf by:



N Barton  
Chief Executive



T Clarke  
Chairman

## Birmingham Airport Holdings Limited

### Consolidated Statement of Changes in Equity for the Year Ended 31 March 2021

	Note	Called up Share capital £ 000	Revaluation reserve £ 000	Merger reserve £ 000	Retained earnings/ (accumulated losses) £ 000	Total equity £ 000
At 1 April 2019		3,240	55,083	25,588	39,816	123,727
Profit for the financial year		-	-	-	18,487	18,487
Other comprehensive income		-	(3,078)	-	5,968	2,890
Total comprehensive income		-	(3,078)	-	24,455	21,377
Dividends	28	-	-	-	(25,963)	(25,963)
Transfer of realised profits	27	-	(1,237)	-	1,237	-
Net sale of own shares from share trust		-	-	-	67	67
Movement in reserves of own trust		-	-	-	(47)	(47)
At 31 March 2020		3,240	50,768	25,588	39,565	119,161
At 1 April 2020		3,240	50,768	25,588	39,565	119,161
Loss for the financial year		-	-	-	(67,613)	(67,613)
Other comprehensive expense		-	-	-	(12,086)	(12,086)
Total comprehensive expense		-	-	-	(79,699)	(79,699)
Transfer of realised profits	27	-	(1,093)	-	1,093	-
Net sale of own shares from share trust	27	-	-	-	(8)	(8)
Movement in reserves of own trust		-	-	-	(20)	(20)
At 31 March 2021		3,240	49,675	25,588	(39,069)	39,434

## Birmingham Airport Holdings Limited

### Company Statement of Changes in Equity for the Year Ended 31 March 2021

	Note	Called up Share capital £ 000	Merger reserve £ 000	Retained earnings £ 000	Total Equity £ 000
At 1 April 2019		3,240	51,380	29,101	83,721
Profit for the financial year		-	-	20,642	20,642
Total comprehensive income		-	-	20,642	20,642
Dividends	28	-	-	(25,963)	(25,963)
Net sale of own shares from share trust		-	-	67	67
Movement in reserves of own trust		-	-	(47)	(47)
At 31 March 2020		3,240	51,380	23,800	78,420
At 1 April 2020		3,240	51,380	23,800	78,420
Loss for the financial year		-	-	(9,156)	(9,156)
Total comprehensive expense		-	-	(9,156)	(9,156)
Net sale of own shares from share trust 27		-	-	(8)	(8)
Movement in reserves of own trust		-	-	(20)	(20)
At 31 March 2021		3,240	51,380	14,616	69,236

## Birmingham Airport Holdings Limited

### Consolidated Statement of Cash Flows for the Year Ended 31 March 2021

	Note	2021 £ 000	2020 £ 000
Cash flow (used in)/from operating activities	29	(40,467)	62,430
Income taxes received/(paid)		79	(12,714)
<b>Net cash flow (used in)/generated from operating activities</b>		<b>(40,388)</b>	<b>49,716</b>
<b>Cash flow from investing activities</b>			
Interest received	11	458	867
Purchase of tangible assets		(21,388)	(32,798)
Receipt of capital grants	7	-	2,145
Proceeds from sale of tangible assets	6	163	25
Net cash used in investing activities		(20,767)	(29,761)
<b>Cash flow from financing activities</b>			
Interest paid	12	(16,630)	(16,052)
Repayment of corporate bond	30	(105,000)	-
Proceeds from private placements senior notes	30	45,000	85,000
Proceeds from bank facilities		-	25,000
Interest on preference shares		-	(971)
Dividends paid		-	(25,963)
Lease/leaseback premium	33	(1,034)	(837)
Net sale of own shares from share trust		(8)	67
Movement in reserves of own trust		(20)	(47)
<b>Net cash (used in)/generated from financing activities</b>		<b>(77,692)</b>	<b>66,197</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(138,847)</b>	<b>86,152</b>
Cash and cash equivalents at the beginning of the year		212,059	125,907
Cash and cash equivalents at the end of the year	19	73,212	212,059

The notes on pages 30 to 62 form an integral part of these financial statements.

# Birmingham Airport Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 March 2021

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### 1 General information

The company and its subsidiaries ("the group") are private companies limited by shares and incorporated in United Kingdom.

The address of its registered office is:

Diamond House  
Birmingham Airport  
Birmingham  
West Midlands  
B26 3QJ

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.

### 2 Accounting policies

#### Summary of significant accounting policies and key accounting estimates

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

#### Statement of compliance

The group and company financial statements of Birmingham Airport Holdings Limited were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), taking into account updates of the 2018 triennial review and the Companies Act 2006.

#### Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost conventions modified to include the revaluation of certain assets in accordance with applicable accounting standards and the Companies Act 2006.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual income statement. Its loss for the financial year was £9.156 million (2020: £20.642 million profit).



# Birmingham Airport Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 March 2021 (*continued*)

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### 2 Accounting policies (continued)

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions. The company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures;
- from the requirements of FRS 102 paragraph 33.7 as the key management personnel and directors are the same; and
- from the requirement to disclose transactions with group members under FRS102 paragraph 33.1A.

#### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2021. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

#### **Going concern**

The Directors have reviewed the prospects for the group and company to March 2023 (twenty-four months from the balance sheet date) in the context of the ongoing Covid-19 pandemic, as outlined in the Directors report on page 15. At the balance sheet date the group had strong liquidity, with a cash balance of £73.212 million, and this was bolstered on 1 April by receipt of the £6.3 million AGOSS grant from Government (note 35). Actions taken since the start of the pandemic to reduce expenditure have led to average cash outflows in the second half of 2020/21 (excluding the now matured corporate bond) averaging £5.5 million per month. Therefore, on a simple basis the group has sufficient cash to operate for 13 months. To further support the group, a £65 million shareholder loan facility has been put in place. Together with the cash balance, the group therefore has liquidity sufficient for almost two years from the date of signing these financial statements. These financial statements do not contain any adjustment that would arise if the financial statements were not drawn up on a going concern basis.

#### **Revenue recognition**

Turnover represents the amounts derived from the provision of services which fall within the group's principal activity of the operation and management of Birmingham Airport and its related activities. All turnover is generated in the United Kingdom. Turnover comprises:

Aeronautical income - sales related to aeronautical activities net of rebates, incentives and value added tax and is recognised at the point of passenger and aircraft departure.

Concessions, property income and recharges - concessions rentals net of value added tax relating to retail activities on the site and revenues relating to property lettings, service charges, utility recharges and usage charges for operational systems. Concessions income for car parking is recognised at the end of the parking stay and income from all other activities is recognised in the period to which it relates on an accruals basis.

## **Birmingham Airport Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)**

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

##### **Government grants**

Government grants that do not impose specified future performance-related conditions are recognised in income when the grant proceeds are received or receivable. Grants that impose specified future performance-related conditions are recognised in income only when the performance-related conditions are met.

##### **Other grants**

Grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected lives of the relevant assets by equal annual instalments.

##### **Exceptional administrative expenses**

The group classifies certain one-off charges or credits that have a material impact on the group's financial results as 'exceptional administrative expenses'. These are disclosed separately in note 5 to provide further understanding of the financial performance of the group.

##### **Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except where it is attributable to an item of income or expense recognised as other comprehensive income where it is recognised directly in the Statement of Comprehensive Income or in equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group and company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group and company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Current and deferred tax assets and liabilities are not discounted.

# Birmingham Airport Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 March 2021 *(continued)*

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### 2 Accounting policies (continued)

#### Tangible assets

Land, buildings and infrastructure are revalued and carried at their fair value at the date of valuation less any accumulated depreciation and accumulated impairment losses. Due to the specialist nature of the land, buildings and infrastructure fair value is based on an income or depreciated replacement cost approach. The Directors revalued certain operational assets where their fair value is based on income at 31 March 2020. An independent valuation of other operational assets was undertaken at 31 March 2019.

Tangible assets are revalued with sufficient regularity so as to ensure there are no significant differences between carrying and fair value. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and the revaluation reserve. However, the increase shall be recognised in the Income Statement to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement. The decrease of an asset's carrying amount as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in the revaluation reserve, in respect of that asset. If a revaluation decrease exceeds the accumulated revaluation gains accumulated in the revaluation reserve in respect of that asset, the excess shall be recognised in the income statement.

Plant and machinery is measured at cost less any accumulated depreciation and any accumulated impairment losses. The cost of plant and machinery includes original purchase price and directly attributable incremental costs incurred in bringing the asset to its working condition for its intended use.

General and specific borrowing costs directly attributable to the acquisition, construction of production of qualifying assets, which are assets that necessarily take a substantial amount of time to get ready for their intended use are added to the cost of those assets. All other borrowing are recognised in the income statement in the period they are incurred.

#### Depreciation

Depreciation is provided on all tangible fixed assets, other than land and assets in the course of construction, at rates calculated to write off cost or valuation, less estimated residual value of each asset evenly over its expected useful life. In addition, the carrying values of tangible fixed assets are reviewed for continued applicability in future periods if events or changes in circumstances indicate the carrying value may not be recoverable. The principal useful lives are as follows:

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

#### Investment property

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

## **Birmingham Airport Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)**

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

##### **Investments**

Investments in subsidiary companies are held at cost less accumulated impairment losses. Investments are assessed for impairment at the end of each reporting period. If there is an indication of impairment the recoverable amount of the investment is impaired to its carrying amount. The recoverable amount of the investment is the higher of fair value less cost to sell and value in use. Value in use is defined as if the recoverable amount of the investment is lower than its carrying amount an impairment is recognised in the income statement.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

##### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade debtors are recognised initially at the transaction price, and then carried at amortised cost. A provision for the impairment of trade debtors is established when there is objective evidence that the group or company will not be able to collect all amounts due according to the original terms of the receivables.

##### **Inventories**

Stores of consumable items and development land held within stock are valued at the lower of purchase cost or estimated net realisable value. At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired the impairment charge is recognised in the income statement. Costs associated with holding the land are expensed as incurred.

##### **Trade payables**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group or company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at undiscounted amount of cash or consideration expected to be paid.

##### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group or company as an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

## **Birmingham Airport Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)**

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

##### **Provisions**

Provisions are recognised when the group has a legal or constructive obligation at the reporting date as a result of a past event, it is probable that the group or company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Details of provisions are disclosed in note 24.

##### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance costs in the Income Statement and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

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

##### **Financial instruments**

Financial instruments are all categorised as basic financial instruments under section 11 of FRS 102. The company has chosen not to measure the basic financial instruments at fair value through the Income Statement.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

##### **Dividends**

Dividend distributions to the company's shareholders are recognised as a liability in the financial statements in the reporting period in which the dividends are approved by the shareholders.

## **Birmingham Airport Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)**

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

##### **Employee benefits**

###### Share incentive plan

The Birmingham Airport Holdings Limited group has a Share Incentive Plan (SIP) which is available to all permanent employees of the group companies. The All Employees Share Ownership Plan (AESOP) was set up to enable employees to have a greater involvement in the company and share in its future success and has been approved by HM Revenue and Customs. Most years employees have the opportunity to join the plan and save to purchase Partnership shares in the group. The scheme has not operated in 2020/21. For every three Partnership shares purchased the employee is given a Matching share by the Employee Share Trust. The shares are held in Trust for the employees and they are entitled to receive a dividend from Birmingham Airport Holdings Limited, if a dividend is declared, while the shares are held in Trust for the employee.

###### Defined contribution plan

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

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

###### Defined benefit plan

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

The liability recognised in the Consolidated Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of the plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in sterling, and that have terms to maturity approximation to the terms of the related pension liability. The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'remeasurement of net defined benefit liability'.

The cost of the defined benefit plan is recognised in the Income Statement as employee costs and comprises, increases in the liability arising from employee service and cost of benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Income Statement as a 'finance expense'.

## **Birmingham Airport Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)**

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#### **3 Critical accounting judgements and estimations of uncertainty**

The group and company makes relatively few judgments and estimates in preparing the financial statements and where the directors have had to make provisions they are reasonable and prudent. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Key accounting estimates and assumptions**

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### **(i) Provisions**

Provision is made for site development related liabilities for land compensation act 1973 payments and other matters as they arise. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. Details of provisions are disclosed in note 24.

##### **(ii) Defined benefit pension scheme**

The group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends. Details of the pension scheme are disclosed in note 25.

##### **(iii) Tangible assets**

The group's tangible fixed assets are carried at either their fair value at date of valuation or cost, less any accumulated depreciation. Management estimates the useful economic life of assets based on historical experience and professional guidance from suppliers and subject matter experts. Asset impairments are based on estimates of current and future development plans. Details of the tangible assets are disclosed in note 14.

##### **(iv) Impairment of trade debtors**

A provision for the impairment of trade debtors is established when there is objective evidence that the group or company will not be able to collect all amounts due according to the original terms of the receivables. The provision is based on historical loss experience on a probability weighted basis to quantify.

##### **(v) Customer rebates**

The group has accruals for expected rebates with customers. Such estimates are based on analyses of existing contractual obligations, historical trends and the group experience. After assessment by management, the total accruals for these items are adequate, based upon currently available information and contractual positions. As these deductions are based on management estimates, the actual rebate costs might differ from these estimates.

## **Birmingham Airport Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (*continued*)**

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#### **3 Critical accounting judgements and estimations of uncertainty (continued)**

(vi) Going concern

The Directors have considered the continuing uncertainties facing the group over the next two years and carried out financial modelling of a range of trading scenarios along with the actions which could be taken in response, as outlined in the Directors' report on page 15. In assessing the going concern position, the Directors have considered:

- the potential impact of Covid-19 on the group's cash flow and liquidity over the next 24 months, and
- the associated impact on the covenants in the group's financing arrangements.

Due to the uncertainty over when UK and international travel restrictions will be lifted, along with the uncertainty over airlines capacity plans and passenger demand, in addition to a base case scenario of 4.4 million passengers in 2021/22 and 9.9 million passengers in 2022/23, a severe but plausible downside scenario has been created to assess liquidity and covenants. This assumes continued low activity of 1.0 million passengers in 2021/22, with correspondingly low revenues, followed by a delayed recovery to 6.0 million passengers in 2022/23 and 9.9 million passengers in 2023/24.



## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 4 Turnover

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

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Aeronautical income	7,640	63,179
Concessions income	6,295	66,842
Property income and recharges	10,068	29,570
	<u>24,003</u>	<u>159,591</u>

All turnover is generated in the United Kingdom.

#### 5 Exceptional administrative expenses

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Restructuring	2,996	105
Covenant waiver legal cost	234	-
Other exceptional costs	22	-
	<u>3,252</u>	<u>105</u>

During the year £2.996 million (2020: £0.105 million) restructuring costs, including £0.065 million legal fees, were incurred for employees leaving the business as a result of redundancy programmes.

During the year covenant waiver legal costs of £0.234 million (2020: £nil) and other exceptional costs, associated with HS2 people mover safeguarding of £0.022 million (2020: £nil) were incurred. Included within taxation on (loss)/profit is tax on exceptional items at the current UK tax rate of 19% (2020: 19%) amounting to £0.618 million (2020: £0.020 million).

#### 6 Operating (loss)/profit

Arrived at after charging/(crediting):	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Depreciation expense (note 14)	27,781	27,807
Capital grant release	(9)	(9)
Government capital grant release (note 7)	(227)	(219)
Government furlough grant release (note 7)	(6,491)	-
(Increase)/decrease in fair value of investment property (note 15)	(186)	1,551
Operating lease expense - plant and machinery	63	86
Profit on disposal of tangible assets	(84)	(25)
(Reversal of impairment)/impairment of trade receivables	<u>(278)</u>	<u>672</u>

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 7 Government grants

Government grant income has been received in the year in relation to the Coronavirus Job Retention Scheme (CJRS) of £6.491 million (2020: £nil) and is recognised within other income on a systematic basis over the period in which the company recognises the related costs for which the grant is intended to compensate. During the prior year the group received a grant of £1.375 million from the Department of Transport for the deployment and operation of ultra-low emission buses, including any supporting infrastructure and also received the final instalment of £1.353 million grant from the European Commission Innovation and Networks Executive Agency for collaborative decision making. The grants are being amortised to the Income Statement over the life of the assets.

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Opening balance at 1 April	2,509	583
Utilised	(6,718)	(219)
Additions	6,491	2,145
Closing balance at 31 March	<u>2,282</u>	<u>2,509</u>

#### 8 Auditors' remuneration

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Audit of company and consolidated financial statements	53	19
Audit of the financial statements of subsidiaries of the company pursuant to legislation	128	62
	<u>181</u>	<u>81</u>
<b>Other fees to auditors</b>		
Audit-related assurance services	6	3
All other non-audit services	-	11
	<u>6</u>	<u>14</u>

Other fees includes advice on specific transactions and audit of costs for service charges and passengers with reduced mobility.

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 9 Staff costs

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

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Wages and salaries	29,041	29,582
Social security costs	2,699	2,866
Other pension costs, defined contribution scheme (note 25)	1,374	1,568
Other pension costs, defined benefit scheme (note 25)	1,172	1,526
	<u>34,286</u>	<u>35,542</u>

The aggregate payroll costs include exceptional items of £2.931million (2020: £0.105 million) and employee costs capitalised of £0.513 million (2020: £1.037 million).

The company had 2 employees (2020: 2) who received wages and salaries of £0.960 million (2020: £0.754 million), with national insurance costs of £0.130 million (2020: £0.089 million).

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

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
Engineering	36	52
Operations and security	552	669
Support services	189	189
	<u>777</u>	<u>910</u>

#### 10 Directors' emoluments

The directors' emoluments for the year was as follows:

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Aggregate emoluments	<u>693</u>	<u>503</u>

No directors are part of a share options scheme or accrued post-employment benefits under defined benefits plan or as a member of defined contribution pension scheme (2020: £nil).

In respect of the highest paid director:

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Aggregate emoluments	<u>595</u>	<u>399</u>

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (*continued*)

#### 10 Directors' emoluments (continued)

##### Key management compensation

Key management includes the members of senior management. The compensation paid or payable to key management for employee services is shown below: There were 12 members of senior management in the year (2020: 16).

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Salaries and other short term benefits	2,166	1,724
Post employment benefits	77	110
	<u>2,243</u>	<u>1,834</u>

#### 11 Interest receivable and similar income

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Bank interest receivable	252	1,019
Other interest receivable	22	-
	<u>274</u>	<u>1,019</u>

#### 12 Interest payable and similar expenses

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Corporate bond	6,027	6,723
Private placements senior notes interest	12,321	9,672
Interest on preference shares	971	971
Lease/leaseback interest	859	837
Bank loans and overdrafts	219	95
Pension scheme net finance charge (note 25)	814	1,220
Other interest payable	208	181
Less: capitalised interest	(587)	(764)
	<u>20,832</u>	<u>18,935</u>

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 *(continued)*

#### 13 Tax on (loss)/profit

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

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current taxation</b>		
UK corporation tax	(367)	7,082
Adjustment in respect of prior years	80	(137)
	<u>(287)</u>	<u>6,945</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	(13,140)	(327)
Arising from changes in tax rates and laws	-	343
Adjustment in respect of prior years	25	(207)
	<u>(13,115)</u>	<u>(191)</u>
Tax on (loss)/profit	<u>(13,402)</u>	<u>6,754</u>

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

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Arising from origination and reversal of timing difference	(2,835)	1,309
Arising from changes in tax rates and laws	-	2,690
	<u>(2,835)</u>	<u>3,999</u>

##### (c) Reconciliation of tax (credit)/charge

The tax on (loss)/profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020: higher than the standard rate of corporation tax in the UK) of 19% (2020: 19%).

The differences are reconciled below:

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
(Loss)/profit before tax	<u>(81,015)</u>	<u>25,241</u>
Corporation tax at standard rate	(15,393)	4,796
Effect of expense not deductible in determining taxable profit	1,886	1,959
Deferred tax charge relating to changes in tax rates or laws	-	343
Adjustment in respect of prior years	105	(344)
Total tax (credit)/charge	<u>(13,402)</u>	<u>6,754</u>

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 13 Tax on (loss)/profit (continued)

##### (d) Tax rate changes

Deferred tax balances are measured at a Corporation Tax rate of 19%, being the prevailing rate of tax at the balance sheet date. In the March 2021 UK Budget it was announced that legislation will be introduced in the Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 01 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 March 2021 continue to be measured at a rate of 19%. If the amended tax rate had been used, the net deferred tax liability would have been higher by £3.926 million.

#### 14 Tangible assets

##### Group

	Land and buildings £ 000	Leasehold land and buildings £000	Infrastructure £ 000	Plant and machinery £ 000	Assets in the course of construction £ 000	Total £ 000
<b>Cost or valuation</b>						
At 1 April 2020	294,322	200	114,581	191,020	56,492	656,615
Additions	-	-	-	-	14,279	14,279
Capitalised interest	-	-	-	-	587	587
Disposals	-	-	-	(815)	-	(815)
Transfers	1,252	-	6,260	10,946	(18,458)	-
At 31 March 2021	<u>295,574</u>	<u>200</u>	<u>120,841</u>	<u>201,151</u>	<u>52,900</u>	<u>670,666</u>
<b>Accumulated depreciation</b>						
At 1 April 2020	14,020	-	10,663	147,666	-	172,349
Charge for the year	10,873	-	7,439	9,469	-	27,781
Eliminated on disposal	-	-	-	(736)	-	(736)
At 31 March 2021	<u>24,893</u>	<u>-</u>	<u>18,102</u>	<u>156,399</u>	<u>-</u>	<u>199,394</u>
<b>Carrying amount</b>						
<b>At 31 March 2021</b>	<u>270,681</u>	<u>200</u>	<u>102,739</u>	<u>44,752</u>	<u>52,900</u>	<u>471,272</u>
At 31 March 2020	<u>280,302</u>	<u>200</u>	<u>103,918</u>	<u>43,354</u>	<u>56,492</u>	<u>484,266</u>

Included within the net book value of land and buildings above is £270.681 million (2020: £280.302 million) in respect of freehold land and buildings and £0.200 million (2020: £0.200 million) in respect of long leasehold land and buildings. Included in land and buildings is land at a value of £92.076 million (2020: £92.076 million) which is not depreciated.

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

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#### 14 Tangible assets (continued)

Birmingham Airport Limited entered into a lease/leaseback arrangement with the West Midlands District Councils which covers all the land, buildings and infrastructure of the airport site. Details of the transaction are included in note 33.

##### Revaluation

Following advice from Knight Frank LLP, the Directors have determined that the net book value of tangible assets is appropriate. In the prior year certain operational assets whose fair value is based on income were revalued, due to changes in market value at 31 March 2020, this revaluation resulted in a revaluation reduction of £2.162 million which was taken to the revaluation reserve (net of £0.411 million deferred tax). The group's other operational assets were revalued on 31 March 2019 by an independent valuer, Knight Frank LLP, in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors and with FRS 102. Due to the specialist nature of the airport's assets, the fair value is based on income and the depreciated replacement cost methodology for land, buildings and infrastructure assets. These revaluations were incorporated into the financial statements and the resulting revaluation surplus of £20.245 million was taken to the revaluation reserve (net of deferred tax).

##### Historical cost

On a historical cost basis the gross cost of land and buildings assets would have been included as £307.715 million (2020: £306.464 million) and the net book value would have been £163.965 million (2020: £168.707 million). The gross cost of infrastructure assets would have been £202.400 million (2020: £196.139 million) and the net book value would have been £83.553 million (2020: £82.618 million).

##### Capitalised interest

Within capitalised interest are capitalised borrowing costs of £0.587 million (2020: £0.764 million). The capitalisation rate used to determine the amount of finance costs capitalised during the year was 3.46% (2020: 6.5%).

##### Company

The company had no tangible assets at 31 March 2021 (2020: £nil)

#### 15 Investment property

##### Group

	£ 000
At 1 April 2020	10,229
Fair value adjustments	186
At 31 March 2021	<u>10,415</u>

Investment properties held by Birmingham Airport Limited have been revalued at 31 March 2021, by Knight Frank LLP undertaken in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors and with FRS 102, the valuation identifies a reduction of £0.155 million (2020: £1.045 million reduction) which has been recognised in the income statement.

Investment properties held by First Castle Developments Limited have been revalued at their fair value in accordance with the appraisal and valuation manual of the Royal Institute of Chartered Surveyors on 31 March 2021 by Scanlans Chartered Surveyors and Fisher German LLP. The valuation identifies a gain of £0.341 million (2020: £0.506 million reduction) which has been recognised in the income statement.

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 15 Investment property (continued)

##### Company

The company had no investment properties at 31 March 2021 (2020: £nil).

#### 16 Investments

##### Company

	2021 £ 000	2020 £ 000
Investments in subsidiaries	143,745	143,745

##### Details of subsidiaries

Details of the investments that the group and company holds are as follows:

	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2021	2020
<b>Subsidiary undertakings</b>				
Birmingham Airport Operations Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Limited	England	Ordinary Shares	100%	100%
Birmingham Airport (Finance) plc	England	Ordinary Shares	100%	100%
First Castle Developments Limited	England	Ordinary Shares	100%	100%
BHX Fire and Rescue Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Air Traffic Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Services Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Developments Limited	England	Ordinary Shares	100%	100%
Euro-hub (Birmingham) Limited	England	Ordinary Shares	100%	100%
Birmingham Airport Pension Trustees Limited	England	Ordinary Shares	100%	100%
BHX (Scotland) Limited	Scotland	Ordinary Shares	100%	100%
BHX Limited Partnership	Scotland	Capital Contribution	100%	100%



## **Birmingham Airport Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 *(continued)***

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#### **16 Investments (continued)**

The registered address of these investments is the same as the parent company with the exception of BHX (Scotland) Limited and BHX Limited Partnership whose registered address is c/o Eversheds LLP, 3 - 5 Melville Street, Edinburgh, EH3 7PE.

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

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

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

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

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

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

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

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

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

The principal activity of Birmingham Airport Pension Trustees Limited is pension trustees.

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

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

## **Birmingham Airport Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (*continued*)**

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#### **16 Investments (continued)**

Birmingham Airport Holdings Limited is the parent undertaking of Birmingham Airport Operations Limited and Birmingham Airport Pension Trustees Limited.

Birmingham Airport Limited, Euro-hub (Birmingham) Limited and Birmingham Airport (Finance) plc are direct subsidiaries of Birmingham Airport Operations Limited. Birmingham Airport Limited is the parent undertaking of Birmingham Airport Developments Limited, BHX Fire and Rescue Limited, Birmingham Airport Air Traffic Limited, Birmingham Airport Services Limited, First Castle Developments Limited, BHX (Scotland) Limited and BHX Limited Partnership.

The company, in its role as parent company to the group, has provided a statutory guarantee to certain subsidiaries for all outstanding liabilities at 31 March 2021. This enables them to take the audit exemption from obtaining a signed statutory audit opinion under section 479A of the Companies Act 2006. For the year ending 31 March 2021 the following subsidiaries were provided with a statutory guarantee:

BHX Fire and Rescue Limited (Reg no: 05997636)

Birmingham Airport Developments Limited (Reg no: 02295119)

Birmingham Airport Operations Limited (Reg no: 09915844)

First Castle Developments Limited (Reg no: 02783202)

Birmingham Airport Services Limited (Reg no: 08203043)

Euro-hub (Birmingham) Limited (Reg no: 02403252)

Birmingham Airport Air Traffic Limited (Reg no: 08201487)

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 17 Inventories

	Group		Company	
	2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
Stocks	610	541	-	-
Development land	640	640	-	-
	<u>1,250</u>	<u>1,181</u>	<u>-</u>	<u>-</u>

There is no provision provided for the impairment of stock in the year (2020: £nil).

There is no material difference between replacement cost of inventory and its carrying amount (2020: £nil).

#### 18 Debtors

	Group		Company	
	2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
Trade debtors	2,999	13,110	-	-
Amounts owed by group undertakings	-	-	122,997	147,997
Corporation tax	2,156	1,948	214	1,975
Other debtors	127	158	-	-
Prepayments and accrued income	5,945	13,376	159	233
Deferred tax assets	-	-	2,045	-
	<u>11,227</u>	<u>28,592</u>	<u>125,415</u>	<u>150,205</u>

Trade debtors are stated after provisions for impairment of £1.778 million (2020: £2.148 million).

The amounts owed by group undertakings are unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. The interest receivable on intercompany loans is based on the blended third party interest payable plus 0.5 per cent. An intercompany loan has been re-presented in the current year to disclose the net intercompany position, compared to gross in the prior year.

The Company has deferred tax assets of £2.045 million in the current year relating to non trading timing differences (2020 £nil).

#### 19 Cash at bank and in hand

	Group		Company	
	2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
Cash on hand	5	6	-	-
Cash at bank	73,207	212,053	608	625
	<u>73,212</u>	<u>212,059</u>	<u>608</u>	<u>625</u>

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 20 Creditors

	Group		Company	
	2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
<b>Amount falling due within one year</b>				
Loans and borrowings	-	104,852	-	-
Trade creditors	6,917	2,807	-	-
Amounts owed to group undertakings	-	-	154,833	170,494
Other taxation and social security	49	903	-	31
Accruals and deferred income	42,650	68,244	5,315	5,246
	<u>49,616</u>	<u>176,806</u>	<u>160,148</u>	<u>175,771</u>
<b>Amount falling due after more than one year</b>				
Loans and borrowings	399,259	354,189	25,000	25,000
Preference shares (note 26)	15,384	15,384	15,384	15,384
Accruals and deferred income	2,621	2,882	-	-
	<u>417,264</u>	<u>372,455</u>	<u>40,384</u>	<u>40,384</u>

The amounts owed to group undertakings are unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. The interest payable on intercompany loans is based on the blended third party interest payable plus 0.5 per cent. An intercompany loan has been re-presented in the current year to disclose the net intercompany position, compared to gross in the prior year.

#### 21 Loans and borrowings

	Group		Company	
	2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
<b>Current loans and borrowings</b>				
Corporate bond	-	104,852	-	-
	<u>-</u>	<u>104,852</u>	<u>-</u>	<u>-</u>
	Group		Company	
	2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
<b>Non-current Loans and borrowings</b>				
Loans and borrowings	394,527	349,457	25,000	25,000
Net premium arising on lease and leaseback	4,732	4,732	-	-
Preference shares (note 26)	15,384	15,384	15,384	15,384
	<u>414,643</u>	<u>369,573</u>	<u>40,384</u>	<u>40,384</u>

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 21 Loans and borrowings (continued)

Within loans and borrowings, the £30 million private placement senior notes A are repayable within 3 years. The other non-current loans and borrowings are payable in full after five years. Loans and borrowings are shown net of £1.473 million transaction costs (2020: £1.691 million). All loans are repayable in full at the end of the loan term. See note 23 for further information.

All loans and borrowing are unsecured.

#### 22 Finance lease obligations

##### Group

The total of future minimum lease payments is as follows:

	2021 £ 000	2020 £ 000
Not later than one year	872	859
Later than one year and not later than five years	3,486	3,435
Later than five years	<u>108,444</u>	<u>107,770</u>
Total gross payments	112,802	112,064
Less: finance charges	<u>(108,070)</u>	<u>(107,332)</u>
Carrying amount of liability	<u>4,732</u>	<u>4,732</u>

The above lease is repayable after more than five years and include contingent rent clauses, see note 33 for further information.

#### 23 Financial instruments

##### Group

The group's principal financial instruments comprise private placement senior notes and bank loan. The main purpose of these financial instruments is to raise and provide finance for the parent's and its subsidiaries operations. The group does not enter into any form of derivative financial instruments.

##### Funding

During the year the group raised funds by issuing £45 million of private placement senior notes 2020 Series B with an interest rate of 2.49 per cent maturing on 21 May 2050. The group's other funding is provided by its £30 million 4.472 per cent Series A senior notes private placement maturing on 3 December 2023, £45 million 4.557 per cent Series B senior notes private placement maturing on 3 December 2028, £76 million 3.8 per cent senior notes private placement maturing on 30 March 2041, £90 million 3.21 per cent 2019 senior notes maturing on 24 January 2049, £85 million 2.44 per cent senior notes 2020 Series A private placement maturing on 24 January 2050, £25 million bank loan and £73.2 million cash reserves.

##### Interest Rate Risk

The interest rates on both the Series A and Series B senior notes are fixed at 4.472 per cent and 4.557 per cent. The interest rate on the £76 million senior notes is fixed at 3.8 per cent. The interest rate on the £90 million 2019 senior notes is fixed at 3.21 per cent. The interest rate on the £85 million 2020 senior notes Series A is fixed at 2.44 per cent. The interest rate on the £45 million 2020 senior notes Series B is fixed at 2.49 per cent. The interest rate on the loan facility is 0.7 per cent above the bank borrowing rate.

The group's financial instruments are all categorised as basic financial instruments under section 11 of FRS 102. The group has chosen not to measure the basic financial instruments at fair value through the Income Statement, therefore no further disclosures are required.

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 23 Financial instruments (continued)

Fixed rate financial liabilities	2021 Years remaining	2020 Years remaining
Sterling: Bond	-	1
Sterling: Private placement senior notes series A	3	4
Sterling: Private placement senior notes series B	8	9
Sterling: Private placement senior notes	20	21
Sterling: Private placement senior notes 2019	28	29
Sterling: Private placement senior notes 2020 series A	29	30
Sterling: Private placement senior notes 2020 series B	30	-

#### 24 Provisions for liabilities

Group	Other provisions £ 000	Deferred taxation £ 000	Total £ 000
At 1 April 2020	1,689	28,124	29,813
Release of existing provisions	2	(13,115)	(13,113)
Credited through statement of comprehensive income	-	(2,835)	(2,835)
Provisions used	(19)	-	(19)
At 31 March 2021	1,672	12,174	13,846

The group is fully committed to a positive environmental policy including the provision of a defined noise insulation scheme, financial penalties to support night flying restrictions and payments under the Land Compensation Act 1973 (LCA). Provisions are made in line with foreseen liabilities and a £1.687 million provision has been provided for addressing potential LCA claims. This is intended to cover the costs of legal, property and administration expertise to process and defend any claims, as well as any actual liabilities which may be due. With regards to the noise insulation scheme, the future liability for the next twelve months is estimated at £0.200 million (2020: £0.200 million) and will be charged in the year to which it relates. There are no other provisions in the company (2020: none).

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 24 Provisions for liabilities (continued)

##### Deferred tax

##### Group

Deferred tax assets and liabilities

	<b>Asset £ 000</b>	<b>Liability £ 000</b>
<b>2021</b>		
Capital allowances in advance of depreciation	-	(7,589)
Other timing differences	-	(1,399)
Post employment benefits	8,971	-
Revaluation of land, buildings and infrastructure	-	(25,396)
Revaluation of investment property	-	(790)
Tax losses	10,448	-
Non trading timing differences	3,581	-
	<u>23,000</u>	<u>(35,174)</u>
<b>2020</b>		
Capital allowances in advance of depreciation	-	(6,424)
Other timing differences	-	(1,474)
Post employment benefits	7,237	-
Revaluation of land, buildings and infrastructure	-	(26,708)
Revaluation of investment property	-	(755)
Tax losses	-	-
Non trading timing differences	-	-
	<u>7,237</u>	<u>(35,361)</u>

The value of deferred tax liabilities expected to reverse in the next year is £0.425 million (2020: £0.377 million).

#### 25 Post employment benefits

##### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1.374 million (2020: £1.568 million).

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 *(continued)*

#### 25 Post employment benefits (continued)

##### Defined benefit pension schemes

##### Birmingham Airport Limited Pension Scheme

A subsidiary undertaking operates a defined benefit pension arrangement called the Birmingham Airport Limited Pension Scheme (the scheme). The scheme provides benefits on a defined benefit basis. The following disclosures relate only to the scheme and to unfunded benefits supported by the company.

The most recent full actuarial valuation was carried out with an effective date of 31 October 2018 using the projected unit method. During 2020/21 members pay 5.5 per cent of pensionable earnings, and the group pays contributions so that overall contributions of 23.7 per cent of pensionable earnings are paid, taking account of salary sacrifice adjustments. Scheme expenses, other than life insurance premiums, are payable by the group.

On 28 March 2013, Birmingham Airport Limited agreed an asset backed funding arrangement with the trustees of the pension scheme to help address the pension funding deficit. In connection with the arrangement, property with a fair value of £33.3 million was leased and subsequently leased back to a limited partnership established by the group. The partnership is controlled by the group. On 28 March 2013, Birmingham Airport Limited made a special contribution to the pension scheme of £25.3 million and on the same day the pension scheme used this contribution to acquire an interest in the partnership for its fair value of £25.3 million. The interest entitles the pension scheme to a distribution from the income of the partnership of £2 million per annum, increasing by 4 per cent per annum for fifteen years, with distribution payments made quarterly.

##### *Principal actuarial assumptions*

The principal actuarial assumptions at the Statement of Financial Position date are as follows:

	<b>2021</b>	<b>2020</b>
	<b>%</b>	<b>%</b>
Discount rate	2.00	2.40
Future salary increases	3.15	2.65
Future pension increases (RPI)	3.40	2.90
Future pension increases (CPI)	2.40	1.90

##### *Post retirement mortality assumptions*

	<b>2021</b>	<b>2020</b>
	<b>Years</b>	<b>Years</b>
Current UK pensioners at retirement age - male	22.00	22.00
Current UK pensioners at retirement age - female	24.00	24.00
Future UK pensioners at retirement age - male	24.00	24.00
Future UK pensioners at retirement age - female	26.00	26.00



## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 25 Post employment benefits (continued)

##### **Reconciliation of scheme assets and liabilities to assets and liabilities recognised**

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

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Fair value of scheme assets	183,970	154,914
Present value of defined benefit obligation	<u>(231,186)</u>	<u>(193,006)</u>
Defined benefit pension scheme deficit	<u>(47,216)</u>	<u>(38,092)</u>

##### **Defined benefit obligation**

Changes in the defined benefit obligation are as follows:

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Present value at start of year	(193,006)	(210,295)
Current service cost	(1,319)	(1,669)
Past service cost	(465)	-
Interest cost	(4,558)	(5,208)
Actuarial (losses)/gains	(37,894)	18,490
Benefits paid	6,120	5,762
Contributions by scheme participants	<u>(64)</u>	<u>(86)</u>
Present value at end of year	<u>(231,186)</u>	<u>(193,006)</u>

##### **Fair value of scheme assets**

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

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Fair value at start of year	154,914	158,694
Interest income	3,744	3,988
Actuarial gains/(losses)	22,973	(9,439)
Employer contributions	8,395	7,347
Contributions by scheme participants	64	86
Benefits paid	<u>(6,120)</u>	<u>(5,762)</u>
Fair value at end of year	<u>183,970</u>	<u>154,914</u>

##### **Analysis of assets**

The major categories of scheme assets are as follows:

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Cash and cash equivalents	2,246	4,205
Diversified growth funds	<u>181,724</u>	<u>150,709</u>
	<u>183,970</u>	<u>154,914</u>

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

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 25 Post employment benefits (continued)

##### Return on scheme assets

	2021 £ 000	2020 £ 000
Return on scheme assets	<u>26,717</u>	<u>(5,451)</u>

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

Total cost recognised as an expense totalled £1.319 million (2020: £1.669 million) for current service cost, £0.465 million (2020: £nil) for past service cost and £0.814 million (2020: £1.220 million) for interest cost. Included in the service cost is £0.147 million (2020: £0.143 million) relating to salary sacrificed.

#### 26 Called up share capital

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

	No. 000	2021 £ 000	No. 000	2020 £ 000
A Ordinary shares of £0.01 each	315,083	3,150.83	315,083	3,150.83
B Ordinary shares of £0.01 each	8,910	89.10	8,910	89.10
C Ordinary shares of £0.01 each	1	0.01	1	0.01
1 special (non participating) voting share of £1 each	-	-	-	-
	<u>323,994</u>	<u>3,240</u>	<u>323,994</u>	<u>3,240</u>

The 'B' ordinary shares carry the same rights as the 'A' ordinary shares except they have no voting rights. The 'C' ordinary shares only have voting rights relating to the appointment or removal of directors. They are not entitled to participate in any dividend or any other distribution of income declared, made or paid by the company, but have full distribution rights on winding up. The preference shares are classified as liabilities in the balance sheet (note 20). The 6.31% cumulative preference shares carry a fixed cumulative preferential dividend at the rate of 6.31% per annum, payable half yearly in arrears on 31 December and 30 June. On a winding up of the company preference shareholders have a right to receive, in preference to payments to ordinary shareholders, 1p per share plus any outstanding dividend payable. The preference shares carry no voting rights. 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.

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 27 Reserves

The merger reserve was created in 1997 when Birmingham Airport Holdings Limited acquired its interest in Birmingham Airport Limited and Euro-hub (Birmingham) Limited. The revaluation reserve was created in March 2016 when land, buildings and infrastructure assets were revalued and these assets were revalued again in March 2019 details are included in note 14. Certain operational assets whose fair value is based on income were revalued in March 2020 details are included in note 14. The revaluation reserve transfer relating to the additional depreciation incurred in the income statement as a result of this revaluation was £1.093 million (2020: £1.237 million). In the prior year the substantively enacted tax rate changed to 19%, resulting in a £1.327 million transfer from revaluation reserve to increase the deferred tax provision.

#### ESOP Shares

Birmingham Airport Holdings Limited is the sponsoring company of an ESOP Trust. 'B' ordinary shares to the value of £2.750 million were issued on 26 March 1997 by Birmingham Airport Holdings Limited.

The financial statements of the Trust are fully consolidated in the company's financial statements because the company is deemed to have a de facto control until such time as the shares held by the Trust vest unconditionally with the employees. A scheme has been agreed with HMRC under the All Employee Share Ownership Plan (AESOP) legislation with the first shares being bought by and gifted to employees in September 2001. The Trust bears its own expenses and has waived its right to the payment of a dividend in the year.

	<b>Own Shares Number</b>	<b>Own Shares £ 000</b>
Investment at 1 April 2020	4,684,512	3,137
Shares vested in employees	(367,322)	(246)
Shares purchased from employees	220,612	254
Investment at 31 March 2021	<u>4,537,802</u>	<u>3,145</u>

#### 28 Dividends

	<b>2021 £ 000</b>	<b>2020 £ 000</b>
Final dividend of nil (2020: 4.552p) per 1p share	-	14,514
Interim dividend of nil (2020: 3.586p) per 1p share	-	11,449
	<u>-</u>	<u>25,963</u>

The directors are proposing that no final dividend is paid for 2020/21 (2020: no final dividend).

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)

#### 29 Note to the cash flow statement

	2021 £ 000	2020 £ 000
<b>Cash flows from operating activities</b>		
(Loss)/profit for the financial year	(67,613)	18,487
Adjustments to cash flows from non-cash items		
Depreciation and other grant release	27,545	27,579
Changes in fair value of investment property	(186)	1,551
Profit on disposal of tangible assets	(84)	(25)
Finance income	(274)	(1,019)
Finance costs	20,832	18,935
Income tax (income)/expense	(13,402)	6,754
	<u>(33,182)</u>	<u>72,262</u>
Working capital adjustments		
(Increase)/decrease in inventories	(69)	8
Decrease/(increase) in trade and other receivables	17,478	(1,535)
Decrease in trade and other payables	(18,066)	(2,627)
Decrease in retirement benefit obligation net of actuarial changes	(6,611)	(5,678)
Decrease in provisions	(17)	-
	<u>(40,467)</u>	<u>62,430</u>

#### 30 Reconciliation of changes in net debt

	At 1 April 2020 £ 000	Cash flow £ 000	Non-cash changes £ 000	At 31 March 2021 £ 000
Cash and cash equivalent	212,059	(138,847)	-	73,212
Bond	(104,852)	105,000	(148)	-
Private placement notes	(324,457)	(45,000)	(70)	(369,527)
Bank facility	(25,000)	-	-	(25,000)
Finance lease	(4,732)	-	-	(4,732)
Preference shares	(15,384)	-	-	(15,384)
Total investment	<u>(262,366)</u>	<u>(78,847)</u>	<u>(218)</u>	<u>(341,431)</u>

#### 31 Commitments

##### Group

##### Capital commitments

The total amount contracted for but not provided in the financial statements was £1.483 million (2020: £8.667 million).

## Birmingham Airport Holdings Limited

### Notes to the Financial Statements for the Year Ended 31 March 2021 *(continued)*

#### 31 Commitments (continued)

##### Operating leases

The total of future minimum lease payments is as follows:

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Not later than one year	33	80
Later than one year and not later than five years	12	55
	<u>45</u>	<u>135</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £0.080 million (2020: £0.086 million).

##### Operating lease arrangements where the group is lessor

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

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Not later than one year	1,013	959
Later than one year and not later than five years	4,301	4,080
Later than five years	37,971	41,127
	<u>43,285</u>	<u>46,166</u>

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

## **Birmingham Airport Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (*continued*)**

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#### **32 Contingent liabilities**

##### **Group**

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

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

On 24 January 2019, the company, along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £90 million private placement senior notes issued by Birmingham Airport (Finance) plc on 24 January 2019. The senior notes are for a period of 30 years maturing 24 January 2049 and carry a fixed interest rate of 3.21 per cent per annum.

On 23 January 2020, the company, along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £85 million private placement senior notes issued by Birmingham Airport (Finance) plc on 24 January 2020. The senior notes are for a period of 30 years maturing 24 January 2050 and carry a fixed interest rate of 2.44 per cent per annum.

On 21 May 2020, the company, along with other group members of Birmingham Airport Holdings Limited, provided guarantees in support of £45 million private placement senior notes issued by Birmingham Airport (Finance) PLC on 21 May 2020. The senior notes are for a period of 30 years maturing 21 May 2050 and carry a fixed interest rate of 2.49 per cent per annum.

##### **Company**

The company, in its role as parent company to the group, has provided a statutory guarantee to certain subsidiaries for all outstanding liabilities as 31 March 2021. The detail of the statutory guarantees are included in note 16.

## **Birmingham Airport Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (continued)**

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#### **33 Related party transactions**

##### **West Midlands 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 £nil (2020: £12.920 million).

In 1995 Birmingham Airport Limited entered into an arms length lease arrangement with Solihull Metropolitan Borough Council on behalf of The Districts, all of which were shareholders in the airport at that time. Under such arrangements, the airport granted a 999 year lease over land and buildings situated at Birmingham Airport in exchange for a total fair value premium of £100 million and a peppercorn rent. At the same time the shareholders granted Birmingham Airport Limited a 150 year lease over the same property for a total fair value premium of £96.5 million. The net premium arising as adjusted for associated stamp duty and legal costs has been treated as a finance lease in the financial statements of the group and is disclosed in Note 21. Under the lease arrangement, the company pays a basic rent of £0.6 million per annum from 1 April 2007 subsequently index linked each year for the remaining lease period. In addition, a turnover based rent is payable calculated as 0.4% of turnover less the basic rent in the period. The total amount payable in the year was £0.859 million (2020: £0.837 million). The amount at the end of the year was £4.732 million (2020: £4.732 million), all of which is due after more than one year.

In February 2002 the group completed a 150 year lease agreement with Birmingham City Council for land adjacent to the airport site. A lease premium of £0.2 million was paid with a peppercorn rent for the remaining lease term along with costs of £0.002 million. The lease payments have been treated as a finance lease in the financial statements of the group. The amount due at the end of the year was £nil.

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

Solihull Metropolitan Borough Council is the local authority for the airport and transacts with the Group in a number of areas including business rates, planning applications and building control services. All of these transactions are carried out on an arms length basis at a full commercial rate. The business rates payable for 2020/21 were £5.678 million (2020: £5.026 million). At the end of the year the company had prepaid £0.522 million of the 2021/22 business rates (2020: £0.513 million).

##### **Birmingham City Council**

In support of the A45 transport corridor improvement scheme the airport company has contributed circa £7 million as part of the cost of the realignment of the improved A45 corridor, in the prior year there was an accrued creditor of £2.567 million relating to this transaction, which was paid in 2021.

##### **Sandwell Metropolitan Borough Council**

During the year Sandwell Metropolitan Borough Council have occupied a property at the Airport. They have incurred rent and recharges associated with this occupation of £0.164 million (2020: £nil). All of these transactions are carried out on an arms length basis at a full commercial rate. The amount due at the end of the year was £0.086 million (2020: £nil).

## **Birmingham Airport Holdings Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2021 (*continued*)**

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#### **33 Related party transactions (continued)**

##### **Airport Group Investments Limited**

Airport Group Investments Limited (AGIL) are shareholders and received dividends of £nil during the year (2020: £12.722 million).

In 2021/22 all the group's shareholders have provided a £65 million loan facility to support the group's waivers on covenant compliance (see note 35).

#### **34 Parent and ultimate parent undertaking**

Birmingham Airport Holdings Limited is owned by the Districts (see note 33), 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.

#### **35 Non adjusting events after the financial period**

The Government provided grant support through the Airport & Ground Operations Support Scheme (AGOSS). The Airport received £6.4m from this scheme in April 2021 and anticipate a further £3.2m in 2021/22 following the extension of the scheme announced in the Budget. The grant income will be recognised in 2021/22. To further support the group on 1st June 2021, a £65 million shareholders loan facility has been put into place to support the waivers on covenant compliance.