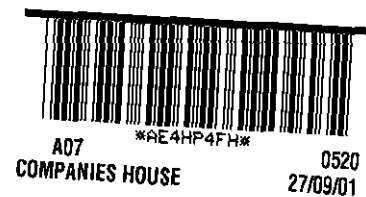


REPORT AND ACCOUNTS

Birmingham International Airport Limited

31 MARCH 2001



BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS

as at 18 July 2001

REGISTERED NUMBER

2078273

DIRECTORS

J L Hudson
Chairman

A R Burgess
N Hanlon
F S Hunt
M J Kelly
G E Richards
B Summers
M Sweeney
M Wells

NOMINEES

J Burke
D Hepburn
A S Lewis
J Polychronakis
S Wood

EXECUTIVE MANAGEMENT TEAM

Brian Summers
Managing Director
Michael Joseph Kelly
Finance Director
Richard Heard
Operations Director
Peter Vella
Director of Business Development
Richard Lambert
Head of Planning and Development
Elaine Clarke
Head of Personnel
Richard Holt
Head of Strategy
David Hepburn
Aer Rianta cpt
Michael Upton
Aer Rianta International

AUDITORS

Ernst & Young LLP
One Colmore Row,
Birmingham B3 2DB

BANKERS

National Westminster Bank Plc
103 Colmore Row, Birmingham B3 3NR

SOLICITORS

Eversheds
115 Colmore Row, Birmingham B3 3AL

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2001.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £17.587 million. This enabled a dividend on the Ordinary Shares to be paid during the year of £13.458 million resulting in a retained profit for the year of £4.129 million. After taking account of retained profits brought forward of £6.602 million retained profit carried forward totalled £10.731 million.

PRINCIPAL ACTIVITY

The principal activity of the Company is the operation and management of Birmingham International Airport and the provision of facilities and services associated to those operations.

FUTURE DEVELOPMENTS

Following the granting of Outline Planning Consent on 3 July 1996, the Company has applied for Reserved Matters Planning approvals to enable phases of the development programme to be undertaken. These include improvements to the passenger terminal buildings, extension of aprons and taxiways, the provision of improved access by road and public transport and major environmental works.

Most recently, in October 2000 work commenced to increase the check-in capacity in Main Terminal resulting in 12 new check-in desks opening in May 2001. Aircraft stands have also been modified to create 3 new stands capable of accommodating the largest wide bodied aircraft currently in operation (Boeing 747s and 777s). In addition, car parking capacity on site has been enhanced with the opening of a 1,750 space multi-storey car park in May 2001 and the staggered provision of an additional 2,000 spaces of surface car parking. Planning approval has also been granted for phase two of the multi storey car park which will provide a further 1,500 spaces.

Work also commenced in January 2001 to provide a new 'Air Rail' link people mover system to connect the Airport to Birmingham International Rail Station. This will also incorporate a new Multi Modal Interchange to facilitate the transfer of passengers between air, rail, bus and the National Exhibition Centre. These projects are due to open in 2002.

In the coming year, development work continues to create further apron hardstanding and a bussing facility for access to remote aircraft stands. A dedicated in-bound and out-bound dual carriageway road adjoining the A45 is also under construction. In addition, planning work is being undertaken to develop a satellite pier to create additional airbridge served aircraft stands. These developments are currently expected to become operational progressively up to 2003.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows

A R Burgess
M P Corser (Resigned 7 June 2000)
E Foley (Resigned 23 March 2001)
N Hanlon
J L Hudson
F S Hunt
M J Kelly
G E Richards (Appointed 7 June 2000)
B Summers
M Sweeney (Appointed 23 March 2001)
M Wells

Nominees

J Burke
D Hepburn
A S Lewis
J Polychronakis
S Wood

J L Hudson, the Chairman holds 1 special (non-participating) voting share in Birmingham Airport Holdings Limited.

No other director holds any interest in the share capital of the Company or any of its subsidiaries or Birmingham Airport Holdings Limited.

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

The Company continues to review its recruitment, selection and development and promotion policies to provide equal opportunities irrespective of gender, race, age or marital status. It is also the Company's policy to give full and fair consideration to applications for employment made by disabled persons. As holders of the ✓✓ disability symbol the Group has demonstrated its commitment both in recruitment and retention of disabled people. If existing employees become disabled every effort is made to ensure their continued employment.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS' REPORT

EMPLOYEE CONTRIBUTION

We recognise that the success of BIA depends upon the individual commitment and contribution to all our employees in delivering our business objectives. We therefore seek to provide a working environment and culture that recognises and values both equality principles and the diversity of all our employees.

The Company continues to build upon the achievement of Investors in People and developing our employees for both existing and future business objectives.

During 2000 the Company signed a Management of Change Agreement with its three recognised trade unions. This agreement contains commitments from both the trade unions and the Company to ensure that our employees are an integral part of business planning within the Airport, and ensuring, wherever possible, security of employment by aligning people planning and development with the growth in the Airport.

SUPPLIER PAYMENT POLICY

Although the Company does not publish a formal code on payment practice, it remains the Company's policy to agree terms of payment with suppliers in advance to ensure that they are made fully aware of our payment procedure. All payments are made under the agreed terms wherever possible.

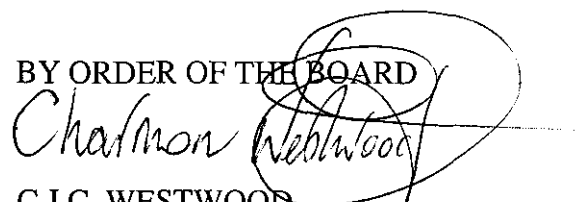
At 31 March 2001, the Company had an average of 24 days outstanding in trade creditors (including capital expenditure).

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the Company made charitable contributions totalling £66,287. No contributions have been made for political purposes.

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP, with effect from 28 June 2001. Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company on 24 September 1999 under Section 386 Companies Act 1985.

BY ORDER OF THE BOARD

C.J.C. WESTWOOD
Company Secretary

18 July 2001

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

These accounts have been prepared to give a true and fair view of the state of affairs of the Company at 31 March 2001 and of the profit of the Company for the year then ended in accordance with Company Law.

In preparing these accounts the directors are required to:

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

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

We have audited the accounts on pages 7 to 25, which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 and 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 5 the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and other information and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

BASIS OF AUDIT OPINIONS

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.


We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION ON THE ACCOUNTS

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

OTHER OPINION

In our opinion, the Economic Regulation Statement (page 26) presents fairly the information set forth thereon and is in accordance with the requirements of the Accounts Conditions issued by the Civil Aviation Authority under Section 41 (i) of the Airports Act 1986.


ERNST & YOUNG LLP
REGISTERED AUDITOR
BIRMINGHAM

18 July 2001

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2001

	Notes	2001 £000	2000 £000
TURNOVER	2	84,611	75,907
Operating costs		(60,382)	(54,174)
OPERATING PROFIT	3	24,229	21,733
Dividend receivable		859	904
Interest receivable		467	596
Interest payable	6	(3,597)	(1,705)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		21,958	21,528
Tax on profit on ordinary activities	7	(4,371)	(4,200)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		17,587	17,328
Dividends on equity shares	8	(13,458)	(12,946)
RETAINED PROFIT FOR THE YEAR	20	4,129	4,382
PROFIT & LOSS ACCOUNT BALANCE AT 1 APRIL		6,602	2,220
PROFIT & LOSS ACCOUNT BALANCE AT 31 MARCH		10,731	6,602

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2001 £000	2000 £000
Profit on ordinary activities after taxation	17,587	17,328
Unrealised surplus on asset revaluation	75,452	-
TOTAL RECOGNISED GAINS RELATING TO THE YEAR	93,039	17,328

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

BALANCE SHEET

At 31 March 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Tangible assets	9	268,721	172,339
Investments	10	10,507	10,917
CURRENT ASSETS			
Stocks	11	413	432
Short term assets	12	-	24
Debtors	13	13,759	16,737
Cash at bank and in hand		3,465	2,046
		17,637	19,239
CREDITORS			
Amounts falling due within one year	14	(36,378)	(26,560)
NET CURRENT LIABILITIES		(18,741)	(7,321)
TOTAL ASSETS LESS CURRENT LIABILITIES		260,487	175,935
CREDITORS			
Amounts falling due after more than one year	15	(76,130)	(71,648)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(5,122)	(4,633)
		179,235	99,654
CAPITAL AND RESERVES			
Called up share capital	19	37,337	37,337
Special reserve	20	27,522	27,522
Capital reserve	20	28,193	28,193
Revaluation reserve	20	75,452	-
Profit and loss account	20	10,731	6,602
SHAREHOLDERS FUNDS – Equity	18	179,235	99,654

B Summers
Director

J L Hudson
Chairman

18 July 2001

The notes on page 9 to 25 form part of these accounts

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention, as modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards.

BASIS OF PREPARATION

The company has exercised its right as a subsidiary undertaking of Birmingham Airport Holdings Limited to exemption from the obligation to provide a consolidated profit and loss account dealing with the profit and loss of Birmingham International Airport Limited and its subsidiary and associated undertakings, a consolidated Balance Sheet and a statement of cashflows within its accounts under section 228 of the Company's Act. The financial statements therefore present information about the Company as an individual undertaking and not its group.

DEPRECIATION

Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost or valuation, less estimated residual value of each asset evenly over its expected useful life. As part of the asset revaluation programme, the principal useful lives have been reviewed and effective from 31 March 2001 will be as follows:

Buildings	between 5 and 50 years (previously between 5 and 60 years)
Runways, taxiways and infrastructure	between 10 and 50 years (previously between 10 and 60 years)
Plant and equipment	between 4 and 30 years (previously between 2 and 25 years)
Motor vehicles	between 4 and 15 years (previously between 4 and 10 years)

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

CAPITALISATION OF INTEREST

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

EUROPEAN REGIONAL DEVELOPMENT FUND GRANTS

European Regional Development Fund grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

STOCKS

Stores of consumable items are valued at the lower of purchase cost and estimated realisable value.

DEFERRED TAXATION

The requirement for a provision for deferred taxation is assessed, using the liability method, on all timing differences to the extent that they are expected to reverse in the foreseeable future, calculated at the rate at which it is estimated that tax will be payable.

PROVISIONS

Provisions will be recognised relating to any present obligation in respect of the development of the airport site where it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the expected value can be made.

LEASING COMMITMENTS

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

Rentals paid under operating leases are charged to income on a straight line basis over the lease period.

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

PENSIONS

The Company operates a defined benefit pension scheme which requires contributions to be made to a separately administered fund. Contributions to the fund are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Company.

Variations in pension costs arising from mandatory changes in terms of employment from those normally applying are amortised over the expected remaining service lives of the members affected.

Additional pension supplements arising in respect of employees taking early retirement are charged in the year in which they retire. The resulting provision will be utilised over the remaining pensionable lives.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of value added tax. Turnover, profit before tax and net assets relate to the principal activity of the operation and management of Birmingham International Airport and its related activities. All are generated in the United Kingdom.

	2001 £000	2000 £000
Gross aeronautical income	59,506	55,061
Less: collected on behalf of Euro-Hub (Birmingham) Limited	6,808	6,408
Net aeronautical income	52,698	48,653
Commercial income and recharges	31,913	27,254
	84,611	75,907

3. OPERATING PROFIT

	2000 £000	1999 £000
The operating profit for the period is stated after charging/(crediting)		
Auditors' remuneration		
Audit services	35	34
Non-audit services	102	106
Depreciation		
Owned assets	10,150	8,059
Assets held under finance leases	448	245
European Regional Development Fund grants	(196)	(88)
Operating lease rentals		
Plant and equipment	161	160
Land and buildings	405	405
Rents	(3,857)	(3,209)
Concessions	(18,203)	(15,312)
Loss on disposal of fixed assets	71	1,113

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

4. DIRECTORS' EMOLUMENTS	2001 £000	2000 £000
Emoluments (excluding pension contributions)	237	231
Retirement benefits are accruing to 2 Directors (31/3/00: 2) under a defined benefit pension scheme.		
Emoluments in respect of the Managing Director, the highest paid director		
Total emoluments (excluding pension contributions)	124	123
The amount of accrued pension for the defined benefit pension scheme	58	57
The amount of accrued lump sum for the defined benefit pension scheme	165	160

The Managing Director has in excess of thirty eight years qualifying service in the defined benefit scheme.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

5. STAFF COSTS	2001 £000	2000 £000
Wages and salaries	17,626	16,222
Social security costs	1,203	1,119
Other pension costs	2,131	1,732
	20,960	19,073

Other pension costs include a net charge of £782,000 (31/3/00: £456,000) comprising of additional pension supplements arising in respect of employees taking early retirement and the impact of the latest Pension Scheme actuarial valuation (Note 17 and 24).

The average weekly number of employees during the period comprised

	2001 Number	2000 Number
Operations and security	330	315
Engineering	77	77
Terminal services	137	130
Support services	153	145
	697	667

6. INTEREST PAYABLE	2001 £000	2000 £000
Bank loans and overdrafts	3	-
Other interest	377	355
Finance lease interest	137	107
Inter-company	4,261	2,937
Capitalised Interest	(1,181)	(1,694)
	3,597	1,705

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

7. TAX ON PROFIT ON ORDINARY ACTIVITIES	2001 £000	2000 £000
Corporation Tax	3,953	3,872
Group relief payable	668	728
	4,621	4,600
Less corporation tax over provided in previous years	(250)	(400)
	4,371	4,200

The Company is a member of a Group and as such has taken account of available relief for which full payment is made.

8. DIVIDENDS	2001 £000	2000 £000
Equity - Interim paid at 22.06p per share (2000:22.93p per share)	8,237	8,564
- Final accrued at 13.98p per share (2000:11.74p per share)	5,221	4,382
	13,458	12,946

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

9. TANGIBLE FIXED ASSETS

Tangible assets (excluding work in progress and short leasehold land) were valued as at the 31 March 2001 by Weatherall, Green & Smith, Chartered Surveyors. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors and with Financial Reporting Standard 15 (Tangible Fixed Assets) issued by the Accounting Standards Board.

Due to the specialist nature of the Airport's assets, the Depreciated Replacement Cost (DRC) methodology was used for operational assets. For investment assets, the Open Market Value (OMV) methodology was used. The valuation of £237.425 million identified a £75.452 million increase in value.

	Land and Buildings Freehold £000	Short Lease- hold £000	Runways, Taxiways, Infra- Structure £000	Plant and Equipment £000	Assets in Course of Construction £000	Total £000
COST OR VALUATION						
At 1 April 2000	158,318	300	-	44,536	41,846	245,000
Interest Capitalised	-	-	-	-	1,181	1,181
Additions	1,884	-	-	393	28,415	30,692
WIP Capitalised	31,465	-	-	8,757	(40,222)	-
Disposals	(206)	-	-	(4,578)	-	(4,784)
Reclassification	(83,374)	-	79,068	4,306	-	-
Revaluation	37,894	-	(20,124)	(20,914)	-	(3,144)
At 31 March 2001	145,981	300	58,944	32,500	31,220	268,945
DEPRECIATION						
At 1 April 2000	46,607	191	-	25,863	-	72,661
Provided during the year	5,989	33	-	4,576	-	10,598
Disposals	(4)	-	-	(4,435)	-	(4,439)
Reclassification	(39,158)	-	35,493	3,665	-	-
Revaluation	(13,434)	-	(35,493)	(29,669)	-	(78,596)
At 31 March 2001	-	224	-	-	-	224
NET BOOK VALUE						
At 31 March 2001	145,981	76	58,944	32,500	31,220	268,721
At 31 March 2000	111,711	109	-	18,673	41,846	172,339

During the revaluation, a new class of assets (runways, taxiways and infrastructure) has been created from assets previously contained within Land and Buildings. The reclassification shown above is the movement of these assets. It also adjusts noise screening assets from Land and Buildings to Plant and Machinery.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2001

9. TANGIBLE FIXED ASSETS (CONTINUED)

A cumulative amount of £4.169 million (31/3/00: £2.988 million) relating to capitalised interest is included within the cost of fixed assets. Interest capitalised during the year amounted to £1.181 million (31/3/00: £1.694 million) at a capitalisation rate between 6.5% and 7.0% (31/3/00: between 5.95% and 6.76%).

Included in land and buildings is land at a value of £31.793 million (31/3/00: £20.756 million) and investment properties at a value of £0.150 million (31/3/00: £nil) which are not depreciated.

The net book value includes the following for assets held under finance leases and hire purchase contracts.

	2001 £000	2000 £000
Land and Buildings	9,246	7,654
Runways, Taxiways, Infrastructure	1,584	494
Plant and Machinery	1,129	808
	<u>11,959</u>	<u>8,956</u>

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

	Land and Buildings Freehold £000	Lease- hold £000	Runways, Taxiways, Infra- Structure £000	Plant and Equipment £000	Assets in Course of Construction £000	Total £000
As at 31 March 2001						
Cost	106,947	300	78,012	53,414	31,220	270,084
Cumulative depreciation	(13,986)	(224)	(35,291)	(29,669)	-	(79,361)
Net Book Value	<u>92,961</u>	<u>76</u>	<u>42,721</u>	<u>23,745</u>	<u>31,220</u>	<u>190,723</u>
As at 31 March 2000						
Cost	156,121	300	-	44,536	41,846	242,803
Cumulative depreciation	(46,995)	(191)	-	(25,863)	-	(73,049)
Net Book Value	<u>109,126</u>	<u>109</u>	<u>-</u>	<u>18,673</u>	<u>41,846</u>	<u>169,754</u>

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2001

10. INVESTMENTS

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

All held by the Company.

Name Of Company	Country of Incorporation	Holding	Proportion Held	Year End	Nature of Business
SUBSIDIARY UNDERTAKINGS					
First Castle Developments Limited.	England	Ordinary Shares	100%	31/3/01	Investment Property Holding Company
Birmingham Airport Developments Limited.	England	Ordinary Shares	100%	5/4/01	Site Development

ASSOCIATED UNDERTAKINGS

Airline Maintenance Birmingham Limited.	England	Ordinary Shares	50%	31/3/01	Consultancy for Aircraft Maintenance Facilities
Euro-Hub (Birmingham) Limited.	England	Ordinary Shares Preference Shares	25% 28.5%	31/3/01	Terminal Building Operation

	Subsidiary Undertakings £000	Associated Undertakings £000	Total £000
Cost			
Share capital	819	6,025	6,844
Loans	4,353	5	4,358
At 1 April 2000	5,172	6,030	11,202
New Share capital	650	-	650
New Loans	(704)	1	(703)
At 31 March 2001	5,118	6,031	11,149
Provisions			
At 1 April 2000	281	4	285
At 31 March 2001	638	4	642
Investment at 1 April 2000	4,891	6,026	10,917
Investment at 31 March 2001	4,480	6,027	10,507

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

11. STOCK	2001 £000	2000 £000
Consumables	413	432
12. SHORT TERM ASSETS		
Surplus plant and equipment which was held for sale at 31/3/00 was sold during the year. A diminution in value prior to sale of £10,000 has been recognised in operating costs.		
13. DEBTORS	2001 £000	2000 £000
Trade debtors	6,358	4,365
Inter-Company debtors	42	307
Other debtors	285	8,201
Prepayments and accrued income	6,314	3,104
Corporation Tax debtor	760	760
	13,759	16,737
14. CREDITORS: amounts falling due within one year	2001 £000	2000 £000
Obligations under finance leases (Note 16)	203	206
Trade creditors	6,405	1,330
Corporation tax	3,651	2,732
Other taxes and social security costs	434	366
Deferred income	1,884	1,017
European Regional Development Fund grants	67	121
Accruals	18,275	15,716
Inter-Company creditor	238	690
Accrued dividends	5,221	4,382
	36,378	26,560

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

15. CREDITORS: amounts falling due after more than one year	2001 £000	2000 £000
Obligations under finance leases (Note 16)	764	976
Net premium arising on lease and leaseback (Note 26)	2,978	2,800
Deferred income	864	888
European Regional Development Fund grants	924	1,065
Inter-Company loan	70,600	65,919
	76,130	71,648

The inter-company loan is unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. However in practice this balance represents a long term advance and is unlikely to be repaid within one year. Interest is payable based on a rate composed of the current base rate plus 1%.

16. OBLIGATIONS UNDER LEASE CONTRACTS	2001 £000	2000 £000
a. Finance lease obligations		
Amounts payable		
Within one year	203	206
In the second to fifth years inclusive	567	723
After five years	197	253
	967	1,182

	Land and Buildings		Other	
	2001 £000	2000 £000	2001 £000	2000 £000
b. Non-cancellable operating leases				
Annual commitments under leases which expire				
Within one year	-	-	18	31
In the second to fifth year inclusive	-	-	86	67
In more than five years	405	405	-	-
	405	405	104	98

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Development Related £000	Pensions £000	Total £000
At 1 April 2000	2,979	1,654	4,633
Provided during the year	250	782	1,032
Utilised during the year	(174)	(369)	(543)
At 31 March 2001	3,055	2,067	5,122

Development Related Provisions

The company is fully committed to a positive environmental policy. The policy includes for the provision of a defined noise insulation scheme, financial penalties to support night flying restrictions, and provisions for payments under the Land Compensation Act 1973. Provisions are made in line with foreseen liabilities. The future liability for the next twelve months for the Noise Insulation scheme is estimated at £200,000 (31/3/01: £250,000).

Pensions

The provision is related to the unfunded element of pensions to cover the variations in pension costs arising from mandatory changes in terms of employment from those normally applying and additional pension supplements arising in respect of employees taking early retirement.

It also includes a provision of £223,000 (31/3/00: £95,000) as a result of the latest Pension Scheme actuarial valuation in October 2000. This reflects the increase in Company contributions from 10.1% to 14.0% effective from November 2000 (Note 24). This provision will be paid to the Pension Scheme in the coming year.

Deferred Taxation

Deferred taxation not provided is as follows

	Provided 2001 £000	Provided 2000 £000	Unprovided 2001 £000	Unprovided 2000 £000
Capital allowances in advance of depreciation	-	-	10,151	7,484
Other timing differences	-	-	(751)	(604)
	-	-	9,401	6,880

Deferred tax has not been provided on the revaluation surplus as there is no present intention to dispose of any of the revalued fixed assets.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

18. RECONCILIATION OF SHAREHOLDERS' FUNDS

	2001 £000	2000 £000
At 1 April	99,654	95,272
Profit for the year	17,587	17,328
Asset Revaluation	75,452	-
Dividends (Note 8)	(13,458)	(12,946)
At 31 March	179,235	99,654

19. SHARE CAPITAL

	2001 £000	2000 £000
Authorised ordinary shares of £1 each	38,000	38,000
Allotted, called up and fully paid ordinary shares of £1 each	37,337	37,337

20. RESERVES

	Capital Reserve £000	Special Reserve £000	Revaluation Reserve £000	Profit & Loss Account £000
At 1 April 1999	28,193	27,522	-	2,220
Retained profit for the year	-	-	-	4,382
At 31 March 2000	28,193	27,522	-	6,602
Retained profit for the year	-	-	-	4,129
Asset Revaluation	-	-	75,452	-
At 31 March 2001	28,193	27,522	75,452	10,731

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

21. CAPITAL COMMITMENTS

	2001	2000
	£000	£000
Amounts contracted but not provided for in the accounts	20,506	3,648

23. CONTINGENT LIABILITIES

Under the terms of the Section 106 Agreement entered into between the Company and the planning authority, certain obligations on the Company arose upon the commencement of development works. The total cost of implementing the obligations made under the terms of the S106 agreement over its 10 year duration is estimated to be a maximum of £29.780 million, of which £10.461 million has been provided, expensed or capitalised to date. This includes capital expenditure of £3.282 million on the 'Air Rail' link and £4.485 million on the dedicated A45 inbound and outbound roads.

On 5 February 2001 the Company, along with other group members of Birmingham Airport Holdings Limited, provided Guarantees to a syndicate of banks led by The Royal Bank Of Scotland plc in support of a £103 million funding facility. The facility was made available to Birmingham Airport Holdings Limited, and the trustees for the employee share scheme in Birmingham Airport Holdings Limited, Maurant & Co Trustees Limited. At the date of signing these accounts, the total amount outstanding under the facility was £nil.

On 13 February 2001 the Company, along with other group members of Birmingham Airport Holdings Limited, provided Guarantees in support of a £105 million Corporate Bond issued by Birmingham Airport (Finance) plc. The bond is for a period of 20 years maturing on the 22 February 2021 and carries a fixed interest rate of 6.25 per cent per annum.

24. PENSION COMMITMENTS

The Company operates a defined benefit funded pension scheme for permanent employees which is funded by the payment of contributions to a separately administered trust fund.

The pension cost is determined with the advice of an independent qualified actuary on the basis of a triennial valuation using the projected unit credit method. The most recent actuarial valuation was at 31 October 2000. The principal methods and assumptions used and the results of the valuation and update are set out overleaf:

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

24. PENSION COMMITMENTS (CONTINUED)

	Valuation (31 October 2000)	Valuation (31 October 1997)
Valuation method	Projected Unit/ Attained Age	Projected Unit/ Attained Age
Employer's regular pension cost	14.0%	10.1%
Investment rate of return:		
- prior to retirement	6.0%	7.7%
- after retirement	5.0%	6.7%
Future increases in salaries	3.8%	4.4%
Increases in pensions (bulk of membership)	2.8%	3.4%
Market value of assets	£39.9m	£23.1m
Level of funding (actuarial value of assets as a percentage of accrued service liabilities)	106%	126%

The valuation identified a continuing excess of assets over liabilities for service to date supporting the Company's contribution rate to October 2000 of 10.1%. The valuation also identified an ongoing funding requirement for future service liabilities of 14.0%. Accordingly, the Company has increased its contribution rate to 14.0% from November 2000.

25. ULTIMATE PARENT UNDERTAKING

The Company is a subsidiary of Birmingham Airport Holdings Limited, a Company incorporated in England. It has included the company in its group accounts copies of which are available from its registered office; Diamond House, Birmingham International Airport, Birmingham, West Midlands B26 3QJ. For the year ended 31 March 2001, Birmingham Airport Holdings Limited has produced group accounts.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS **At 31 March 2001**

26. TRANSACTIONS WITH RELATED PARTIES

The following entities conducted transactions with Birmingham International Airport Limited ("BIA") during the year ended 31 March 2001, and were considered related parties as defined by FRS 8, Related Party Transactions. The Company has taken advantage of the exemption in FRS 8, Related Party Transactions, from disclosing the transactions with related parties between members of the Birmingham Airports Holdings Limited group of companies.

West Midland District Councils

Birmingham City Council, Coventry City Council, Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council, Walsall Metropolitan Borough Council and Wolverhampton City Council are shareholders in the Parent undertaking.

In 1995 the Company entered into arms-length lease arrangements with Solihull Metropolitan Borough Council on behalf of the West Midlands District Councils, all of whom were shareholders in the Company at that time. Under such arrangements, the Company granted a 999 year lease over land and buildings situated at Birmingham International Airport in exchange for a total fair value premium of £100 million and a peppercorn rent. At the same time the shareholders granted the Company a 150 year lease over the same property for a total fair value premium of £96.5 million.

In accordance with the terms of SSAP 21 "Accounting for leases and hire purchase contracts", the net premium arising as adjusted for associated stamp duty and legal costs has been treated as a finance lease in the accounts of the Company and is disclosed at Note 15.

Under the lease arrangement, the Company will pay a basic rent of £200,000 p.a. until 31 March 2007. Such rent shall then be increased to £600,000 p.a. and subsequently index linked for the remaining lease period. In addition, a turnover based rent is payable after 31 March 2007, calculated as 0.4% of turnover less the basic rent paid in the period. The total amount paid in 2001 was £200,000 (31/3/00: £200,000). The amount at the end of the year was £2,978,000 (31/3/00: £2,800,000), all of which is due after more than one year.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS **At 31 March 2001**

26. TRANSACTIONS WITH RELATED PARTIES (CONTNUED)

Birmingham International Airport Limited Pension Scheme

On 15 March 2000, the Company entered into an arms length lease agreement with the Pension Scheme to lease a new office block. Under the lease, the Pension Scheme granted the Company a 10 year lease in exchange for a lease premium of £7,244,000 and an annual payment of £67,046.

In accordance with the SSAP21 "Accounting for leases and hire purchase contracts", the lease payments have been treated as a finance lease in the accounts of the Company and are disclosed in Note 16. The amount due at the end of the year was £374,719 (31/3/00: £409,635).

Aer Rianta International cpt

Birmingham International Airport Limited has a contract with Aer Rianta International cpt for the latter to supply consultancy and support services to the Company. The fee payable for such services consists of both a fixed and a performance related element and amounted to £416,000 in the year (31/3/00: £411,140). The amount outstanding at the balance sheet date was £254,000 (31/3/00: £200,000).

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2001

ECONOMIC REGULATION STATEMENT

The Company is subject to economic regulation under the Airports Act 1986 which requires the Airport to hold permission from the Civil Aviation Authority to levy airport charges. From 1 April 1988, the operational activities are required to be allocated between airport charges levied in connection with the landing, parking and taking-off of aircraft (including passenger related charges) and other operational income.

This statement recognises the operations of Euro-Hub (Birmingham) Limited (EHB) as well as Birmingham International Airport Limited (BIA) as operators of Birmingham International Airport.

All revenue and costs arising from non-operational activities, such as items where the income is not primarily from airport users, is required to be shown as a separate category. The following have been quantified by means of apportioning the use of the Airport's accommodation and services.

Airport operational activities

	BIA £000	Elimination of Recharges* £000	EHB £000	Total £000
Airport Charges				
Revenue	55,715	(3,017)	6,635	59,333
Costs	(47,555)	3,017	(4,876)	(49,414)
	<u>8,160</u>	<u>-</u>	<u>1,759</u>	<u>9,919</u>
Other Income				
Revenue	28,896	(1,090)	7,255	35,061
Costs	(12,827)	1,090	(3,121)	(14,858)
	<u>16,069</u>	<u>-</u>	<u>4,134</u>	<u>20,203</u>

Non operational activities

The Companies have no such activities under the Act.

Operating profit for the year	<u><u>24,229</u></u>	<u><u>-</u></u>	<u><u>5,893</u></u>	<u><u>30,122</u></u>
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The Company received no preferential treatment or financial support from any associated person or organisation during the period.

*Birmingham International Airport Limited recharges Euro-Hub (Birmingham) Limited for costs incurred on its behalf.