Birmingham Airport Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2022

Registration number: 3312673

Birmingham Airport Holdings Limited

Contents

Birmingham Airport Holdings Limited
Company Information

Chairman	T Clarke
Chief Executive	N Barton
Directors	N Barton P T A Bateman M A Bird T Clarke K K Lezama J D McNicholas P Nakou R K Sleigh D M Stanton P C Tilsley M R Toms
Company Secretary	F P Penhallurick
Registered office	Diamond House Birmingham Airport Birmingham West Midlands B26 3QJ
Independent Auditors	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors One Chamberlain Square Birmingham West Midlands B3 3AX
Bankers	National Westminster Bank plc 2 St Philips Place Birmingham West Midlands B3 3RB

The Directors present their strategic report for the year ended 31 March 2022.

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 – we aim to:

- facilitate the safe and secure processing of passengers and aircraft through the provision of facilities and infrastructure in a sustainable and efficient manner
- provide a value-for-money service, recognising the efforts of our employees and our partners, which will generate a profitable future for the group
- assist the region to develop and grow through improved connectivity, whilst seeking to mitigate any adverse impacts of our operation.

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 effect in the region, is estimated as £1.5 billion GVA (Gross Value Added) per annum and 30,900 jobs.

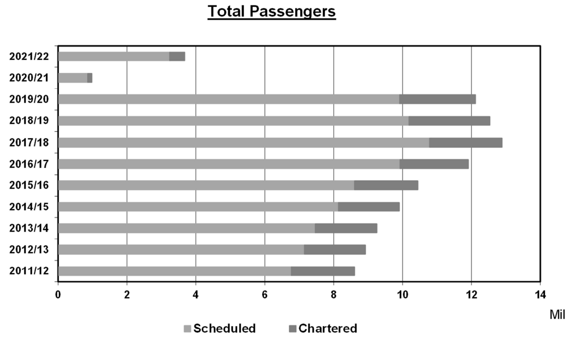
In the year ended 31 March 2022 the Airport and other aviation partners have continued to be severely affected by the variousrestrictions and on-going consequential impacts of the Covid-19 pandemic. However, towards the end of the 2021/22 some positive signs of recovery began to materialise across the industry as travel restrictions and onerous testing requirements were gradually lifted. It is expected that the recovery will continue to gather pace as we move through 2022/23.

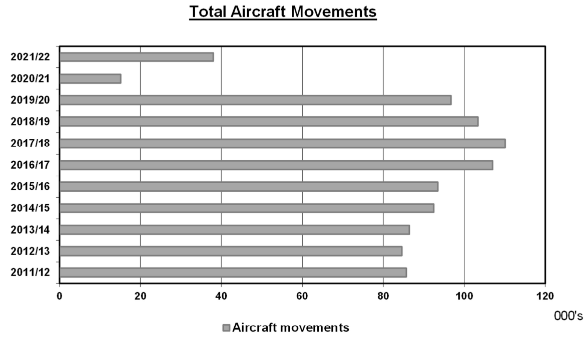
Review of the business and future outlook

Market position and business environment

The global aviation market has continued to suffer considerably during 2021/22 because of the Covid-19 pandemic. Travel restrictions continue to impact air travel but were generally less onerous than the restrictions and global lockdowns experienced in 2020/21. The UK aviation market has seen a year-on-year increase in passenger numbers of 217.5%. During the year, the Airport processed 3,673,356 passengers, an increase of 274.6% on 2020/21 (980,576) but still circa 70% below the passenger levels seen in 2019/20 (12,120,236). The increase in passenger numbers compared to 2020/21 was driven by the gradual lifting of travel restrictions by respective Governments, not only in the UK but across Europe and beyond, as Covid-19 vaccination programmes progressed.

Looking back over the last 10 years, prior to the Covid-19 pandemic, the Airport had seen growth of 51.1% since 2010/11. 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. Whilst we are beginning to see positive signs of recovery from the Covid-19 pandemic, it remains unclear when the aviation market will fully recover to pre-pandemic levels.





The Covid-19 pandemic and the Government restrictions on international travel have continued to impact the route dynamics in 2021-22, with the most popular destination this year being Dublin followed by Belfast, Amsterdam, Dubai and then Tenerife.

Throughout the Covid-19 pandemic the safety and security of our passengers and staff has remained the top priority. The financial priority throughout the pandemic has been to ensure that the business is able to maintain liquidity and, where possible, preserve cash, to put the Airport in a strong position to support passenger demand as soon as travel restrictions are lifted.

During the financial year 2021/22, and as a continuation of the measures taken in 2020/21, a number of significant actions have been taken by the Airport to prudently manage the cost base and preserve cash. These actions include maintaining discipline in cost management and staff recruitment levels, delaying capital expenditure where possible, temporarily mothballing parts of the Airport, 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 and subsequent recovery period, has been to maintain an appropriate level of operations to support those airlines and passengers who were able to continue to fly. The runway and main operating terminal therefore have remained open throughout the 2020/21 and 2021/22 period.

The Airport continued to play a significant role in providing facilities to support the region and the wider UK. It created a dedicated red port facility (one of only two in the UK) to process passengers arriving into the UK from designated red routes; it supported the repatriation of both UK and International citizens (over eight thousand passengers from the Afghanistan evacuation were welcomed at the Airport and the evacuation of Ukrainian citizens into the UK is ongoing); it provided facilities for an NHS Covid-19 testing centre and for a post-Brexit inland border facility.

The Government provided grant support during 2021/22 through the Airport & Ground Operations Support Scheme (AGOSS) which re-funded the Business Rates already paid by the Airport. In total, the Airport received £12.7 million from this scheme (following the extension of the scheme announced in the March 2021 Budget) which has been recognised in 2021/22.

Looking forward to 2022/23, we are cautiously optimistic about the ongoing recovery in the aviation sector. Since the lifting of any remaining COVID-19 UK travel restrictions towards the end of the financial year, we have seen evidence of considerable consumer pent-up demand for travel and at times this has created operational challenges across the aviation industry. However, there are factors which could limit the pace of the recovery, including Covid-19 restrictions being reinstated following a new variant or spike in cases; the general economic environment, with high inflation and the cost of living crisis, in part caused by the Russia-Ukraine conflict, potentially increasing air fares and having an adverse impact on consumer confidence and therefore demand. As a result of the continuing actions taken by management to manage operating costs in a sustainable manner, we believe the Airport is in a good position to recover once consumer demand for travel fully returns.

Whilst the duration and impact of the recovery from the Covid-19 pandemic is still uncertain, we remain confident that the Airport will, in the coming years, return to the passenger volumes we have experienced 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, acting as a key economic ccelerator, delivering great service to passengers, and helping to showcase the region at the upcoming Commonwealth Games in the summer of 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 long-term aims are to continue to modernise and extend our facilities so they are fit for the future. The elements of this investment include creating a Next Generation Security Checkpoint, further self-service bag-drop technology at check-in, increasing the capacity in our baggage make-up hall and increasing the flexibility of our aircraft stands. The Next Generation Security technology will give us greater peak-time capacity and a simpler, speedier screening process which will require fewer items to be removed from customers' bags and body scanning of all passengers and will involve relocating and enlarging the passenger security search area.
The impact of the Covid-19 pandemic on our passenger volumes means that the timing of the investment programme will be managed closely based on the pace of recovery in passenger volumes, a risk-based review of our infrastructure's age and performance and meeting our ambitious carbon reduction targets.

Statement on Corporate Governance Framework

The Board has committed to the Group's Corporate governance framework and arrangements being assessed against the "Wates principles" for large private sector companies. These focus on the six key areas of - Purpose and Leadership; Board Composition; Director Responsibilities; Opportunity and Risk; Remuneration; and Stakeholder relationships and Engagement. This is a voluntary decision as the Airport falls below the financial size definition of a large private company which would make this adoption mandatory. However, the Board considers that the economic importance of the Airport to the West Midlands region, and its ownership structure, which includes the seven Local Authorities of the Region, and Airport Group Investments Limited (AGIL) representing prominent international Pension Funds, means that it is good practice to adopt a Governance framework that is assessed against the well-respected "Wates principles".

The Board has assessed its arrangements against each of the six principles:

Purpose and Leadership: Notwithstanding the scale of the operational and financial challenges which the Covid pandemic and the associated heavy restrictions placed on international travel, the Board and the Executive management have striven to continue to develop the purpose and long-term strategy of the company and that its values and culture align with those goals. This was all the more important in circumstances in which radical restructuring actions had to be taken in 2020 to stem the operating losses and cash outflows arising from pandemic affected reductions in passenger numbers, through a significant restructuring to reduce the cost base.

Three core principles have guided the Board's approach to ensuring that the imperative of urgent short-term actions to secure the financial viability of the Company and to protect resilient levels of liquidity, should not undermine key elements of the Company's purpose: namely, that the long-term strategic plans for recovery and renewed growth for the Airport should not be undermined by the loss of core capabilities and skills; that the highest standards of safety be sustained, and that rigorous oversight by the Board Safety Committee continued throughout the pandemic period; and that pro-active communications, led by frequent CEO briefings to all employees, particularly when many were furloughed, and with stakeholders, whether shareholders, customers, suppliers or neighbours was not compromised, during such a difficult time.

The ”Mission Statement” under the strapline of “Proud of Every Journey” underpinned by six pillars forms the basis of communications to employees and stakeholders of the Company's purpose and was developed in consultation with employees. The Board monitors the embedding of a healthy and transparent culture through an independent annual employee survey carried out in November 2021, through subsequent workshops, through engagement with trade union representatives, and regular reporting on key areas such as recruitment, training, and retention measures, and through feedback reporting from the People Director. A year which began after a recent major cost restructuring amidst severe travel restrictions, and which ended with the sudden relaxation of those restrictions, requiring an urgent scaling back up of the operation to meet recovering demand, meant an intensive focus on operational resilience.

Monitored by the Audit Committee, there are transparent policies and procedures in place for the handling of any whistleblowing concerns that are raised, including the option of contacting Protect, an independent whistleblowing organisation.

Strategically, the Board has been focussed on seizing the opportunities from the re-opening of travel in order to capture new business, particularly in the resilient Low-Cost Carrier segment with the aim of capturing profitably a higher market share of outbound and inbound travel to the region than was the case pre-pandemic. It is recognised that this objective will need to be supported by a business model, with higher levels of productivity, effective customer service delivery, and the efficient allocation of capital expenditure.

Board Composition: The Board has an annual process for the evaluation of its effectiveness. This is administered by the Company Secretary who receives feedback to a confidential questionnaire from all Directors rating the Board's performance across a range of metrics. It addresses such key questions as whether the Board has an appropriate combination of skills, backgrounds, expertise and knowledge to provide constructive challenge to executive management and to support effective decision making; whether the leadership of the Board by the Chair is promoting open debate and facilitating constructive discussion to enable effective decision making; that the Directors have a level of involvement and understanding to be able to meet the needs of the business; that the induction process for new directors is well structured to enable an understanding of the business and stakeholders' interests; and that appointments to the Board are promoting a good level of diversity. This year's review showed a significant level of progress across the key metrics. Two areas noted for further focus were the need to continue the progress of the past year in increasing the ethnic and gender diversity of the Board, and to ensure effective induction for new Board members on how the Board works to deliver an effective public/private partnership in relation to its ownership structure.

Director Responsibilities: During the course of the year the Board carried out a review of authority levels, in the context of its shareholder agreement, both within the Board and its Committees, and its delegations of authority to executive management. There are Board Committees in place for Audit, Pensions, Remuneration and Safety with Terms of Reference defining their areas of accountability and reporting to the Board. The Company Secretary provides new Directors on joining with an induction into their legal and governance responsibilities, and updates the Board on developments in Corporate Governance best practice. The Company Secretary provides training to Board members on Directors' duties, at least annually.

The Board has terms of reference in place that, should conflicts of interest arise they are to be declared, and where necessary for Directors to recuse themselves from such decisions.

The Board is provided with a monthly Management Information pack which includes key financial reporting; commercial data; passenger and airline trends; key performance indicators; employee, safety and environmental sustainability data; and reports on stakeholder engagement. All Board meetings also receive a strategic overview from the CEO.

Opportunity and Risk: The Board has overall responsibility for strategic decision making, assessing how best to create sustainable value over the longer term. It is also responsible for how risk should be most effectively identified and managed, and assurance provided. An important focus of the latter half of the past year in respect of both opportunity and risk was to undertake actions to put in place the level of operational capacity and resilience to respond to a rapid re-opening of the demand for travel, after almost two years in which the operation had been sized for a heavily reduced level of passenger demand. On a longer-term basis discussions have successfully continued with Airline partners to provide greater route density and frequency from the Airport as being central to the strategic focus on market share growth.

Three prominent areas of risk assurance focus of the year have been financial viability; maintaining strong safety processes; and developing action plans for meeting environmental sustainability targets. This has meant ensuring that defined levels of financial liquidity were maintained which have been necessary to support the grant from lenders of covenant waivers to protect financial viability. It has involved a high level of focus on sustaining a strong safety culture, despite all the challenges of reduced operational activity, through embedding a new safety accreditation, and a heightened focus on the reporting of “near misses” and incidents. It has meant utilizing the periods of reduced operational activity to develop the action plans on environmental sustainability for meeting the declared target of a net zero Airport operation by 2033.

Going forward, the Board has instigated a thorough review of Risk identification and assurance across the business in the changed post-pandemic circumstances for the Airport and the Aviation sector more widely.

Remuneration: Executive remuneration is determined by a Remuneration Committee established by the Board and made up of non-executive Directors. The Remuneration Committee independently considers relevant market comparators that are required to attract and retain high calibre people. The remuneration structure is made up of salary and incentive schemes related to company and individual performance and behaviours which support the delivery of the Airport’s strategy and performance. No individual executive is involved in deliberations in relation to their own remuneration.

Stakeholder Relationships and Engagement: The non-executive directors, other than an independent chair are appointed from the two shareholding groups of the Local Authorities and from AGIL to ensure a close understanding of shareholder interests. The Board and the CEO are closely engaged with the economic development of the region and its connectivity through liaison with the Authorities’ West Midlands Shareholders Airport Committee, with the Mayor of the West Midlands and the Combined Authority, and relevant public bodies such as Midlands Connect. Through the Airport Consultative Committee (ACC), the Board engages regularly with interested regional parties on key issues of environmental sustainability such as noise and carbon emissions reduction.

In summary, the Board is committed to assessing its performance against the Wates principles and to a transparent evaluation and annual reporting process to enable continued improvement.

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 concessions (such as duty free), car parking, catering, property rental and associated recharges (e.g. energy/utilities).

Aeronautical income increased by 173.3% during 2021/22 including the release of prior year provisions, with underlying income increasing by 233.0%. Income increased less than passenger volume principally due to the mix of traffic.

Commercial income increased by 297.3%, 22.7% ahead of the increase in passenger volume. In addition to the commercial income generated from the higher passenger volume, the Airport generated income from alternative activities including support and facilities for an NHS Covid-19 testing centre on one car park, a testing facility to assist passengers in complying with Covid-19 travel requirements and an inland border facility on another car park.

Property income and recharges increased by 114.3% reflective of higher charges recovered from Airlines and our commercial partners as a result of the gradual return of passenger volumes and re-opening of a number of on-site facilities, partner offices and other rental space.

The Group received £12.7 million of AGOSS grants in addition to £0.6 million of government support through the furloughing of staff under the Coronavirus Job Retention Scheme - these are reported under other operating income.

Following the UK's exit from the European Union, there is an opportunity for the first time since 1999 for all passengers leaving the UK, regardless of destination to once again purchase Duty Free goods, however, this revenue opportunity may be offset by the Government's decision to remove tax-free shopping on other goods for all passengers travelling outside of the EU.

Operating costs

Total operating costs, before exceptional items, were in line with the prior year at £87.7million (2021: £87.7 million). Staff costs decreased by 6.1% (£1.9 million) reflecting lower staff numbers (the average headcount is now 585 compared to 777 in 2021) offset by non-staff costs increasing by 3.3% (£1.8 million), comprising higher third-party service provider costs related to passenger volumes, higher energy costs reflecting re-opening of facilities and higher energy prices together with the additional costs incurred to operate the red port facility.

Depreciation charges have decreased slightly by 0.4% largely because parts of our capital investment programme have been put on hold in response to the Covid-19 pandemic and the extra depreciation from new assets completed has been more than offset by the drop in depreciation in respect of assets reaching end of life.

One of our key performance indicators is Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA), which improved by 167.5% to a profit of £20.2 million (2021: £29.9 million loss), reflecting a partial recovery in passenger volumes from the historic lows seen during the Covid-19 pandemic and a focus on controlled cost management as the business begins to recover.

The group's operating profit/loss, before exceptional items, improved by 88.4% to a loss of £6.6 million (2021: £57.2 million loss).

The exceptional charge of £0.5 million (2021: £3.3 million) was principally due to the legal costs of agreeing covenant waiver extensions with our lenders and payments to staff leaving the Airport. This resulted in a group operating loss, post exceptional items, of £7.1 million (2021: £60.5 million loss).

The group's net interest cost reduced by £5.3 million to £15.3 million (2021: £20.6 million) as a result of the repayment of the Corporate Bond in February 2021 and its replacement with a Private Placement facility on a lower interest rate. In addition there was an overlap of the two facilities in 2020/21 as a result of securing financing early to repay the Corporate Bond.

The tax credit for the year was £0.4 million (2021: £13.4 million credit), including a corporation tax charge of £nil (2021: £0.3 million credit) and a deferred tax credit of £0.4 million (2021: £13.1million credit). This equates to an effective tax rate of 1.6% (2021: 16.5%) which is lower than the ordinary rate of UK corporation tax, reflecting the recognition of deferred tax at the substantively enacted rate of 25% alongside the past ineligibility of industrial buildings for tax allowances.

For the year ended 31 March 2021 no final dividend was paid (2021: £nil) and no interim dividend was paid (2021: £nil) in accordance with the recommendation of the Directors. This resulted in a total dividend of £nil (2021: £nil).

The Directors recommend that no final dividend payment be made in respect of the financial year ended 31 March 2022 due to the uncertainty facing the Airport as a result of the Covid-19 pandemic.

Capital expenditure
Cash outflow for capital projects amounted to £8.0 million (2021: £21.4 million). The main projects in the year focused on the terminal including outbound baggage system upgrades in the North and South Terminals.

Cash flow
During the year, the group generated cash of £2.6 million from operating activities (2021: £40.5 million expended). Corporation tax paid was £nil (2021: £0.1 million was received relating to an overpayment in 2019/20). Interest paid decreased by £4.1 million due to the repayment of the Corporate Bond in February 2021. The overall net cash position has decreased by £18.7 million (2021: £138.8 million decrease) to £54.5 million (2021: £73.2 million), mainly reflecting £2.6 million inflow from operations offset by capital expenditure of £8.0 million and interest payments of £12.5 million. Looking forward, the group still has a strong liquidity position to meet its ongoing liabilities as and when they fall due and has access to an undrawn £65m shareholder loan facility.

Security
The UK threat level remains at Substantial but was temporarily increased to Severe between November 2021 and February 2022 as a precautionary measure.

We continue to 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. One particular focus of the year has been on Insider Threat awareness, with a number of initiatives launched, including regular and repeated information sharing with West Midlands Police, with the objective to detect, deter and mitigate insider risk within the Airport community.

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. We review the risks, mitigations and controls around our critical systems and apply relevant mitigation and this was reflected with a successful CAA Cyber Security Audit.

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 achieved the ISO 45001 standard.

There were 33 staff accidents during the year (2020/21: 27) with 3 resulting in lost time and 1 being reportable. The accident frequency rate was 0.27 accidents (2020/21: 1.9) per 100,000 hours worked.

We continue to encourage reporting of near misses and we are encouraged to see that record numbers of near misses are being logged throughout the year.

Good progress was made delivering our fire safety projects, particularly around replacing end of life assets.

Sustainability

In November 2019, the Airport published a Sustainability Strategy which sets out a number of objectives, including the Airport's commitment to become a net zero carbon airport by 2033. Despite the impact of the pandemic, the Airport remains steadfast in achieving its 2033 target. Progress has been made against each of the core themes of the Sustainability Strategy and the Airport remains committed to prioritise zero carbon airport operations, whilst minimising the use of carbon offsets. The carbon roadmap launched in March 2022 builds on a decade of learning and investments that have already seen emissions which the Airport controls reduce by 33% through the use of solar power, electric vehicles and other energy efficiency measures.

In addition to climate change mitigation, the Airport's Sustainability Strategy focuses on our priorities to reduce environmental impacts and make improvements in the following core areas: climate change adaptation; local air quality; waste; supply chain & the circular economy; water; biodiversity; noise; community investment & wellbeing; and economic development & employment.

Managing noise is a 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 we maintain a Night Flying Policy (2021-2024) which is among the most stringent in the UK, developed in partnership with community representatives.

In December 2021 our third Climate Change Adaptation Plan was approved and published by Defra. The plan includes a climate change risk register, allowing us to ensure that the airport remains resilient and prepared to adapt to a changing climate.

We continue to take active steps to minimise the amount of waste we generate and optimise opportunities to recycle. We work closely with the airport's on-site shops and restaurants to reduce waste and benefit community projects through the donation of goods and foodstuffs. In 2021 we donated food and beverages that passed their 'best before' date to support the work of local charities. In November 2021 the Airport was awarded Gold at the Green Apple Awards for Environmental Best Practice for our industry-leading waste management work and proactive approach to increasing recycling through charitable donations.

We operate a dedicated local air quality monitoring station and we are working proactively to reduce emissions at the Airport, including the operation of a fleet of electric vehicles.

We continue to make a positive contribution to biodiversity, operating a Historic Environment, Ecology and Landscape Management Plan (HEELMP) for a 42-hectare area of land to the south of the A45 which also provides roosting opportunities for protected species of bats and birds. We also support biodiversity initiatives to support local tree planting schemes, in addition to grants for local community groups through our Community Trust Fund.

Streamlined energy and carbon reporting

Birmingham Airport is committed to becoming a Net Zero carbon Airport by 2033, prioritising zero carbon Airport operations and minimising carbon offsets. Having first announced our ambition in 2019, we remain steadfast in achieving our 2033 target despite the impact of the pandemic. In April, we launched our Net Zero Carbon Plan, which details our roadmap to 2033, building on a decade of learning and investments that have already delivered a 33% reduction in emissions that the Airport directly controls.

We have voluntarily measured and reported our carbon footprint since 2012/13 and have a track record in achieving low carbon operations. Our greenhouse gas (GHG) emissions in 2021/22 increased by 12% from 2020/21 in line with the increase in passenger numbers and the reopening of areas that were closed during the pandemic. We have continued to monitor and deliver energy savings through a combination of energy efficiency interventions and colleague engagement with energy and carbon management. However, it is very likely energy consumption and GHG emissions will continue to increase into 2022/23 as the Airport returns towards pre-pandemic passenger levels.

Greenhouse Gas Emissions reporting

Our 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 on our website (www.birminghamairport.co.uk).

Energy Usage & Tonnes of CO_2e by Emissions Type				
	2021/22		2020/21	
Emissions Type	**Energy Usage (kWh/ litres/kg/miles)**	**Tonnes of CO_2e**	**Energy Usage (kWh/ litres/kg/miles)**	**Tonnes of CO_2e**
Scope 1 (Gas)	18,906,743 kWh	3,463	16,473,415 kWh	3,029
Scope 1 (LPG)	2,000 litres	3	0 litres	0
Scope 1 (Fuel – Owned Transport)	145,861 litres	366	93,144 litres	236
Scope 1 (Fuel – Diesel Generators)	56,562 litres	142	65,134 litres	166
Scope 1 (Refrigerants)	64 kg	114	0 kg	0
Scope 1 (Total)	-	4,087	-	3,431
Scope 2 (Purchased Electricity)	21,277,505 kWh	4,518	18,091,238 kWh	4,218
Totals (Scope 1 & 2)	-	**8,605**	-	**7,649**
Scope 3 (Business Car Travel)	1,787 miles* 13,587 litres*	31	180,129 miles	50
Totals (Scope 1, 2 & 3)		**8,367**	-	**7,699**

*Business car travel emissions were calculated using both mileage claims (miles) and fuel receipts (cost converted into litres). These were added together for an overall business car travel emissions figure.

Gas and electricity used by tenants and retail concessions are excluded from these figures to prevent double counting as they are reported under SECR by these third-party companies.

Intensity ratio

Birmingham Airport reports on carbon emissions per passenger, which is a widely used metric throughout the aviation industry.

In 2021/22, carbon emissions per passenger decreased by 70% compared to 2020/21. However, the industry has been one of the worst affected by the COVID-19 pandemic and in 2020/21 passenger numbers decreased by 92% versus the previous year. Given the exceptionally low passenger numbers in 2020/21, the link between passenger numbers and carbon emissions has been somewhat disestablished and the results reported in the table below should be viewed in this context.

kg CO2 per passenger - Scope 1,2 & 3 emissions					
Year	**Passenger Numbers**	**Scope 1**	**Scope 2**	**Scope 3**	**Total**
2020/21	980,576	3.50	4.30	0.05	7.85
2021/22	3,673,356	1.11	1.23	0.01	2.35

Energy efficiency actions

The Net Zero Working Group continues to meet monthly and is made up of self-nominated 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. In line with passengers and colleagues returning to the Airport, energy and carbon communications have been cascaded through a variety of channels, engaging key airport stakeholders to take actions to reduce energy consumption and raise awareness of our Net Zero Carbon commitment.

Smart metering technology is the basis of our energy management system and automatic readings are taken across the Airport site, which feed into monthly energy and carbon reports by area. These are cascaded to all business areas to drive energy savings through targeted energy reduction initiatives. The Airport has around 450 meters and work has been ongoing throughout the year to maintain this network and improve meter coverage.

The Airport has regular meetings with our building energy management system (BEMS) operator to review time zones and maximise reductions in energy consumed by Heating, Ventilation & Air Conditioning (HVAC) systems. This includes running HVAC for shortened periods, delaying the return to annual service of chillers and turning off HVAC and boilers to areas where it is deemed not required. In addition, the Airport has continued a programme of upgrading to LED lighting across the site and this year has addressed areas such as stairwells, toilets and doorways and has improved wayfinding and appearance for customers of the Airport as well as reducing energy consumption and maintenance requirements.

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 2022. In doing so, the Directors have regard to:

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

The Airport's 10-year Business Plan is updated and reviewed annually. This important strategic plan guides our internal decision-making and how we work with our many stakeholders to balance competing priorities and find mutually acceptable ways forward.

A number of key decisions have been made in the year to continue to preserve cash and ensure as far as possible that the Airport remains in a strong position as the aviation sector recovers from the impacts of the Covid-19 pandemic. These include accessing support from the Government's Airport and Ground Operations Support Scheme and taking continued advantage of the Coronavirus Job Retention Scheme during the first half of the financial year and deferring capital expenditure where possible. In addition, we have taken a planned approach to re-opening facilities and recruitment of employees such that the business can return to full operations as passenger numbers grow.

For each of the above decisions s172 has been considered and all decisions made are to maintain the strongest possible position as the aviation sector recovers from the impacts of the pandemic, considering the long-term interests of the Company's existing and new 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 strategic business plan ambitions as well as our day-to-day operations. During the height of the pandemic and the most severe travel restrictions, the Airport had no option but to reduce its workforce through a restructuring programme. However, the number of staff leaving through redundancy was mitigated by utilising the furloughing arrangements under the Coronavirus Job Retention Scheme and agreeing innovative secondment arrangements with other local employers to retain staff in employment. These measures have meant that some staff have been able to return to work at the Airport during 2021/22 as the industry begins to recover.

As a continuation from previous years, there has been an increased focus on the mental health and wellbeing of our staff. 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 fully return to the workplace, whether from furlough or working from home, the Airport provided return to work toolkits including safety measures and mental health and wellbeing support.

Our "have your say" annual employee survey resumed in November 2021, following a break in 2020 due to the pandemic, and achieved a response rate of 78% (Autumn 2019 survey 88%). As a result of the pandemic the last two years have been extremely challenging for our employees and the organisation and this was evident in the survey responses. The leadership team are fully committed to addressing the weaker areas identified.

Employee development is also a key focus and a number of initiatives which were suspended during the pandemic are restarting together with a suite of new initiatives to support our employees' personal development in 2021/22. This includes a new leadership development programme delivered by a mix of e-learning and classroom-based training, 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 and interact with our customers every day to consistently deliver a great service. As Government Covid-19 restrictions were gradually lifted throughout the year, we have sought to ensure that our customers continue to feel safe and comfortable in the Airport environment and hence we continued to adhere to some safety measures where practical and in response to customer and employee sentiment.

We have been actively recruiting and training staff since late 2021 to meet the needs of rapidly increasing passenger numbers. This has been challenging at times but we are confident our service levels will be satisfactory going forward.

Over the second half of the 2021/22 financial year the general economy and consumer confidence has begun to recover from the impacts of the pandemic. With cautious optimism we can see early signs that the recovery is gathering pace and we continue to work closely with the business community across the region, including major corporates, the Chambers of Commerce, the Mayor's Office and travel management companies, to understand their plans and make sure we are meeting their demand for additional destinations and frequency of service. We are continually updating our view of the recovery of air travel, monitoring emerging uncertainties (e.g. Russia/Ukraine conflict and cost of living pressures) and revising our aviation strategy accordingly.

We have strong relationships with a wide range of airlines including members of each of the three leading airline alliances (Star Alliance, Oneworld & SkyTeam) serving domestic, short-haul and long-haul markets. Our Aviation Development team are ambassadors for the region, constantly engaging 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 collaboratively to plan flexibly for the recovery in passenger volumes and demand for travel.

We consider our supply chain as critical to enabling the Airport to achieve its objectives. Our 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, have an emphasis on sustainability and health & safety. Through the delivery of effective procurement, there is also a commitment to engage with local small and medium enterprises (SMEs) with a recognition of the need to be socially responsible. To this end, the Airport has procured frameworks with a number of locally based businesses to deliver professional services to support the Capital Investment Programme. We are particularly grateful to all our suppliers for their flexibility during the pandemic and the subsequent recovery, which has necessitated them initially taking significant actions within their own businesses by furloughing staff, taking other cost-cutting measures and then reacting quickly to support the Airport as demand returned.

(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 have also continued our work with Schools and Colleges, supporting young people in developing essential skills and in gaining valuable experience of the aviation industry.

Solihull Mind was adopted as the Company’s official charity partner following a staff vote just before the pandemic and the Company has been developing its relationship with the charity throughout the year. In December the airport hosted a Runway Run in aid of Solihull Mind with staff and Airport partners taking advantage of a unique opportunity to run the full 3km length of the airport runway. Further income streams have been put in place this year with the introduction of branded collection points for foreign currency in the departure lounge and at baggage reclaim. Meanwhile, Solihull Mind has trained more than 40 Mental Health Ambassadors as part of the Company’s staff wellbeing programme and has designed the ‘Headspace Garden’ which will provide staff with a tranquil garden environment close to the terminal where they can relax and enjoy a break during their busy working day.

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, followed up with the publication of our Net Zero Carbon Plan in 2022 and we are now using electricity generated solely from renewable sources. Further information is set out in the Sustainability section of this report.

Our strategy is to make the best use of our existing runway, in line with the Department for Transport’s policy. As passenger volumes return and the Airport recovers, its capital planning will focus 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 review by 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.

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 regularly 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 £54.5 million cash balance, shareholders have put in place a £65 million loan facility. Together these are considered sufficient to meet the company’s ongoing liquidity requirements.

Credit risk
The group's policy requires appropriate credit checks of potential customers prior to the commencement of operation and regular reviews thereafter. In addition, focus has been directed at 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. As a result of the pandemic, and the subsequent gradual recovery, the last two financial periods have had relatively low trading revenues and hence correspondingly low trade debtors.

Cost risk
The group has no significant exposure to any single element of price risk. The largest risks are wage and energy price inflation, the group has some influence through negotiations with its employees and has hedged the majority of its energy prices for the forthcoming year. Due to the impact of the Covid-19 pandemic, agreement was reached with unions and employees to restart increments postponed, along with agreement reached with most unions for cost of living increases from April 2022. Other cost exposures relate to general market inflation and building material costs, the programme for which has been significantly restricted until passenger growth returns beyond pre-pandemic levels, except for regulatory and safety requirements.

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 improvement targets to enhance 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 during the height of the pandemic, it became clear that 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 continued into the start of 2021/22 a further waiver of these covenant tests was agreed for the 30 September 2021, 31 March 2022 and 30 September 2022 test dates.

The next covenant test date is 31 December 2022 and compliance is uncertain because it relies on the timing and pace of recovery in the sector. The group forecasts to retain a satisfactory cash balance as at December 2022 but unless passenger volumes and revenues recover quickly enough, the group will not comply with EBITDA based covenant ratios. Based on current trading, the group forecasts to pass this covenant test with 9.9 million passengers in 2022/23.

An alternative liquidity covenant test has been introduced which compares cash and undrawn facilities against six months' projected costs on a monthly basis - this test was successfully met throughout the 2021/22 year with a comfortable amount of headroom.

Brexit risk
The UK negotiated a new trade deal with the EU which came into effect on 1 January 2021, therefore the risks associated with Brexit have largely been removed.

Travel restrictions
Government restrictions on international travel along with onerous requirements for Covid-19 testing were in force for the majority of the year, and often changed at short notice. This, along with the emergence of the Omicron variant of the virus in December 2021, continued to dampen the demand for leisure and business travel throughout the period up to January 2022. However, with further easing of restrictions in mid-February 2022 and the full lifting of all remaining UK restrictions by mid-March 2022 the Airport saw a solid acceleration in the pace of recovery towards pre-pandemic levels (February, March and April 2022 achieving 54%, 63% and 74% of pre-pandemic passenger volumes respectively).

Passenger demand
Towards the end of the 2021/22 financial year we began to see encouraging signs of the recovery of the sector. Whilst we will closely monitor the impacts of other geopolitical and economic developments (e.g. Russia/Ukraine conflict, cost of living pressures, rising inflation and interest rates) that could adversely impact passenger confidence and volumes, the Airport is optimistic that demand will return and that the long-term prospects remain positive. We are continually reviewing and updating passenger projections for the near-term and medium-term, to ensure that we are well prepared for the full recovery to pre-pandemic passenger levels. Following the actions taken by the Airport in 2020/21 and 2021/22, it is in a strong position to respond to the accelerating pace of recovery in the months and years ahead, although this is not without its challenges, in particular recruitment of staff.

We would like to take this opportunity to thank all colleagues who have worked so hard for the Airport over the past two years in the most challenging of circumstances. Their dedication and engagement in helping the Airport through the Covid-19 pandemic and subsequent initial recovery has been exemplary and very much appreciated.

Approved and authorised by the Board on 6 July 2022 and signed on its behalf by:

....
T Clarke
Chairman

....
F P Penhallurick
Company Secretary

Directors' Report for the Year Ended 31 March 2022

The Directors present their report and the audited financial statements of the group and company for the year ended 31 March 2022.

Future developments, dividends and financial risk management
The Strategic Report on pages 2 to 16 includes details of the group'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 were:

N Barton - Chief Executive

P T A Bateman (appointed 30 June 2021)

M A Bird

T Chatfield (resigned 27 April 2022)

T Clarke - Chairman

R Lawrence (resigned 30 June 2021)

K K Lezama

J Mutton (appointed 30 June 2021 and resigned 10 May 2022)

P Nakou (appointed 27 October 2021)

G E Richards (resigned 30 June 2021)

E Ruane (resigned 30 June 2021)

R K Sleigh (appointed 30 June 2021)

D M Stanton

P C Tilsley

M R Toms

The following director was appointed after the year end:

J D McNicholas (appointed 22 June 2022)

Company Secretary
F P 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.

Going concern

The Directors have reviewed the prospects for the group and company through to March 2024 (twenty-four months from the balance sheet date) in the context of the Covid-19 pandemic. At the balance sheet date the group had strong liquidity, with a cash balance of £54.5 million and a £65 million shareholder loan facility.

The gradual increase in passenger volumes as the pandemic has eased, combined with actions taken during the pandemic to reduce expenditure have led to average cash outflows in the second half of 2021/22 of £2.2 million per month (excluding grant receipts from the Airport & Ground Operations Support Scheme (AGOSS)). Therefore, without any change to the current trading levels the group has sufficient cash to operate for 24 months. Together with the shareholder loan facility, the group has sufficient liquidity for over four years from the date of signing these financial statements at the level of trading experienced in winter 2021/22.

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.

Whilst many UK and international travel restrictions have been lifted and airlines’ capacity plans for 2022/23 are significantly greater than 2021/22, there remains some uncertainty about the course of the pandemic and the extent of travel restrictions and passenger demand. The increase in fuel prices and the associated further squeeze on disposable incomes may impact air ticket prices and passenger volumes. In addition to a base case scenario of 9.9 million passengers in 2022/23, a downside scenario of 7.0 million passengers has been created to assess liquidity and covenant compliance.

The Group has significantly reduced cash outflows in both operating and capital expenditure as the pandemic continued throughout 2021/22. The Group received £0.6 million from the Government’s Coronavirus Job Retention Scheme which was utilised to fund part of the cost of employees who were furloughed until the Scheme ended in September 2021. AGOSS grants totalling £12.7 million were received in the year.

The Group has external debt facilities which are in the form of £371 million of private placement loan notes, and a bank loan of £25 million. The group has no debt maturities until £30 million of private placement loan notes mature in December 2023.

The terms of the external debt facility agreements require the Group to comply with covenants for which waivers 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 along with a six months forward liquidity covenant, tested monthly. Due to the impacts of the continuing pandemic an extension of the waivers until December 2022 was granted by lenders in May 2021.

Going concern (continued)

The group forecasts to retain a satisfactory cash balance as at December 2022 but unless passenger volumes and revenues recover quickly enough, the group will not comply with EBITDA-based covenant ratios as forecast in the downside scenario. 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. If the pace of recovery is not quick enough then a combination of a further covenant waiver and/or shareholder support will be required to avoid a covenant breach or alternative funding will need to be secured, which is not certain. If a covenant breach occurs with no corrective measures completed the company's intercompany creditors could become repayable: the company has insufficient resources of its own to meet such a repayment and therefore the company would no longer be a going concern.

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, represent material uncertainties that may cast significant doubt 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 the adjustments that would result if the Group and Company were unable to continue as a going concern.

The covenant test date of December 2022 was 18 months from the signing of the 31 March 2021 financial statements and therefore outside of the going concern assessment period but is less than six months from the signing of these financial statements. This is the key reason why the covenant test is now assessed to create a material uncertainty which was not applicable in 2021.

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.

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 6 July 2022 and signed on its behalf by:

....
T Clarke
Chairman

....
F P Penhallurick
Company Secretary

Statement of Directors' Responsibilities in respect of the financial statements

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 6 July 2022 and signed on its behalf by:

....
F P Penhallurick
Company Secretary

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

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 2022 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 2022; the Consolidated Income Statement; the Consolidated Statement of Comprehensive Income; the Consolidated and 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and the company's ability to continue as a going concern. The Group has external debt facilities which require the Group to comply with various covenant tests. Due to the continuing pandemic, an extension of the waivers until December 2022 was granted to the Group. The directors have prepared a base case going concern forecast which indicates the Group would be able to meet its covenant tests at 31 December 2022. The directors of the Group have performed sensitivity analysis on the forecasts approved by the Board to assess the potential impact of severe but plausible downside scenarios. The Group forecasts that unless passenger volumes and revenues recover quickly enough it will not comply with EBITDA-based covenant ratios as forecast in the downside scenarios. If the pace of recovery is not quick enough then a combination of a further covenant waiver and/or shareholder support will be required to avoid a covenant breach or alternative funding will need to be secured, which is not certain. If a covenant breach occurs with no corrective measures completed the Company's external borrowings could become repayable and therefore the Company would no longer be a going concern. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

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.

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

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 2022 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.

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 Civil Aviation Authority (CAA) regulations, employment law, 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 and valuations 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, and reviews of legal expenses;
- 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. This description forms part of our auditors' report.

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 obtained 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

6 July 2022

Birmingham Airport Holdings Limited

Consolidated Income Statement for the Year Ended 31 March 2022

	Note	2022 £ 000	2021 £ 000
Turnover	4	67,475	24,003
Other operating income	7	13,578	6,491
Staff costs	9	(28,957)	(30,841)
Depreciation and amortisation expense	6	(27,434)	(27,545)
Other operating expenses		(31,272)	(29,313)
Exceptional administrative expenses	5	(456)	(3,252)
Operating loss		(7,066)	(60,457)
Other interest receivable and similar income	11	18	274
Interest payable and similar expenses	12	(15,299)	(20,832)
		(15,281)	(20,558)
Loss before tax		(22,347)	(81,015)
Tax on loss	13	354	13,402
Loss for the financial year		(21,993)	(67,613)
Loss attributable to:			
Owners of the company		(21,993)	(67,613)

The above results were derived from continuing operations.

Birmingham Airport Holdings Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2022

	2022 £ 000	2021 £ 000
Loss for the financial year	(21,993)	(67,613)
Deferred tax change in rate on tangible asset revaluations	(3,465)	-
Remeasurement gain/(loss) on net defined benefit pension liability	21,114	(14,921)
Deferred tax effect on actuarial gain/(loss) recognised on net defined benefit pension liability	(3,565)	2,835
Other comprehensive income/(expense) for the year	14,084	(12,086)
Total comprehensive expense for the year	(7,909)	(79,699)

The notes on pages 33 to 63 form an integral part of these financial statements.

Birmingham Airport Holdings Limited

(Registration number: 3312673)
Consolidated Statement of Financial Position as at 31 March 2022

	Note	2022 £ 000	2021 £ 000
Fixed assets			
Tangible assets	14	452,002	471,272
Investment property	15	10,368	10,415
		462,370	481,687
Current assets			
Inventories	17	1,207	1,250
Debtors	18	20,275	11,227
Cash at bank and in hand	19	54,538	73,212
		76,020	85,689
Creditors: Amounts falling due within one year	20	(48,599)	(49,616)
Net current assets		27,421	36,073
Total assets less current liabilities		489,791	517,760
Creditors: Amounts falling due after more than one year	20	(417,120)	(417,264)
Provisions for liabilities	24	(19,473)	(13,846)
Post employment benefits	25	(21,823)	(47,216)
Net assets		31,375	39,434
Capital and reserves			
Called up share capital	26	3,240	3,240
Revaluation reserve	27	45,309	49,675
Merger reserve	27	25,588	25,588
(Accumulated losses)		(42,762)	(39,069)
Total equity		31,375	39,434

The financial statements on pages 26 to 63 were approved and authorised by the Board on 6 July 2022 and signed on its behalf by:

....
N Barton

Chief Executive

....
T Clarke

Chairman

Birmingham Airport Holdings Limited

(Registration number: 3312673)
Company Statement of Financial Position as at 31 March 2022

	Note	2022 £ 000	2021 £ 000
Fixed assets			
Investments	16	143,745	143,745
Current assets			
Debtors	18	146,648	125,415
Cash at bank and in hand	19	448	608
		147,096	126,023
Creditors: Amounts falling due within one year	20	(186,529)	(160,148)
Net current liabilities		(39,433)	(34,125)
Total assets less current liabilities		104,312	109,620
Creditors: Amounts falling due after more than one year	20	(40,384)	(40,384)
Net assets		63,928	69,236
Capital and reserves			
Called up share capital	26	3,240	3,240
Merger reserve	27	51,380	51,380
Retained earnings		9,308	14,616
Total equity		63,928	69,236

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 £5.158 million (2021: £9.156 million).

The financial statements on pages 26 to 63 were approved and authorised by the Board on 6 July 2022 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 2022

	Note	Called up Share capital £ 000	Merger reserve £ 000	Revaluation reserve £ 000	Retained earnings/ (accumulated losses) £ 000	Total equity £ 000
At 1 April 2020		3,240	25,588	50,768	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		-	-	-	(8)	(8)
Movement in reserves of own trust		-	-	-	(20)	(20)
At 31 March 2021		3,240	25,588	49,675	(39,069)	39,434
At 1 April 2021		3,240	25,588	49,675	(39,069)	39,434
Loss for the financial year		-	-	-	(21,993)	(21,993)
Other comprehensive income		-	-	(3,465)	17,549	14,084
Total comprehensive expense		-	-	(3,465)	(4,444)	(7,909)
Revaluation reserve profit transfer	27	-	-	(901)	901	-
Net sale of own shares from share trust	27	-	-	-	(140)	(140)
Movement in reserves of own trust		-	-	-	(10)	(10)
At 31 March 2022		3,240	25,588	45,309	(42,762)	31,375

Birmingham Airport Holdings Limited

Company Statement of Changes in Equity for the Year Ended 31 March 2022

	Note	Called up Share capital £ 000	Merger reserve £ 000	Retained earnings £ 000	Total Equity £ 000
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		-	-	(8)	(8)
Movement in reserves of own trust		-	-	(20)	(20)
At 31 March 2021		3,240	51,380	14,616	69,236
At 1 April 2021		3,240	51,380	14,616	69,236
Loss for the financial year		-	-	(5,158)	(5,158)
Total comprehensive expense		-	-	(5,158)	(5,158)
Net sale of own shares from share trust	27	-	-	(140)	(140)
Movement in reserves of own trust		-	-	(10)	(10)
At 31 March 2022		3,240	51,380	9,308	63,928

Birmingham Airport Holdings Limited

Consolidated Statement of Cash Flows for the Year Ended 31 March 2022

	Note	2022 £ 000	2021 £ 000
Cash flow from/(used in) operating activities	28	2,607	(40,467)
Income taxes received		-	79
Net cash flow generated from/(used in) operating activities		2,607	(40,388)
Cash flow from investing activities			
Interest received	11	75	458
Purchase of tangible assets		(7,950)	(21,388)
Proceeds from sale of tangible assets	6	-	163
Net cash used in investing activities		(7,875)	(20,767)
Cash flow from financing activities			
Interest paid	12	(12,559)	(16,630)
Repayment of corporate bond	29	-	(105,000)
Proceeds from private placements senior notes	29	-	45,000
Lease/leaseback premium	32	(697)	(1,034)
Net sale of own shares from share trust		(140)	(8)
Movement in reserves of own trust		(10)	(20)
Net cash used in financing activities		(13,406)	(77,692)
Net decrease in cash and cash equivalents		(18,674)	(138,847)
Cash and cash equivalents at the beginning of the year		73,212	212,059
Cash and cash equivalents at the end of the year	19	54,538	73,212

The notes on pages 33 to 63 form an integral part of these financial statements.

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 £5.158 million (2021: £9.156 million).

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 2022. 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 2024 (twenty-four months from the balance sheet date) in the context of the Covid-19 pandemic, as outlined in the Directors report on page 18. At the balance sheet date the group had strong liquidity, with a cash balance of £54.538 million. The gradual increase in passenger volumes as the pandemic has eased, combined with actions taken during the pandemic to reduce expenditure have led to average cash outflows in the second half of 2021/22 of £2.2 million per month (excluding grant receipts from the Airport & Ground Operations Support Scheme (AGOSS)). Therefore, without any change to the current trading levels the group has sufficient cash to operate for 24 months. Together with the shareholder loan facility, the group has sufficient liquidity for over four years from the date of signing these financial statements at the level of trading experienced in winter 2021/22.

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, represent material uncertainties that may cast significant doubt 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.

2 Accounting policies (continued)

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:

(i) 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.

(ii) Concession income - concession rentals net of value added tax relating to retail activities on the site. Income for car parking is recognised at the end of the parking stay and all other concession income is recognised in the period to which it relates on an accruals basis.

(iii) Property income and recharges - revenues relating to property lettings, service charges, utility recharges and usage charges for operational systems. All income is recognised in the period to which is relates on an accruals basis.

Government grants
Government grants that do not impose specified future performance-related conditions are recognised in other operating 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.

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:

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

Investment property

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

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.

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.

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 2021/22. 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'.

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) 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.

(ii) 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.

(iii) 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.

(iv) 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.

3 Critical accounting judgements and estimations of uncertainty (continued)

(v) 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 18. 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.

Whilst many UK and international travel restrictions have been lifted and airlines' capacity plans for 2022/23 are significantly greater than 2021/22, there remains some uncertainty about the course of the pandemic and the extent of travel restrictions and passenger demand. The increase in fuel prices and the associated further squeeze on disposable incomes may impact air ticket prices and passenger volumes. In addition to a base case scenario of 9.9 million passengers in 2022/23, a downside scenario of 7.0 million passengers has been created to assess liquidity and covenant compliance.

4 Turnover

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

	2022 £ 000	2021 £ 000
Aeronautical income	20,884	7,640
Concessions income	25,011	6,295
Property income and recharges	21,580	10,068
	67,475	24,003

All turnover is generated in the United Kingdom.

5 Exceptional administrative expenses

	2022 £ 000	2021 £ 000
Restructuring	186	2,996
Covenant waiver legal cost	199	234
Other exceptional costs	71	22
	456	3,252

During the year £0.186 million (2021: £2.996 million) restructuring costs were incurred for employees leaving the business as a result of redundancy programmes (the prior period included £0.065 million legal fees associated with the redundancies). During the year covenant waiver legal costs of £0.199 million (2021: £0.234 million) and other exceptional costs, associated with HS2 people mover safeguarding of £0.071 million (2021: £0.022 million) were incurred. Included within taxation on (loss)/profit is tax on exceptional items at the current UK tax rate of 19% (2021: 19%) amounting to £0.087 million (2021: £0.618 million).

6 Operating (loss)/profit

Arrived at after charging/(crediting):

	2022 £ 000	2021 £ 000
Depreciation expense (note 14)	27,670	27,781
Capital grant release	(9)	(9)
Government capital grant release (note 7)	(227)	(227)
Government furlough grant release (note 7)	(636)	(6,491)
Government AGOSS grant release (note 7)	(12,483)	-
Other operating income - insurance receipt	(459)	-
Increase in fair value of investment property (note 15)	(176)	(186)
Operating lease expense - plant and machinery	54	63
Income on disposal of tangible assets	-	(84)
(Impairment)/reversal of impairment of trade receivables	256	(278)

7 Other operating income

Other operating income includes the government grants income of £13.119 million (2021: £6.491 million), detailed below, and an insurance receipt for £0.459 million (2021: £nil) for property damage and demolition of a residential investment property.

Government grant income has been received in the year in relation to the Airport and Ground Operations Support Scheme (AGOSS) of £12.668 million (2021: £nil) and Coronavirus Job Retention Scheme (CJRS) of £0.636 million (2021: £6.491 million) and is recognised as other operating income on a systematic basis over the period in which the company recognises the related costs for which the grant is intended to compensate. In 2019 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.

	2022 £ 000	2021 £ 000
Opening balance at 1 April	2,282	2,509
Utilised	(13,346)	(6,718)
Additions	13,304	6,491
Closing balance at 31 March	2,240	2,282

8 Auditors' remuneration

	2022 £ 000	2021 £ 000
Audit of company and consolidated financial statements	40	53
Audit of the financial statements of subsidiaries of the company pursuant to legislation	133	128
	173	181

Other fees to auditors

	2022 £ 000	2021 £ 000
Audit-related assurance services	10	6

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

9 Staff costs

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

	2022 £ 000	2021 £ 000
Wages and salaries	24,367	29,041
Social security costs	2,735	2,699
Other pension costs, defined contribution scheme (note 25)	1,346	1,374
Other pension costs, defined benefit scheme (note 25)	1,247	1,172
	29,695	34,286

The aggregate payroll costs include exceptional items of £0.186 million (2021: £2.931 million) and employee costs capitalised of £0.552 million (2021: £0.513 million).

The company had 2 employees (2021: 2) who received wages and salaries of £1.126 million (2021 £0.960 million), with national insurance costs of £0.158 million (2021: £0.130 million).

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

	2022 No.	2021 No.
Engineering	43	36
Operations and security	370	552
Support services	172	189
	585	777

10 Directors' emoluments

The directors' emoluments for the year was as follows:

	2022 £ 000	2021 £ 000
Aggregate emoluments	806	693

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 (2021: £nil).

In respect of the highest paid director:

	2022 £ 000	2021 £ 000
Aggregate emoluments	696	595

Executive remuneration is determined by a Remuneration Committee established by the Board and made up of non-executive Directors. The Remuneration Committee independently considers relevant market comparators that are required to attract and retain high calibre people. The remuneration structure is made up of salary and incentive schemes related to individual performance and behaviours which support the delivery of the Airport's strategy and performance. No individual executive is involved in deliberations in relation to their own remuneration.

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 (2021: 12).

	2022 £ 000	2021 £ 000
Salaries and other short term benefits	2,420	2,166
Post employment benefits	70	77
	2,490	2,243

11 Other interest receivable and similar income

	2022 £ 000	2021 £ 000
Bank interest receivable	18	252
Other interest receivable	-	22
	18	274

12 Interest payable and similar expenses

	2022 £ 000	2021 £ 000
Private placements senior notes interest	12,115	12,321
Interest on preference shares	971	971
Lease/leaseback interest	872	859
Bank loans and overdrafts	205	219
Pension scheme net finance charge (note 25)	880	814
Other interest payable	256	208
Corporate bond	-	6,027
Less: capitalised interest	-	(587)
	15,299	20,832

13 Tax on loss

(a) Tax credited in the income statement

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	-	(367)
Adjustment in respect of prior years	-	80
	-	(287)
Deferred taxation		
Arising from origination and reversal of timing differences	(1,779)	(13,140)
Arising from changes in tax rates and laws	1,713	-
Adjustment in respect of prior years	(288)	25
	(354)	(13,115)
Tax on loss	(354)	(13,402)

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

	2022 £ 000	2021 £ 000
Arising from origination and reversal of timing difference	4,012	(2,835)
Arising from changes in tax rates and laws	3,018	-
	7,030	(2,835)

13 Tax on loss (continued)

(c) Reconciliation of tax credit

The tax on loss for the year is higher than the standard rate of corporation tax in the UK (2021: higher than the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
Loss before tax	(22,347)	(81,015)
Corporation tax at standard rate	(4,246)	(15,393)
Effect of expense not deductible in determining taxable profit	2,467	1,886
Deferred tax charge relating to changes in tax rates or laws	1,713	-
Adjustment in respect of prior years	(288)	105
Total tax credit	(354)	(13,402)

(d) Tax rate changes

In the March 2021 UK Budget it was announced that the main rate of UK corporation tax would increase from 19% to 25% with effect from 01 April 2023. This had been substantively enacted at the balance sheet date and is reflected in the company's financial statements.

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
Cost or valuation						
At 1 April 2021	295,574	200	120,841	201,151	52,900	670,666
Additions	-	-	-	-	8,702	8,702
Transfers to investment property	(334)	-	-	-	-	(334)
Transfers	624	-	458	37,591	(38,673)	-
At 31 March 2022	295,864	200	121,299	238,742	22,929	679,034
Accumulated depreciation						
At 1 April 2021	24,893	-	18,102	156,399	-	199,394
Charge for the year	8,023	-	7,489	12,158	-	27,670
Eliminated on transfer to investment property	(32)	-	-	-	-	(32)
At 31 March 2022	32,884	-	25,591	168,557	-	227,032
Carrying amount						
At 31 March 2022	262,980	200	95,708	70,185	22,929	452,002
At 31 March 2021	270,681	200	102,739	44,752	52,900	471,272

Included within the net book value of land and buildings above is £262.980 million (2021: £270.681 million) in respect of freehold land and buildings and £0.200 million (2021: £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 (2021: £92.076 million) which is not depreciated.

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 32.

14 Tangible assets (continued)

Revaluation
Following advice from Knight Frank LLP, the Directors have determined that the net book value of tangible assets is appropriate. On 31 March 2020 certain operational assets whose fair value is based on income were revalued, due to changes in market value, 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 £307.717 million (2021: £307.715 million) and the net book value would have been £159.043 million (2021: £163.965 million). The gross cost of infrastructure assets would have been £202.854 million (2021: £202.400 million) and the net book value would have been £78.262 million (2021: £83.553 million).

Capitalised interest
Within capitalised interest are capitalised borrowing costs of £nil (2021: £0.587 million). The capitalisation rate used to determine the amount of finance costs capitalised during the prior year was 3.46%.

Company
The company had no tangible assets at 31 March 2022 (2021: £nil)

15 Investment property

Group

	£ 000
At 1 April 2021	10,415
Disposals	(525)
Transfers from property, plant and equipment	302
Fair value adjustments	176
At 31 March 2022	10,368

Investment properties held by Birmingham Airport Limited have been revalued at 31 March 2022, 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 an increase of £0.158 million (2021: £0.155 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 2022 by Scanlans Chartered Surveyors and Fisher German LLP. The valuation identifies a gain of £0.018 million (2021: £0.341 million) which has been recognised in the income statement.

Company
The company had no investment properties at 31 March 2022 (2021: £nil).

16 Investments

Company

	2022 £ 000	2021 £ 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 2022	2021
Subsidiary undertakings				
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%

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.

16 Investments (continued)

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

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

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

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

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

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

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

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

The principal activity of 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 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 2022. 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 2022 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)

17 Inventories

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Stocks	567	610	-	-
Development land	640	640	-	-
	1,207	1,250	-	-

There is no provision provided for the impairment of stock in the year (2021: £nil).

There is no material difference between replacement cost of inventory and its carrying amount (2021: £nil).

18 Debtors

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Trade debtors	6,785	2,999	-	-
Amounts owed by group undertakings	-	-	142,030	122,997
Corporation tax	2,156	2,156	537	214
Other debtors	113	127	-	-
Prepayments and accrued income	11,200	5,945	88	159
Finance lease receivables	21	-	-	-
Deferred tax assets	-	-	3,993	2,045
	20,275	11,227	146,648	125,415

Trade debtors are stated after provisions for impairment of £1.292 million (2021: £1.778 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.

The Company has deferred tax assets of £3.993 million in the current year relating to non trading timing differences (2021 £2.045 million).

19 Cash at bank and in hand

	Group		Company	
	2022	**2021**	**2022**	**2021**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Cash on hand	4	5	-	-
Cash at bank	54,534	73,207	448	608
	54,538	73,212	448	608

20 Creditors

	Group 2022 £ 000	Group 2021 £ 000	Company 2022 £ 000	Company 2021 £ 000
Amount falling due within one year				
Trade creditors	6,223	6,917	-	-
Amounts owed to group undertakings	-	-	180,466	154,833
Other taxation and social security	955	49	117	-
Accruals and deferred income	41,421	42,650	5,946	5,315
	48,599	49,616	186,529	160,148

	Group 2022 £ 000	Group 2021 £ 000	Company 2022 £ 000	Company 2021 £ 000
Amount falling due after more than one year				
Loans and borrowings	399,375	399,259	25,000	25,000
Preference shares (note 26)	15,384	15,384	15,384	15,384
Accruals and deferred income	2,361	2,621	-	-
	417,120	417,264	40,384	40,384

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 2022 £ 000	Group 2021 £ 000	Company 2022 £ 000	Company 2021 £ 000
Non-current Loans and borrowings				
Loans and borrowings	394,643	394,527	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
	414,759	414,643	40,384	40,384

21 Loans and borrowings (continued)

Within loans and borrowings, the £30 million private placement senior notes A are repayable within two years. The other non-current loans and borrowings are payable in full after five years. Loans and borrowings are shown net of £1.360 million transaction costs (2021: £1.473 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:

	2022 £ 000	2021 £ 000
Not later than one year	950	872
Later than one year and not later than five years	3,798	3,486
Later than five years	116,786	108,444
Total gross payments	121,534	112,802
Less: finance charges	(116,802)	(108,070)
Carrying amount of liability	4,732	4,732

The above lease is repayable after more than five years and include contingent rent clauses, see note 32 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

The group's 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, £45 million 2.49 per cent senior notes 2020 Series B private placement notes maturing on 21 May 2020, £25 million bank loan and £54.5 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.

23 Financial instruments (continued)

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.

Fixed rate financial liabilities	2022 Years remaining	2021 Years remaining
Sterling: Private placement senior notes series A	2	3
Sterling: Private placement senior notes series B	7	8
Sterling: Private placement senior notes	19	20
Sterling: Private placement senior notes 2019	27	28
Sterling: Private placement senior notes 2020 series A	28	29
Sterling: Private placement senior notes 2020 series B	29	30

24 Provisions for liabilities

Group	Other provisions £ 000	Deferred taxation £ 000	Total £ 000
At 1 April 2021	1,672	12,174	13,846
Release of existing provisions	(898)	(354)	(1,252)
Additions through statement of comprehensive income	-	7,030	7,030
Provisions used	(151)	-	(151)
At 31 March 2022	623	18,850	19,473

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 £0.600 million (2021: £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 (2021: £0.200 million) and will be charged in the year to which it relates. There are no other provisions in the company (2021: none).

24 Provisions for liabilities (continued)

Deferred tax

Group

Deferred tax assets and liabilities

2022	Asset £ 000	Liability £ 000
Capital allowances in advance of depreciation	-	(10,916)
Other timing differences	1,215	-
Post employment benefits	5,456	-
Revaluation of land, buildings and infrastructure	-	(32,183)
Revaluation of investment property	-	(1,083)
Tax losses	14,567	-
Non trading timing differences	4,094	-
	25,332	(44,182)

2021	Asset £ 000	Liability £ 000
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	-
	23,000	(35,174)

The value of deferred tax liabilities expected to reverse in the next year is £2.002 million (2021: £0.425 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 £1.346 million (2021: £1.374 million).

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 2021/22 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:

	2022 %	2021 %
Discount rate	2.60	2.00
Future salary increases	3.55	3.15
Future pension increases (RPI)	3.70	3.40
Future pension increases (CPI)	2.80	2.40

Post retirement mortality assumptions

	2022 Years	2021 Years
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

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:

	2022 £ 000	2021 £ 000
Fair value of scheme assets	193,570	183,970
Present value of defined benefit obligation	(215,393)	(231,186)
Defined benefit pension scheme deficit	(21,823)	(47,216)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2022 £ 000	2021 £ 000
Present value at start of year	(231,186)	(193,006)
Current service cost	(1,356)	(1,319)
Past service cost	-	(465)
Interest cost	(4,564)	(4,558)
Actuarial gains/(losses)	15,641	(37,894)
Benefits paid	6,116	6,120
Contributions by scheme participants	(44)	(64)
Present value at end of year	(215,393)	(231,186)

Fair value of scheme assets

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

	2022 £ 000	2021 £ 000
Fair value at start of year	183,970	154,914
Interest income	3,684	3,744
Actuarial gains	5,473	22,973
Employer contributions	6,515	8,395
Contributions by scheme participants	44	64
Benefits paid	(6,116)	(6,120)
Fair value at end of year	193,570	183,970

Analysis of assets

The major categories of scheme assets are as follows:

	2022 £ 000	2021 £ 000
Cash and cash equivalents	1,300	2,246
Diversified growth funds	192,270	181,724
	193,570	183,970

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

25 Post employment benefits (continued)

Return on scheme assets

	2022 £ 000	2021 £ 000
Return on scheme assets	9,157	26,717

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

Total cost recognised as an expense totalled £1.356 million (2021: £1.319 million) for current service cost, £nil (2021: £0.465 million) for past service cost and £0.880 million (2021: £0.814 million) for interest cost. Included in the service cost is £0.109 million (2021: £0.147 million) relating to salary sacrificed.

26 Called up share capital

Allotted, called up and fully paid shares

	2022 No. 000	2022 £ 000	2021 No. 000	2021 £ 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	-	-	-	-
	323,994	3,240	323,994	3,240

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.

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 £0.901 million (2021: £1.093 million). In the year the substantively enacted tax rate changed to 25%, resulting in a £3.465 million (2021: £nil) 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 dividends.

	Own Shares Number	Own Shares £ 000
Investment at 1 April 2021	4,537,802	3,145
Shares purchased from employees	121,791	140
Investment at 31 March 2022	4,659,593	3,285

28 Note to the cash flow statement

	2022 £ 000	2021 £ 000
Cash flows from operating activities		
Loss for the financial year	(21,993)	(67,613)
Adjustments to cash flows from non-cash items		
Depreciation and other grant release	27,434	27,545
Changes in fair value of investment property	(176)	(186)
Profit on disposal of tangible assets	-	(84)
Loss from disposal of investment properties	525	-
Finance income	(18)	(274)
Finance costs	15,299	20,832
Income tax income	(354)	(13,402)
	20,717	(33,182)
Working capital adjustments		
Decrease/(increase) in inventories	43	(69)
(Increase)/decrease in trade and other receivables	(9,359)	17,478
Decrease in trade and other payables	(2,586)	(18,066)
Decrease in retirement benefit obligation net of actuarial changes	(5,159)	(6,611)
Decrease in provisions	(1,049)	(17)
Cash generated from/(used in) operations	2,607	(40,467)

29 Reconciliation of changes in net debt

	At 1 April 2021 £ 000	Cash flow £ 000	Non-cash changes £ 000	At 31 March 2022 £ 000
Cash and cash equivalent	73,212	(18,674)	-	54,538
Private placement notes	(369,527)	-	(116)	(369,643)
Bank facility	(25,000)	-	-	(25,000)
Finance lease	(4,732)	-	-	(4,732)
Preference shares	(15,384)	-	-	(15,384)
Total investment	(341,431)	(18,674)	(116)	(360,221)

30 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was £2.103 million (2021: £1.483 million).

30 Commitments (continued)

Operating leases

The total of future minimum lease payments is as follows:

	2022 £ 000	2021 £ 000
Not later than one year	41	33
Later than one year and not later than five years	49	12
	90	45

The amount of non-cancellable operating lease payments recognised as an expense during the year was £0.033 million (2021: £0.080 million).

Operating lease arrangements where the group is lessor

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

	2022 £ 000	2021 £ 000
Not later than one year	1,130	1,013
Later than one year and not later than five years	4,767	4,301
Later than five years	38,783	37,971
	44,680	43,285

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

31 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 2022. The detail of the statutory guarantees are included in note 16.

32 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.

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 £0.872 million (2021: £0.859 million). The amount at the end of the year was £4.732 million (2021: £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 2021/22 were £5.633 million (2021: £5.678 million). At the end of the year the company had prepaid £0.523 million of the 2022/23 business rates (2021: £0.522 million).

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 £0.166 million (2021: £0.164 million). 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 £0.001 million (2021: £0.086 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.

33 Parent and ultimate parent undertaking

Birmingham Airport Holdings Limited is owned by the Districts (see note 32), 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.