

REPORT AND ACCOUNTS
Birmingham International Airport Limited

31 MARCH 2002



BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS

as at 17 July 2002

REGISTERED NUMBER

2078273

DIRECTORS

J L Hudson
Chairman

M C Balmforth
N Hanlon
M S Jaspal
M J Kelly
G E Richards
B Summers
M Sweeney
M Wells

NOMINEES

J Burke
D Hepburn
J Polychronakis
S Wood

SECRETARY

C J C Westwood

EXECUTIVE MANAGEMENT GROUP

Brian Summers
Managing Director
Michael Joseph Kelly
Finance Director
Richard Heard
Operations Director
Peter Vella
Business Development Director
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 3NS

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 2002.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £16.098 million (2001: £15.066 million). This enabled a dividend on the ordinary shares to be paid or accrued during the year of £14.236 million (2001: £13.458 million) resulting in a retained profit for the year of £1.862 million (£1.608 million).

On the 22nd July 2002, the trading activities of Euro-Hub (Birmingham) Limited (a group company) were transferred to Birmingham International Airport Limited along with the assignment of all leases and ongoing operating commitments. At the same time, the fixed assets of Euro-Hub (Birmingham) Limited were purchased at their net book value (Note 9). All other financial assets and liabilities remained with Euro-Hub (Birmingham) Limited.

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

The Company will continue to operate Birmingham International Airport, providing additional facilities and infrastructure as required to maintain the successful operation of the Airport.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows

M C Balmforth (Appointed 20 December 2001)	F S Hunt (Resigned 5 June 2002)	B Summers
A R Burgess (Resigned 20 December 2001)	M S Jaspal (Appointed 5 June 2002)	M Sweeney
N Hanlon	M J Kelly	M Wells
J L Hudson	G E Richards	

Nominees

J Burke	A S Lewis (Resigned 20 December 2001)	S Wood
D Hepburn	J Polychronakis	

The Directors do not have any beneficial interest in the shares of the Company. Directors who are also Directors of the parent undertaking have any interest in shares in that Company disclosed in those accounts.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS' REPORT

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.

EMPLOYEE CONTRIBUTION

We recognise that the on-going success of the Company is dependent on the commitment of all employees and seek to maximise this contribution in order to support the achievement of business objectives. In doing this we seek to develop a culture that values diversity and to create a working environment that all can contribute within.

The Investors in People standard provides such a framework. By continuing to meet the standard the Company ensures that all employees understand how they individually contribute to the Company's success and have their development needs aligned to the changing requirements of the business.

The change was particularly evident during the past year when the previously agreed Management of Change Agreement was used to ensure that staff changes that were necessary to respond to a changed business environment were addressed in a manner that ensured full consultation and all alternative options being fully considered.

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 2002, the Company had an average of 9 days outstanding in trade creditors (including capital expenditure).

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the Company made charitable contributions totalling £71,282 (2001: £66,287). No contributions have been made for political purposes.

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office as auditors. Therefore, in accordance with an elective resolution passed on the 24 September 1997 by the Company under Section 386 Companies Act 1985 to dispense with the obligation to appoint auditors annually, Ernst and Young LLP shall be deemed re-appointed as auditors.

BY ORDER OF THE BOARD



C.J.C. WESTWOOD
Company Secretary

17 July 2002

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 2002 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.

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

We have audited the Company's financial statements for the year ended 31 March 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses, Balance Sheet and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

OPINION ON ACCOUNTS

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2002 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 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

17 July 2002

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2002

	Notes	2002 £000	As Restated 2001 £000
TURNOVER	2	94,354	84,611
Operating costs		(67,716)	(60,382)
OPERATING PROFIT	3	26,638	24,229
Dividend receivable		428	859
Interest receivable		715	467
Interest payable	6	(4,104)	(3,597)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		23,677	21,958
Tax on profit on ordinary activities	7	(7,579)	(6,892)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		16,098	15,066
Dividends on equity shares	8	(14,236)	(13,458)
RETAINED PROFIT FOR THE YEAR	19	1,862	1,608

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2002 £000	As Restated 2001 £000
Profit on ordinary activities after taxation	16,098	15,066
Unrealised (deficit)/surplus on asset revaluation (Note 9)	(1,061)	75,452
Total Recognised Gains And Losses Relating To The Year	15,037	90,518
Prior year adjustment (Note 1)	(6,772)	
Total Recognised Gains And Losses Since Last Annual Report	8,265	

NOTE OF HISTORICAL COST PROFITS AND LOSSES

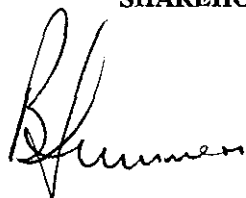
	2002 £000	As Restated 2001 £000
Reported profit on ordinary activities before taxation	23,677	21,958
Excess depreciation on re-valued assets	3,325	-
Historical Cost Profit On Ordinary Activities Before Taxation	27,002	21,958
Historical Cost Profit For The Year Retained After Taxation And Dividends	5,187	1,608

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

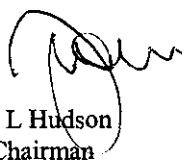
BALANCE SHEET

At 31 March 2002

	Notes	2002 £000	As Restated 2001 £000
FIXED ASSETS			
Tangible assets	9	315,379	268,721
Investments	10	10,751	10,507
		<u>326,130</u>	<u>279,228</u>
CURRENT ASSETS			
Stocks	11	387	413
Debtors	12	11,977	13,759
Cash at bank and in hand		4,329	3,465
		<u>16,693</u>	<u>17,637</u>
CREDITORS			
Amounts falling due within one year	13	(30,040)	(36,378)
NET CURRENT LIABILITIES		<u>(13,347)</u>	<u>(18,741)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>312,783</u>	<u>260,487</u>
CREDITORS			
Amounts falling due after more than one year	14	(122,090)	(76,130)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(17,429)	(11,894)
		<u>173,264</u>	<u>172,463</u>
CAPITAL AND RESERVES			
Called up share capital	18	37,337	37,337
Special reserve	19	27,522	27,522
Capital reserve	19	28,193	28,193
Revaluation reserve	19	71,066	75,452
Profit and loss account	19	9,146	3,959
SHAREHOLDERS FUNDS – Equity	17	<u>173,264</u>	<u>172,463</u>



B Summers
Director



J L Hudson
Chairman

17 July 2002

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention, as modified to include the revaluation of certain assets 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.

TANGIBLE FIXED ASSETS AND 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. 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. The principal useful lives are as follows:

Buildings	between 5 and 50 years
Runways, taxiways and infrastructure	between 10 and 50 years
Plant and equipment	between 4 and 30 years
Motor vehicles	between 4 and 15 years

The Company revalues certain categories of assets in accordance with Financial Reporting Standard 15 ('FRS 15') 'Tangible Fixed Assets'. The last independent valuation was undertaken at 31 March 2001 (Note 10).

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 & TRANS EUROPEAN NETWORKS GRANTS

European Regional Development Fund (ERDF) grants and Trans European Networks (TENS) 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.

STOCKS

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

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.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

1. ACCOUNTING POLICIES (CONTINUED)

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.

DEFERRED TAXATION

Financial Reporting Standard 19 ('FRS 19'), 'Deferred Tax' became compulsory for accounting periods ending on or after 23 January 2002. The Company has therefore implemented FRS 19, changed its accounting policy in respect of deferred taxation and restated the prior year results accordingly.

Deferred tax is recognised in respect of all timing differences that have originated at the balance sheet date but not reversed. Deferred tax assets are only recognised where, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which they can be recovered. In respect of fixed asset revaluations, deferred tax is not provided unless there is a binding agreement to sell the asset at the balance sheet date. However, no provision is made if any gain is to be rolled over into replacement assets. The Company has elected not to discount the deferred tax assets and liabilities.

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.

Financial Reporting Standard 17 ('FRS 17'), 'Retirement Benefits' was published on 30 November 2000. For accounting periods ending on or after 22 June 2001, the Standard requires progressively increasing disclosure with full disclosure for periods ending on or after 22 June 2003. The Company has incorporated the disclosure requirement of FRS 17 into these notes.

PRIOR YEAR ADJUSTMENT

During the year ended 31 March 2002, following the Company's decision to adopt Financial Reporting Standard 19 'Deferred Tax', the Company made full provision for deferred tax in accordance with the accounting policy. The effect on the Company's reserves brought forward at 1 April 2000 was a decrease of £4.251 million, with a charge for the year ended 31 March 2001 of £2.521 million giving a total prior year adjustment of £6.772 million. As a result of the change in accounting policy, the profit for the current year has been reduced by £2.739 million.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

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.

	2002 £000	2001 £000
Gross aeronautical income	62,291	59,506
Less: collected on behalf of Euro-Hub (Birmingham) Limited	(2,341)	(6,808)
Net aeronautical income	59,950	52,698
Commercial income and recharges	34,404	31,913
	94,354	84,611

3. OPERATING PROFIT

	2002 £000	2001 £000
The operating profit for the period is stated after charging/(crediting)		
Auditors' remuneration		
Audit services	36	35
Non-audit services	42	102
Depreciation		
Owned assets	14,038	10,150
Assets held under finance leases	431	448
European Regional Development Fund grants	(66)	(196)
Operating lease rentals		
Plant and equipment	175	161
Land and buildings	426	405
Rents	(4,998)	(3,857)
Concessions	(22,187)	(18,203)
Loss on disposal of fixed assets	95	71

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

4. DIRECTORS' EMOLUMENTS	2002 £000	2001 £000
Emoluments (excluding pension contributions)	282	237

Retirement benefits are accruing to 2 Directors (2001: 2) under a defined benefit pension scheme.

Emoluments in respect of the Managing Director, the highest paid director

Total emoluments (excluding pension contributions)	153	124
The amount of accrued pension for the defined benefit pension scheme	73	58
The amount of accrued lump sum for the defined benefit pension scheme	209	165

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

5. STAFF COSTS	2002 £000	2001 £000
Wages and salaries	18,587	17,626
Social security costs	1,209	1,203
Other pension costs	2,354	2,131
	<u>22,150</u>	<u>20,960</u>

Other pension costs include a charge of £349,224 (2001: £782,000) comprising of additional pension supplements arising in respect of employees taking early retirement (Note 16).

The average monthly number of employees during the period comprised

	2002 Number	2001 Number
Operations and security	337	330
Engineering	76	77
Terminal services	133	137
Support services	157	153
	<u>703</u>	<u>697</u>

6. INTEREST PAYABLE	2002 £000	2001 £000
Bank loans and overdrafts	1	3
Other interest	406	377
Finance lease interest	97	137
Inter-company	4,852	4,261
Capitalised Interest	(1,252)	(1,181)
	<u>4,104</u>	<u>3,597</u>

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £000	As Restated 2001 £000
UK Corporation Tax – current year	5,776	4,621
UK Corporation Tax – adjustment in respect of prior years	(936)	(250)
	4,840	4,371
Deferred tax	2,739	2,521
	7,579	6,892

The Company is a member of a Group and as such has taken account of available relief for which full payment is made. The deferred tax charge arises in respect of the origination and reversal of timing differences.

Factors affecting the tax charge for the year

Tax assessed on the profit on ordinary activities for the year is lower than the ordinary rate of Corporation Tax in the UK of 30% (2001: 30%). The differences are reconciled below:

	2002 £000	As Restated 2001 £000
Profit on ordinary activities before tax	23,677	21,958
Profit on ordinary activities at the standard rate of tax	7,103	6,587
Effects of:		
Disallowed expenses and non-taxable income	1,412	555
Capital allowances in advance of depreciation	(2,617)	(2,667)
Short term timing differences	(122)	146
Adjustments in respect of prior year periods	(936)	(250)
Current tax charge for period	4,840	4,371

8. DIVIDENDS

	2002 £000	2001 £000
Equity - Interim paid at 16.306p per share (2001: 22.06p)	6,088	8,237
- Final accrued at 21.8218p per share (2001: 13.98p)	8,148	5,221
	14,236	13,458

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

9. TANGIBLE FIXED ASSETS

Tangible assets (excluding assets in the course of construction 'AICC' 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 £74.391 million increase in value. The valuation was reviewed internally during the year and the Directors feel the carrying values brought forward are still appropriate.

	Land and Buildings		Runways, Taxiways, Infra- structure	Plant And Equip- ment	Assets In Course Of Const- ruction	Total
	Freehold £000	Leasehold £000	£000	£000	£000	£000
Cost or Valuation						
As at 1 April 2001	145,981	300	58,944	32,500	31,220	268,945
Revaluation Adjustment	-	-	-	-	(1,061)	(1,061)
1 April 2001 Restated	145,981	300	58,944	32,500	30,159	267,884
Additions	34,926	201	-	2,654	23,254	61,035
Capitalised Interest	-	-	-	-	1,252	1,252
AICC Capitalised	15,005	-	2,784	6,601	(24,390)	-
Disposals	(53)	-	-	(117)	-	(170)
As at 31 March 2002	195,859	501	61,728	41,638	30,275	330,001
Depreciation						
As at 1 April 2001	-	224	-	-	-	224
Provided in the Year	4,629	33	2,934	6,873	-	14,469
Disposals	-	-	-	(71)	-	(71)
As at 31 March 2002	4,629	257	2,934	6,802	-	14,622
Net Book Value						
At 31 March 2002	191,230	244	58,794	34,836	30,275	315,379
At 31 March 2001	145,981	76	58,944	32,500	31,220	268,721

The revaluation adjustment above corrects the accounting treatment of three assets, which were held in Assets in the Course Of Construction and also included in the Asset Revaluation at 31 March 2001. The reduction in the Assets in the Course Of Construction brought forward is also reflected in the Unrealised Gain on the Asset Revaluation as shown in the Statement of Recognised Gains and Losses.

On the 22 July 2001, the Company bought the fixed assets of Euro-Hub (Birmingham) Limited (a Company within the same Group). The assets were purchased at their net book value of £35.579 million, which the Directors believe represented the fair value of the assets (the assets were independently valued by Weatherall, Green and Smith, Chartered Surveyors at 31 March 2001).

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

9. TANGIBLE FIXED ASSETS (CONTINUED)

A cumulative amount of £5.421 million (2001: £4.169 million) relating to capitalised interest is included within the cost of fixed assets. Interest capitalised during the year amounted to £1.252 million (2001: £1.181 million) at a capitalisation rate of 6.5% (2001: between 6.5% and 7.0%).

Included in land and buildings is land at a value of £31.793 million (2001: £31.793 million) and investment properties at a value of £0.150 million (2001: £0.150 million) which are not depreciated.

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

	2002 £000	2001 £000
Land and Buildings	8,430	9,246
Runways, Taxiways, Infrastructure	1,531	1,584
Plant and Machinery	503	1,129
	<u>10,464</u>	<u>11,959</u>

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

	Land and Buildings		Runways, Taxiways, Infra- structure	Plant And Equip- ment	Assets In Course Of Constr- uction	Total
	Freehold £000	Leasehold £000	£000	£000	£000	£000
At 31 March 2002						
Cost	179,622	501	83,488	62,433	30,275	356,319
Cuml. depreciation	(39,747)	(257)	(39,702)	(34,940)	-	(114,646)
Net Book Value	<u>139,875</u>	<u>244</u>	<u>43,786</u>	<u>27,493</u>	<u>30,275</u>	<u>241,673</u>
At 31 March 2001						
Cost	129,734	300	80,864	53,328	30,159	294,385
Cuml. depreciation	(36,335)	(224)	(37,575)	(29,597)	-	(103,731)
Net Book Value	<u>93,399</u>	<u>76</u>	<u>43,289</u>	<u>23,731</u>	<u>30,159</u>	<u>190,654</u>

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

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%	31/3/02	Investment Property Holding Company
Birmingham Airport Developments Limited.	England	Ordinary Shares	100%	5/4/02	Site Development
ASSOCIATED UNDERTAKINGS					
Airline Maintenance Birmingham Limited.	England	Ordinary Shares	50%	31/3/02	Consultancy for Aircraft Maintenance Facilities
Euro-Hub (Birmingham) Limited.	England	Ordinary Shares Preference Shares	25% 28.5%	31/3/02	Non Trading (from 22 July 2001)

	Subsidiary Undertaking £000	Associated Undertaking £000	Total £000
Cost			
Share Capital	1,469	6,025	7,494
Loans	3,649	6	3,655
At 1 April 2001	5,118	6,031	11,149
New Loans	222	1	223
At 31 March 2002	5,340	6,032	11,372
Provisions			
At 1 April 2001	638	4	642
At 31 March 2002	614	7	621
Net Book Value at 1 April 2001	4,480	6,027	10,507
Net Book Value at 31 March 2002	4,726	6,025	10,751

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

11. STOCKS	2002	2001
	£000	£000
Consumables	387	413
12. DEBTORS	2002	2001
	£000	£000
Trade debtors	7,183	6,358
Amounts owed by group undertakings	-	42
Other debtors	173	285
Prepayments and accrued income	4,621	6,314
Corporation Tax	-	760
	11,977	13,759
13. CREDITORS: amounts falling due within one year	2002	2001
	£000	£000
Obligations under finance leases (Note 15)	229	203
Trade creditors	992	6,405
Amounts owed to group undertakings	-	238
Corporation Tax	2,958	3,651
Other taxes and social security costs	419	434
Deferred income	2,616	1,884
European Regional Development Fund grants	58	67
Accruals	14,620	18,275
Accrued dividends	8,148	5,221
	30,040	36,378

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

14. CREDITORS: amounts falling due after more than one year	2002 £000	2001 £000
Obligations under finance leases (Note 15)	535	764
Amounts owed to group undertakings	116,584	70,600
Net premium arising on lease and leaseback (Note 24)	3,180	2,978
Deferred income	840	864
ERDF and TENS grants	951	924
	122,090	76,130

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 at a rate of 6.75% .

15. OBLIGATIONS UNDER LEASE CONTRACTS	2002 £000	2001 £000
a. Finance lease obligations		
Amounts payable		
Within one year	229	203
In the second to fifth years inclusive	385	567
After five years	150	197
	764	967

	Land and Buildings		Other	
	2002 £000	2001 £000	2002 £000	2001 £000
b. Non-cancellable operating leases				
Annual commitments under leases which expire				
Within one year	-	-	22	18
In the second to fifth year inclusive	-	-	82	86
After five years	426	405	-	-
	426	405	104	104

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Development Related £000	Pensions £000	Deferred Tax £000	Total £000
At 1 April 2001 (as previously stated)	3,055	2,067	-	5,122
Prior year adjustment (FRS 19: Notes 1 & 7)	-	-	6,772	6,772
At 1 April 2001 (as restated)	3,055	2,067	6,772	11,894
Provided during the year	200	349	2,739	3,417
Intergroup transfer	-	-	2,884	2,884
Utilised during the year	(156)	(481)	-	(766)
At 31 March 2002	3,099	1,935	12,395	17,429

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 (2001: £200,000).

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. The opening balance included a provision of £223,000 against an increase in the Company contribution rate from 10.1% to 14.0% effective from November 2000. This has been paid over to the Pension Scheme during the year.

Deferred Taxation

The inter-group transfer of deferred taxation above relates to the purchase of the total fixed assets of Euro-Hub (Birmingham) Limited (a group company). The assets were purchased at net book value in July 2001 having been independently re-valued in March 2001. The inter-group transfer is the deferred tax provision held against the capital allowances received in advance of depreciation.

The amounts provided in the accounts are as follows:-

	2002 £000	As Restated 2001 £000
Capital allowances in advance of depreciation	14,579	9,078
Other timing differences	(2,184)	(2,306)
	12,395	6,772

Deferred tax has been provided in accordance with FRS 19. 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 2002

17. RECONCILIATION OF SHAREHOLDERS' FUNDS

	2002 £000	2001 £000
At 1 April (as previously stated)	172,463	99,654
Prior year adjustment (FRS 19: Note 1)	-	(4,251)
At 1 April (as restated)	172,463	95,403
Profit for the year (as restated)	16,098	15,066
Asset Revaluation (Note 9)	(1,061)	75,452
Dividends (Note 8)	(14,236)	(13,458)
At 31 March	173,264	172,463

18. SHARE CAPITAL

	2002 £000	2001 £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

19. RESERVES

	Capital Reserve £000	Special Reserve £000	Revaluation Reserve £000	Profit & Loss Account £000
At 1 April 2000 (as previously stated)	28,193	27,522	-	6,602
Prior year adjustment (Note 1)	-	-	-	(4,251)
At 1 April 2000 (as restated)	28,193	27,522	75,452	2,351
Retained profit for the year (as restated)	-	-	-	1,608
Asset Revaluation	-	-	75,452	-
At 31 March 2001 (as restated)	28,193	27,522	75,452	3,959
Retained profit for the year	-	-	-	1,862
Asset Revaluation (Note 9)	-	-	(1,061)	-
Transfer of excess depreciation on asset revaluation	-	-	(3,325)	3,325
At 31 March 2002	28,193	27,522	71,066	9,146

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

20. CAPITAL COMMITMENTS

	2002 £000	2001 £000
Amounts contracted but not provided for in the accounts	9,521	20,506

21. 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 £23.344 million (2001: £10.461 million) has been provided, expensed or capitalised to date. This includes capital expenditure of £9.949 million (2001: £3.282 million) on the 'Air Rail' link and £9.652 million (2001: £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, Mourant & Co Trustees Limited. At the date of signing these accounts, the total amount outstanding under the facility was £2.181 million (2001 £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.

22. 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 full actuarial valuation at 31 October 2000 identified an ongoing Company funding requirement for future service liabilities of 14.0%. The Company has contributed at this rate from November 2000. The principal methods and assumptions used and the results of the valuation are shown below:-

	Valuation (31 October 2000) Projected Unit/ Attained Age	Valuation (31 October 1997) Projected Unit/ Attained Age
Valuation method		
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%

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

22. PENSION COMMITMENTS (CONTINUED)

Financial Reporting Standard 17 ('FRS 17'), 'Retirement Benefits' was published on 30 November 2000. For accounting periods ending on or after 22 June 2001, the Standard requires progressively increasing disclosure with full disclosure for periods ending on or after 22 June 2003. The following sets out the additional information required by FRS 17. It should be noted that the figures are for disclosure purposes only and do not form part of the Company's Primary Statements. The Actuarial Valuation of 31 October 2000 has been updated by a qualified independent actuary. The main financial assumptions used are as follows:-

Rate of inflation	2.80%
Rate of increase of salaries	3.80%
Rate of increase in actual pensions	2.80%
Rate of increase in deferred pensions	2.80%
Discount rate	6.00%

The assets and liabilities of the scheme and the expected return on the scheme assets are as follows:-

	%	2002 £000
Equities	7.0%	35,504
Cash	4.5%	336
Other Investments	10.0%	336
Market value of scheme's assets		36,176
Actuarial value of scheme's liabilities		40,758
Deficit in scheme		4,582
Related deferred tax asset		(1,375)
Net Pension Liability		3,207
Reserves Reconciliation:-		2002 £000
Profit and loss reserve as reported		9,146
FRS 17 deficit in respect of the defined benefit pension scheme		(3,207)
Provision held within Group accounts (Note 20)		1,935
Deferred tax associated with the above provision		(581)
Profit and loss reserve as revised		7,293
Net Assets Reconciliation:-		2002 £000
Net assets as reported		173,264
FRS 17 deficit in respect of the defined benefit pension scheme		(3,207)
Provision held within Group accounts (Note 20)		1,935
Deferred tax associated with the above provision		(581)
Net assets as revised		171,411

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2002

23. 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 2002, Birmingham Airport Holdings Limited has produced group accounts.

24. TRANSACTIONS WITH RELATED PARTIES

The following entities conducted transactions with Birmingham International Airport Limited ("BIA") during the year ended 31 March 2002, 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 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 2001/02 was £200,000 (2001: £200,000). The amount at the end of the year was £3,179,563 (2001: £2,978,000), all of which is due after more than one year.

In February 2002, the Company completed a 150 year lease agreement with Birmingham City Council for land adjacent to the airport site. A lease premium of £200,000 was paid with a peppercorn rent for the remaining lease term along with costs of £1,000. In accordance with SSAP21 "Accounting for leases and hire purchase contracts", the lease payments have been treated as a finance lease in the accounts of the Company. The amount due at the end of the year was £nil.

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 (Note 15). The amount due at the end of the year was £345,642 (2001: £374,719).

Aer Rianta International cpt

Birmingham International Airport Limited has a contract with Aer Rianta International cpt (a shareholder in the Parent undertaking) 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 £219,120 in the year (2001: £416,000). The amount outstanding at the balance sheet date was £55,040 (2001: £254,000).

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

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	60,914	(963)	2,139	62,090
Costs	(52,465)	963	(1,395)	(52,897)
	<u>8,449</u>	<u>-</u>	<u>744</u>	<u>9,193</u>
Other Income				
Revenue	33,440	(343)	2,364	35,461
Costs	(15,251)	343	(822)	(15,730)
	<u>18,189</u>	<u>-</u>	<u>1,542</u>	<u>19,731</u>
Non operational activities				
The Companies have no such activities under the Act.				
Operating profit for the year	<u>26,638</u>	<u>-</u>	<u>2,286</u>	<u>28,924</u>

Airport Charges include a £1.614 million year on year increase due to a change in charging basis for an element of the income stream from a fixed income to variable income basis. The fixed income had previously been shown as Other Revenue with the variable income now replacing it being shown as Airport Charges.

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.