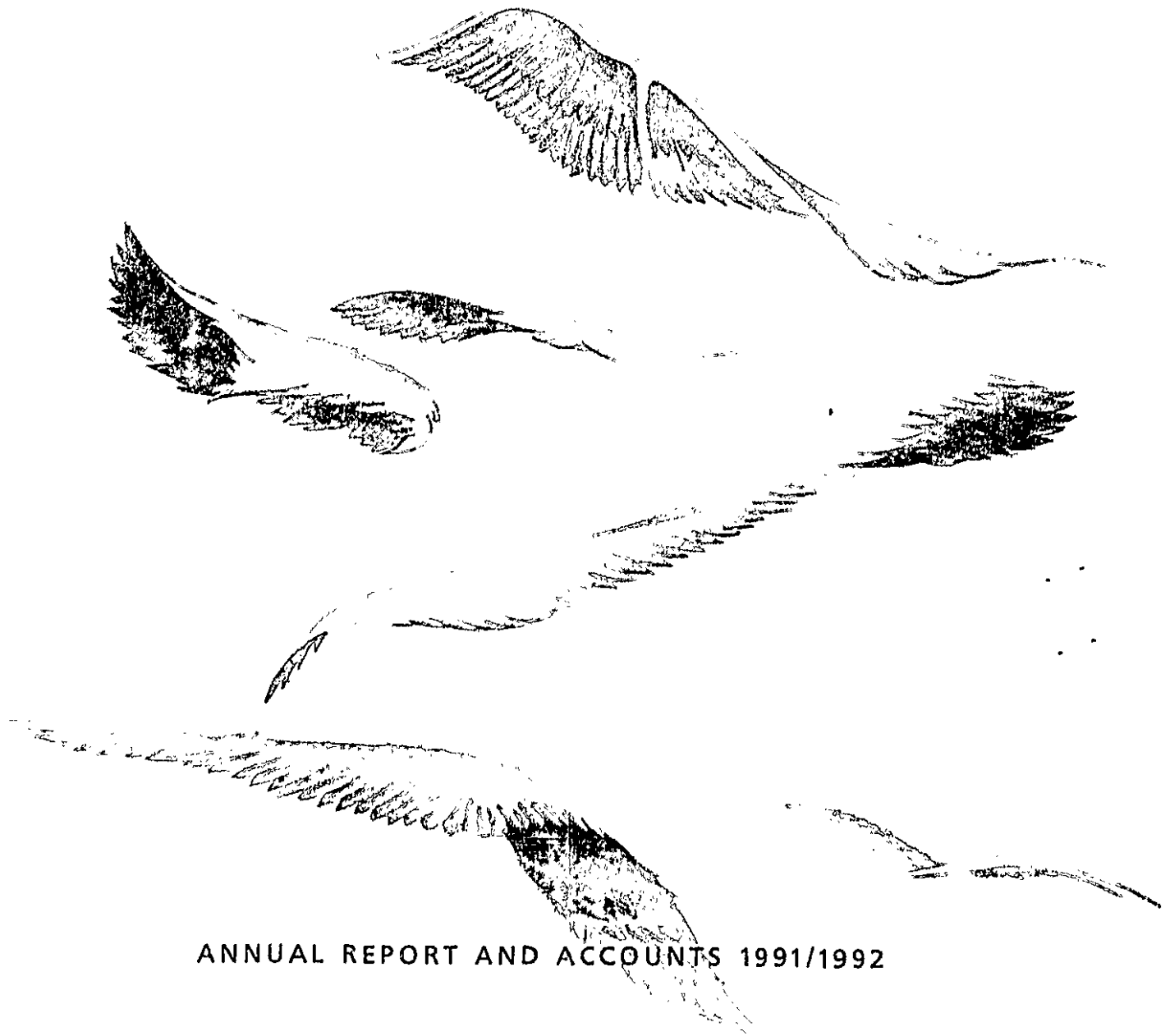


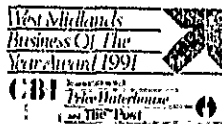


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Birmingham International
Airport plc



ANNUAL REPORT AND ACCOUNTS 1991/1992



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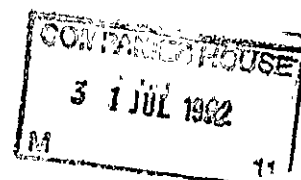
Birmingham International Airport Plc

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THE WEST MIDLANDS
BUSINESS OF THE YEAR

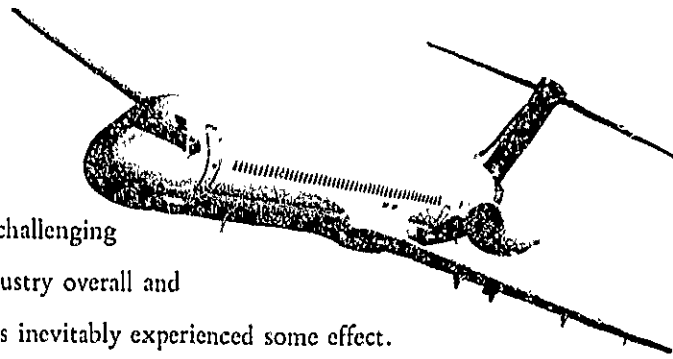
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ANNUAL REPORT & ACCOUNTS
1991/1992



Contents

| | |
|----|------------------------------------|
| 2 | CHAIRMAN'S REVIEW |
| 3 | SUMMARY OF RESULTS |
| 5 | MANAGING DIRECTOR'S REPORT |
| 8 | REVIEW OF OPERATIONS |
| 9 | ROUTE DEVELOPMENT |
| 11 | DIRECTORS AND SENIOR MANAGERS |
| 12 | AIRPORT PERFORMANCE STATISTICS |
| 13 | ANALYSIS OF INCOME AND EXPENDITURE |
| 14 | REPORT OF THE DIRECTORS |
| 17 | REPORT OF THE AUDITOR |
| 18 | PROFIT AND LOSS ACCOUNT |
| 19 | BALANCE SHEET |
| 20 | CASH FLOW STATEMENT |
| 21 | NOTES TO THE ACCOUNTS |



The last year has been a challenging one for the aviation industry overall and Birmingham Airport has inevitably experienced some effect.

The repercussions of the Gulf War, the economic recession and also the loss of Yugoslavia as a tourist destination have all affected airlines and tour operators with a consequent effect on passenger figures for the Airport.

By the end of the financial year the total number of passengers was 2.6% down on 1990/91 at 3.5 million. Strong growth in the latter months of the financial year helped this result and demonstrated that we are in line for positive growth again in the new financial year.

The year has also seen a number of major advances for the future of the Airport and the Midlands region. Not least, of course, was the opening of the unique joint venture Eurohub Terminal on 22 July 1991. This represents a real triumph for partner-

ship between the public and private sectors without disturbing historic links or ownership.

The year included the opening of Novotel, a new office block, first lettings on the Trinity Park development and the beginning of a two-year refurbishment programme for Main Terminal, which will extend and improve passenger facilities further.

Eurohub is more than just a development scheme. The company's accounts reflect the changes brought about as a result of the passenger terminal operations of the airport being divided between two companies, Birmingham International Airport plc and Euro-Hub (Birmingham) Limited.

For the Airport Company in 1991/92 there was an overall increase in turnover of 3.5% at £43 million. Aeronautical income reduced by 2.1% to £27.9 million reflecting the division of traffic between the two terminals and income from concession and other activities was likewise reduced. This was balanced out by activity on services provided

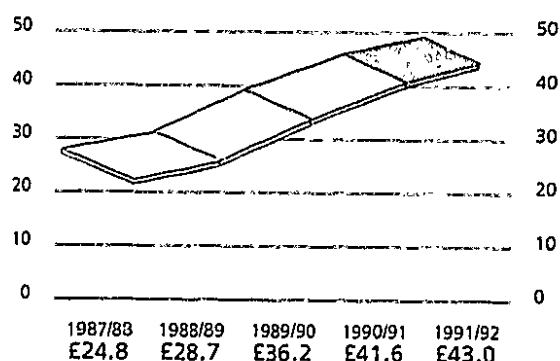


Summary of Results *for the year ended 31st March 1992*

FINANCIAL

| | | Growth % |
|-----------------------------|---------------|----------|
| Turnover | £43.01m | 3.5 |
| Profit after Tax | £2.64m | (40.7) |
| Profit Distribution | £1.62m | — |
| Earnings per Share | £0.87 | (43.9) |
| Ordinary Share Dividend | 48p per share | — |
| Value of Shareholders Funds | £93.0m | 1.1 |
| Return on Capital Employed | 5.2% | |

Turnover (million)

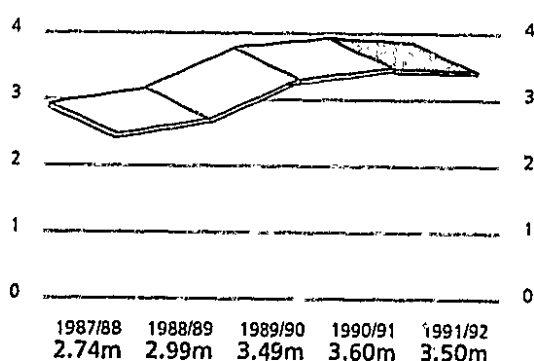


AIRPORT TRAFFIC

Passengers (millions)

| | | Growth % |
|---------------------------------------|-------|----------|
| Terminal Passengers (Total) | 3.36m | (2.9) |
| Terminal Passengers (International) | 2.63m | (1.1) |
| Terminal Passengers (Domestic) | 0.73m | (8.8) |
| Total Passengers (Including Transits) | 3.50m | (2.6) |

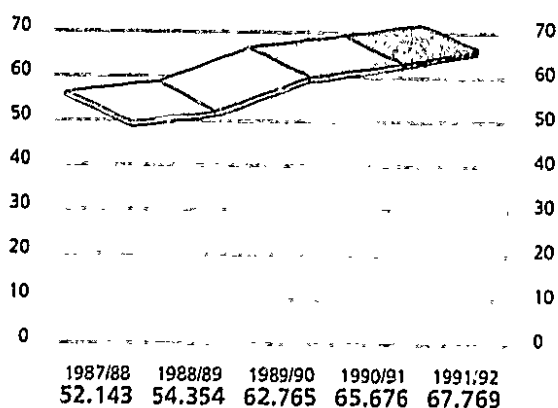
Passengers (millions)



AIRCRAFT MOVEMENTS

| | 000's | Growth % |
|--------------------------|-------|----------|
| Air Transport Movements | 67.8 | 3.0 |
| Total Aircraft Movements | 92.8 | 1.5 |
| Cargo (Tonnes) | 44.2 | 12.1 |

Air Transport Movements (thousands)



for Eurohub and charged to the new company.

All these factors have fed through to our profit level as expected with a resulting profit before tax of £4.544 million, down from last year's £8.461 million. This is in line with our calculated view as we establish the larger base for our operations. In line with the commitment given to maintain dividend levels if possible, the Board is recommending an unchanged dividend payment of 48p per ordinary share, together with the Preference Share Dividend, giving a total payment of £1.624 million.

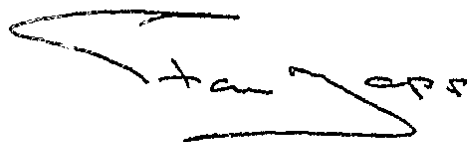
Last year I reported a potentially disappointing situation from the Company's joint venture property development of Trinity Park in common with many other developments. I am pleased now to be able to report that together with our partners, Burton Property Trust Limited, we have been able to complete the sale of one unit, complete the letting of the second and agree terms for the lease of the final building. The remaining land will be developed on prior commitments and I believe its unique location

provides excellent prospects as market conditions improve.

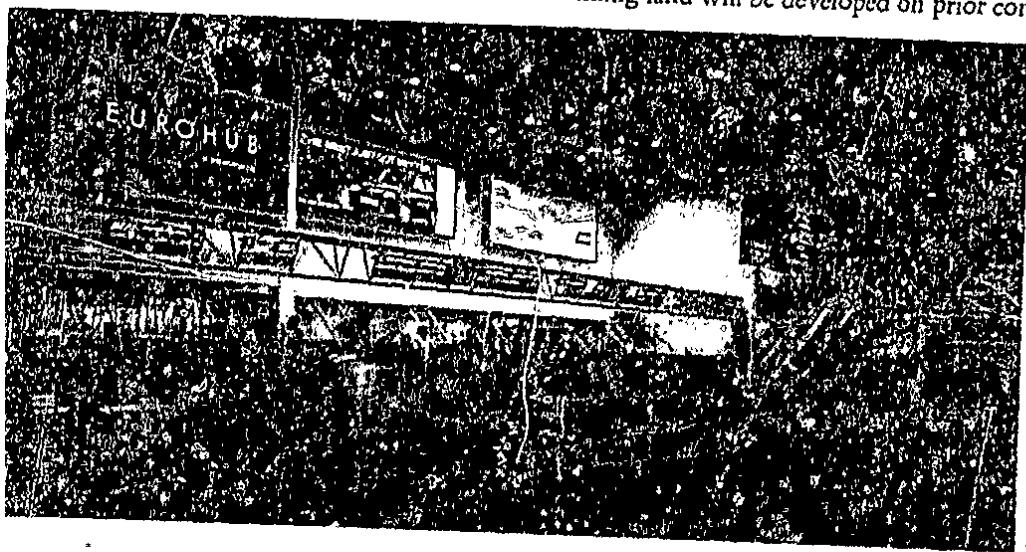
In the year we have established a new joint venture company, Airline Maintenance Birmingham Limited, in partnership with Airline Maintenance Associates Limited to pursue the planning of a major hangarage facility on the Airport. The project continues to be evaluated and if we are able to go ahead it

will provide a major gain for the region.

It is a tribute to the directors and staff that Birmingham International Airport has been able to continue its plans for expansion and improvement during such a difficult period, and has still been able to achieve a commendable level of profit.



Sir Stanley Yapp, Chairman



Managing Director's Report

Our fifth year of operation as a company has been marked by a number of milestones for the Airport, in spite of the difficulties in the outside world to which my Chairman refers in his review.

The opening of Eurohub on 22 July 1991 transformed Birmingham International Airport into a two terminal operation and a major UK hub for European routes. It was built on time, on target and within the budget of £60 million and it has the distinction of being a real first: an international/domestic hub-and-spoke terminal. More significant still, it is the first UK public/private sector joint venture in airport terminal building and it is on target to achieve its projected 1.4 million passengers in its first full year of operation.

Main Terminal has also been given its own strong branding. We have called it Main Terminal, because that is precisely what it is: 12 scheduled airlines and over 100 tour operators send their passengers through the terminal en route to over 50 destinations in Europe, North Africa and across the Atlantic.

The planned refurbishment of Main Terminal began in December 1991 and will be completed by June 1993. Already the void on the first floor has been filled in to provide valuable additional space for passenger facilities, including extended and improved catering services with a wider choice, new and larger shops and additional passenger seating areas. Credit is due to our concessionaire partners, particularly Forte plc and WHSmith Limited, for their parallel commitment to the refurbishment scheme.

New shops and facilities began opening up in the Spring and by June 1992 all departure lounges, security areas and landside passenger facilities had been completed. The summer months will see a half of-house Phase Two with Phase Three following in the winter months from next November and including the main concourse passenger check-in and arrival areas.





Our battle for scheduled transatlantic services goes on: the Airport has this year been much encouraged by the degree of public support and in particular the backing of many high-profile business contacts in the region. The issues are now raised again with the re-elected Government, whilst we continue our marketing activities to increase the awareness of the demand which exists within the region for such services.

The bilateral agreements between the UK and the USA are currently proving to be one of the major stumbling blocks to the achievement of our goal. The Bermuda 2 agreement provides for routes from the US into UK regional airports with three routes available for US carriers and three for UK carriers. There are still two routes available for UK airlines. We are therefore actively encouraging British Airways to establish a US route as soon as possible. At the same time we are seeking a relaxation of the bilateral rules to allow a US airline to operate a Birmingham route and have been particularly encouraged by American Airlines' announcement that they would start a Chicago-

Birmingham service if able to do so.

Moving back to European issues, there remains a great deal of uncertainty over the changes which will come into effect after 1 January 1993 and which will have major implications for all UK airports. The question of border controls has not yet been resolved and it is hoped the European Commission will give a clear lead very soon. Customs and Immigration authorities are already reviewing their operations here and we have made provision for various different scenarios. However, major changes may need to be

made depending upon the outcome of the Commission's ruling.

The liberalisation of air transport in Europe is also proceeding and will have an important impact particularly on regional airports. In December 1991 EC Transport Ministers approved a third package of proposals covering licensing of air carriers, routes, market access and fares. These measures, once adopted, will do much to further the goal of free competition within Europe and particularly stimulate the growth of regional routes.

New catering facilities in the extended first floor buffet area provide wider choice for passengers.

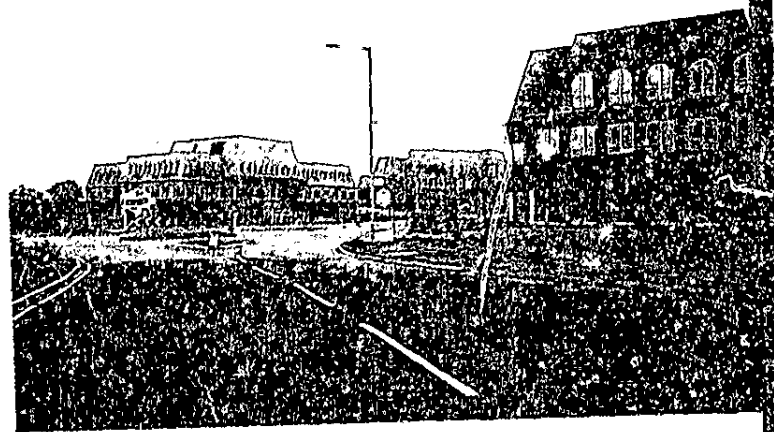




*New extended Duty Free facilities at
Main Terminal opened in April 1992*

Birmingham Airport, together with a number of key European airports, was instrumental in achieving a reprieve for duty free revenues. The original date for abolition of duty free within the European Community has now been extended from January 1993 to July 1999. The additional revenue to the airport over that period will be approximately £40 million.

Finally, in November 1991 the Airport was awarded the honour of "West Midlands Business of the Year", an accolade which we were delighted to receive but which reflects not just on this company but on many others which have been prepared to work with us.



*The Trinity Park development
now has three completed buildings.*

Bob Taylor, Managing Director

Review of Operations

The upgrading of the main runway to Cat III(a), completed in November 1990, proved invaluable during the winter of 1991/2 when long periods of fog and very low visibility would otherwise have caused serious disruption to aircraft operations. British Airways, for example, was able to operate almost 95% of its services during the periods of such weather conditions.

The removal of the domestic pier before the opening of Eurohub provided an opportunity to widen the taxiway serving the International pier of Main Terminal. This in turn provided space for two taxiway centre lines allowing aircraft operations for the two terminals to proceed at the same time. Three new stands were established along the airside face of Main Terminal to replace the facilities of the Domestic pier. These stands enable passengers to transfer between the terminal and their aircraft with the shortest possible walking distance, an invaluable development since most of the aircraft served by these stands cannot be served by airbridges.

Environmental matters continue to be of great importance and the airport takes its responsibility to those living close to the airport very seriously. The Noise Insulation Grant Scheme extension announced in April 1991 is being implemented as quickly as budgets and workload will allow.

The Company is also addressing other issues, not least that of air quality. During August and September the airport monitored air quality at various points around the site and these results are being analysed and compared with those of other airports.

In November we hosted an international air quality seminar which was attended by over 100 prominent scientists and aviation industry specialists. The event provided an invaluable forum for the presentation of many advanced papers by experts in engine technology, aircraft manufacture, medical aspects and other related fields. It is hoped that such seminars will become a regular occurrence in the aviation industry and that they will contribute to an overall increase in awareness and expertise.

Route Development

Scheduled routes have grown significantly in the five years since the Airport Company was formed and now represent 60% of our passengers. There are now 36 destinations served directly by 14 scheduled airlines. In the five year period new scheduled services have commenced to Barcelona, Berlin, Billund, Cologne, Eindhoven, Geneva, Isle of Man, Newcastle, Rome and Stuttgart. In addition frequencies have increased and many scheduled routes now support two carriers.

The growth in passenger numbers from 1987 to 1991 is illustrated as follows:—

| | <i>Passenger
figures 1991</i> | <i>Increase</i> |
|------------|-----------------------------------|-----------------|
| Brussels | 96,178 | 185% |
| Copenhagen | 47,072 | 296% |
| Dublin | 178,774 | 67% |
| Düsseldorf | 119,848 | 92% |
| Frankfurt | 101,892 | 83% |
| Hamburg | 17,975 | 67% |
| Larnaca | 64,958 | 170% |
| Milan | 34,975 | 230% |
| Paris | 172,876 | 142% |
| Zurich | 70,280 | 85% |

The hubbing effect early morning at Eurohub.

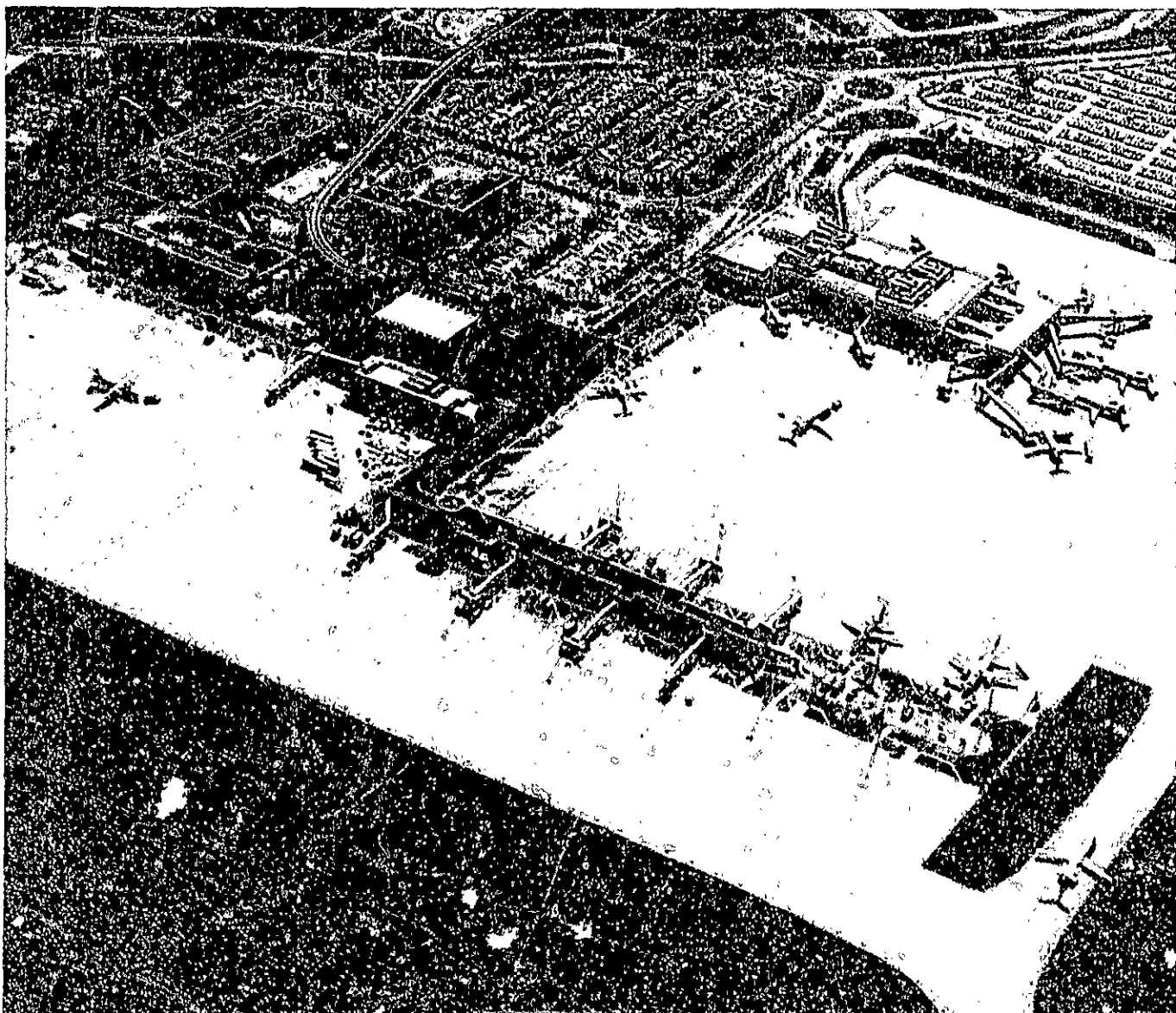


Germany is now Birmingham International Airport's strongest scheduled market with 359,358 passengers carried in 1991, a 95% increase compared to 1987. This represents 7% of the total UK market to Germany.

The performance on charter routes has been variable, with a decline in passengers to Spain and Portugal over the last five years—part of a general UK trend—but with strong growth on routes to Cyprus (+287%), Canary Islands (+66%) and Greece (+37%).



This has been a period of exceptionally strong growth in cargo carried both by aircraft and by truck (+13%). Recent developments, largely related to the recession, will now see this progress checked. Of particular significance is the Federal Express decision to pull out of Europe, which will affect several UK airports including Birmingham. The recent growth in flown cargo reflects the corresponding increase in the number of scheduled services flown from Birmingham and as larger aircraft become available, additional carrying capacity will be offered.



Directors and Senior Managers *as at 1st June 1992*

BOARD OF DIRECTORS

Non Executive Directors
Sir Stanley Yapp, *Chairman*
Councillor Don Lewis, *OBE, Deputy Chairman, Birmingham City Council*
Councillor Bob Badham, *Sandwell MBC*
Councillor Denis Berry, *Coventry City Council*
Councillor Mrs Pat Bradley, *Wolverhampton MBC*
Councillor David Caunt, *Dudley MBC*
Councillor Fred Chapman, *Birmingham City Council*
Councillor Roger Collins, *Walsall MBC*
Councillor Fred Grattidge, *Birmingham City Council*
Councillor Frazer Mitchell, *Solihull MBC*

Executive Directors
Bob Taylor, *OBE, DL, Managing Director*
Brian Summers, *IPFA, Deputy Managing Director*
Tony Watson, *MBA, Operations Director*
Stephen Greenwood, *FCA, Finance Director*

SENIOR MANAGEMENT GROUP

Trevor Broadfield, *FRICS, IRRV, Property Services Manager*
Derek Edwards, *AIB, Head of Commercial Activities*
Tony Hartley, *C Eng, MICE, MIHT, Head of Engineering*
Bob Henderson, *DIPSM, MIISM, Airport Security Manager*
Roger Johnson, *MBCS, Information Technology Manager*
Richard Lambert, *BSc, C Eng, MICE, FCIT, MRAs, Head of Planning & Development*
Sheila Lashford, *BA, MIPR, Head of External Relations*
Liz Millett, *LLB, MBA, Head of Personnel*
Eddy Taylor, *MCIM, Head of Marketing*
Charmon Westwood, *Company Secretary*
Warren Williams, *Senior Airport Fire Officer*
Jack Wilson, *BTech, MSc, C Eng, MRAs, MRTPI, Business Planning Manager*
Brian Wood, *Head of Operations*

AUDITOR Ernst & Young
Chartered Accountants, PO Box No1,
3 Colmore Row, Birmingham B3 2DB

BANKERS National Westminster Bank plc
Colmore Row, Birmingham B3 3AL

SOLICITORS Eversheds
10 Newhall Street, Birmingham B3 3LX
Dudley Metropolitan Borough Council, Legal Services Dept.
Dudley

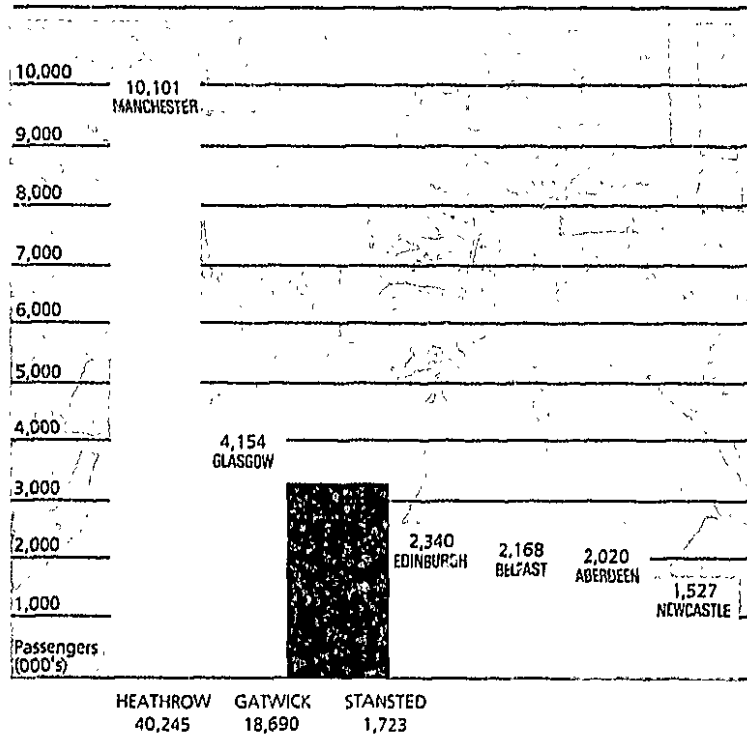
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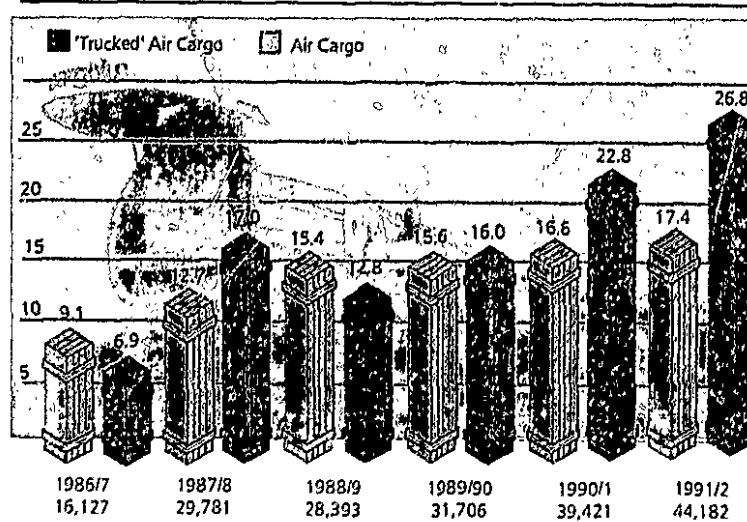
Airport Performance Statistics

PASSENGERS (000's)

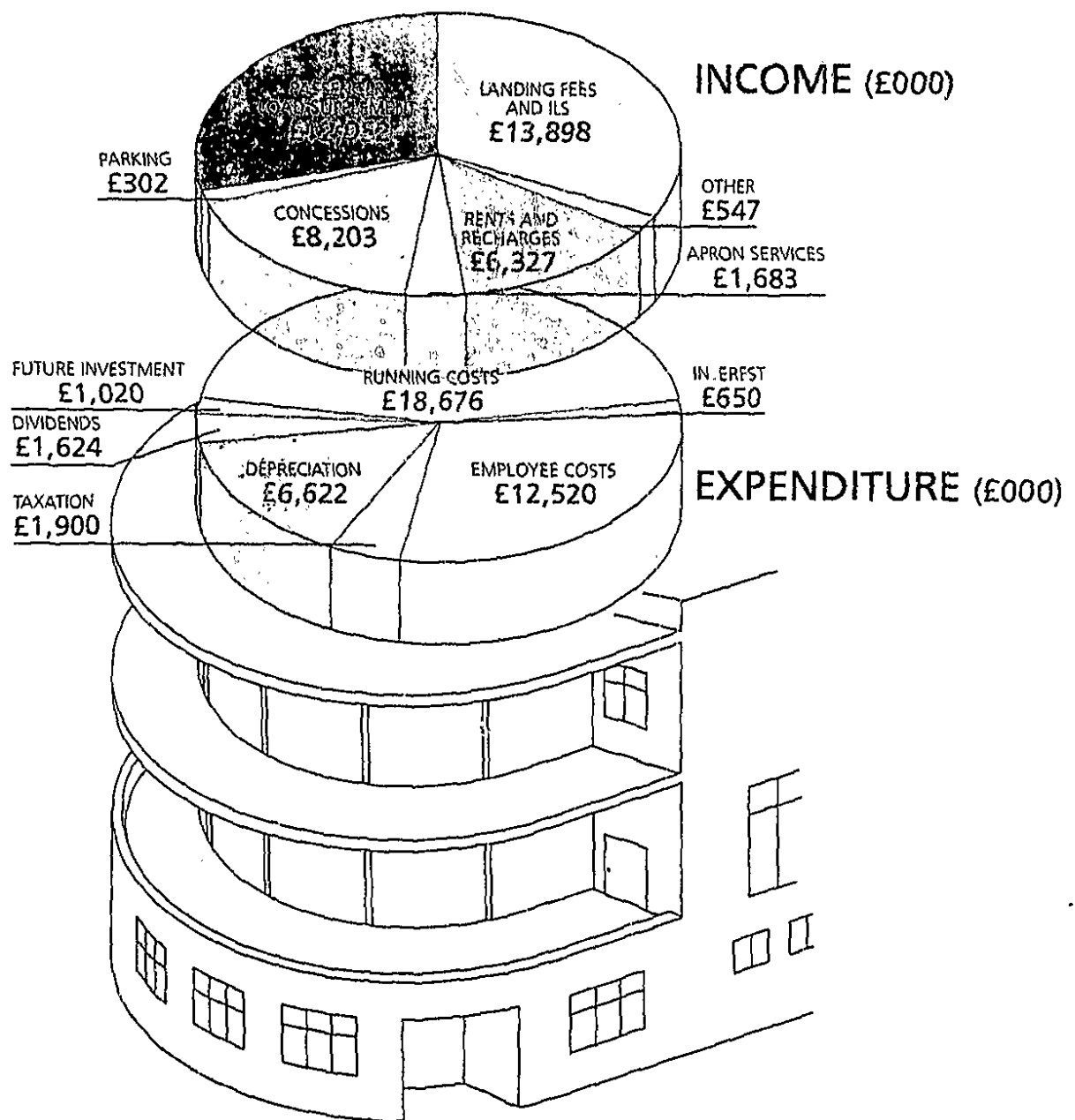
Comparison with other major UK Airports (for calendar year) 1991



CARGO (000's Tonnes)



Analysis of Income and Expenditure





Report of the Directors

The directors submit their report and accounts for the year ended 31 March 1992.

Results and Dividends

The profit for the year after taxation amounted to £2.644 million. This enables the dividend on the £5.28 million 6¾% Preference Shares to be paid. The directors propose that an Ordinary dividend of 48 pence per share be payable in total for the year, 16p per share having been paid as an interim dividend taking the total dividend for the period to £1.624 million. The directors propose that £0.608 million of retained profit be appropriated to a capital development reserve and that the balance of £0.412 million be retained.

Principal Activities

The principal activities of the company are the operation and management of Birmingham International Airport and the provision of facilities and services associated therewith. A review of the activities and prospects of the company is given on pages 8 to 10.

Future Developments

Following the opening of our second terminal Eurohub during the year, we turned our attention to the refurbishment of Main Terminal. Phase I of the programme is now complete and the next two phases will address the ground floor check-in and arrivals areas, to accommodate the projected 100% hold baggage search facilities to meet the Government's security directives. Also within our capital programme, provision remains for the establishment of a base for improvements to facilities for freight operations and for the development of a three bay maintenance hangar to accommodate major overhaul of wide bodied aircraft. Both projects will require significant joint venture partner commitment in order to proceed. The future of the Trinity Park development was secured following restructuring of the development company, Birmingham Airport Developments Limited, and whilst it has been a relatively successful year for the joint venture, further development will be undertaken only on the basis of committed occupier demand.

Fixed Assets

Movements in the fixed assets of the Company, since 1 April 1991 are set out in note 10 on page 24.

Directors and their interests

The directors during the period were as follows:

Sir Stanley Yapp (Chairman)

D.G. Lewis

J.D. Berry

F.S. Hunt (Deputy Chairman)

R.R. Taylor (Managing Director)

B. Summers

S.P. Pemberton, *resigned 22 May 1991*

B.D. John

A.C. Laws, *resigned 22 May 1991*

F.J. Chapman

F.J. Grattidge

D.W. Rees, *resigned 22 May 1991*

A.V. Watson

F. Mitchell, *appointed 22 May 1991*

M.S. Jaspal, *appointed 22 May 1991*

R.S. Badham, *appointed 22 May 1991*

S.H. Greenwood, *appointed 22 January 1992*

The Board of directors is in compliance with the Articles of Association; four directors being employees of the company (R.R. Taylor, B. Summers, A.V. Watson and S.H. Greenwood) and each of the Metropolitan Districts appoints one director, except for Birmingham City Council which appoints four.

No director holds any interest in the share capital of the Company. On 27 May 1992, Messrs F.S. Hunt, B.D. John and M.S. Jaspal resigned and were replaced by D.M. Caunt, R.J. Collins and Mrs P. Bradley respectively.

Equal Opportunities and Employment of Disabled Persons

Employment policies are designed to provide equal opportunities irrespective of sex, religion, race or marital status. It is the company's policy to give full and fair consideration to applications for employment made by disabled persons and where practicable, provision is made for their special needs. The opportunities available for training and promotion of employees apply equally to disabled persons. If existing employees become disabled every effort is made to ensure their continued employment.



Report of the Directors

Employee involvement

A high priority continues to be placed on the development of more effective communications within the company. The Company's commitment to customer care has been reinforced through its 'Working Together' programme, the latest phase of which, 'Working for Excellence' strives to involve all employees in enhancing our services. The monthly 'Team Briefing' structure remains the principal means of management's communications with staff in general. This is augmented by a regular in-house newspaper titled 'Plane Speaking'. Consultative arrangements with the trade unions have remained strong. Staff newspapers and newsletters are distributed to all employees on a regular basis.

Political and charitable contributions

During the year the company made various charitable contributions and other donations totalling £18,321. No contributions have been made for political purposes.

Auditor

Ernst & Young have expressed their willingness to continue in office as auditor and a resolution proposing their re-appointment will be submitted at the annual general meeting.

On behalf of the board
C.J.C. Westwood
Company Secretary

Birmingham
12 June 1992

Report of the Auditor

To the Members of Birmingham International Airport plc

We have audited the accounts on pages 18 to 28 in accordance with Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the company at 31 March 1992 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

We also report on the schedule below, in accordance with the requirements of the Accounts Conditions issued by the Civil Aviation Authority under Section 41(1) of the Airports Act 1986. In our opinion, the schedule presents fairly the information set forth thereon and is in accordance with the requirements of the Accounts Conditions.

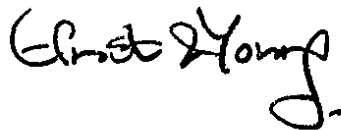
Ernst & Young

Chartered Accountants

Registered Auditor

Birmingham

12 June 1992



Economic Regulation

The Airport Company is subject to economic regulation under the Airport's 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.

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 in a separate category.

The following have been quantified by means of apportioning the use of the Airport's accommodation and services.

| | | |
|--------------------------------|--------|--------------|
| Airport Operational Activities | £000 | £000 |
| Airport Charges: Revenue | 26,251 | |
| Costs | 26,381 | (130) |
| Other Income: Revenue | 16,760 | |
| Costs | 12,086 | 4,674 |
| | | <u>4,544</u> |

Non-Operational Activities

The company has no such activities under the Act

| | |
|-------------------------------|--------------|
| Company profit for the period | <u>4,544</u> |
|-------------------------------|--------------|

Unless specified elsewhere in these notes, the Company received no preferential treatment or financial support from any associated person or organisation during the period of these accounts.

Profit and Loss Account *for the year ended 31st March 1992*

| | notes | 1992
£000 | 1991
£000 |
|--|-------|--------------|--------------|
| Turnover | 2 | 43,012 | 41,567 |
| Operating costs | | 37,818 | 31,374 |
| Net Operating Profit | 3 | 5,194 | 10,193 |
| Interest receivable | 6 | 562 | 1,515 |
| Interest payable | 7 | (1,212) | (951) |
| Profit on Ordinary Activities
Before Exceptional Item | | 4,544 | 10,757 |
| Exceptional item | | — | 2,296 |
| Profit on Ordinary Activities
Before Taxation | | 4,544 | 8,461 |
| Taxation | 8 | 1,900 | 4,000 |
| Profit for the Year | | 2,644 | 4,461 |
| Dividends | 9 | 1,624 | 1,624 |
| | | 1,020 | 2,837 |
| Appropriation to Capital
Development Reserve | 19 | 608 | 535 |
| | | 412 | 2,302 |
| Retained Profit Brought Forward | | 7,514 | 5,212 |
| Retained Profit Carried Forward | | 7,926 | 7,514 |

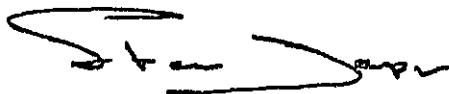
The notes on pages 21 to 28 form part of these accounts

Balance Sheet *for the year ended 31st March 1992*

| | notes | 1992
£000 | 1991
£000 |
|--|-------|----------------|----------------|
| Fixed Assets: | | | |
| Tangible assets | 10 | 100,506 | 98,978 |
| Investments | 11 | 9,660 | 7,839 |
| Current Assets: | | | |
| Stocks | | 350 | 347 |
| Debtors | 12 | 7,328 | 7,777 |
| Cash at bank and in hand | | 12,828 | 17,409 |
| | | <u>20,506</u> | <u>25,533</u> |
| Creditors: amounts falling due within one year | 14 | <u>11,140</u> | <u>30,345</u> |
| Net Current Assets/(Liabilities) | | <u>9,366</u> | <u>(4,812)</u> |
| Total Assets Less Current Liabilities | | <u>119,532</u> | <u>102,005</u> |
| Creditors: amounts falling due after more than one year | | | |
| | 15 | 26,035 | 9,489 |
| Provision for Liabilities and Charges: | | | |
| Deferred taxation liability | 16 | 73 | 73 |
| Land Compensation Act claims | 17 | <u>394</u> | <u>433</u> |
| | | <u>93,030</u> | <u>92,010</u> |
| Capital and Reserves: | | | |
| Share capital | 18 | 7,925 | 7,925 |
| Share premium | | 46,834 | 46,834 |
| Capital reserve | | 28,193 | 28,193 |
| Capital development reserve | 19 | 2,152 | 1,544 |
| Profit and loss account | | <u>7,926</u> | <u>7,514</u> |
| | | <u>93,030</u> | <u>92,010</u> |

Sir Stanley Yapp, Director

12 June 1992



The notes on pages 21 to 28 form part of these accounts

Cash Flow Statement *for the year ended 31st March 1992*

| | notes | 1992
£000 | 1991
£000 |
|---|-------|--------------|--------------|
| Net Cash Inflow from Operating Activities | 3b | 12,757 | 16,301 |
| Returns on Investment and Servicing of Finance: | | | |
| Dividends paid | | (2,047) | (1,624) |
| Interest paid | | (1,046) | (738) |
| Interest received | | 576 | 1,148 |
| Finance lease interest paid | | (208) | (252) |
| Net Cash Outflow from Returns on Investments and Servicing of Finance | | (2,725) | (1,466) |
| Taxation: | | | |
| UK Corporation Tax paid | | (3,842) | (3,680) |
| Investing Activities: | | | |
| Purchase of property, plant & equipment | | (10,291) | (12,093) |
| Investments in associated undertakings | | (1,979) | (4,116) |
| Land Compensation Act payments | | (39) | (28) |
| Proceeds of disposal of fixed assets | | 9 | 25 |
| Long term deposits | | (6,000) | — |
| Net Cash Outflow from Investing Activities | | (18,300) | (16,212) |
| Net Cash Outflow before Financing | | (12,110) | (5,057) |
| Financing | | | |
| Principal repayments of finance lease obligations | | 445 | 377 |
| New loans | | (17,000) | — |
| Decrease in cash and cash equivalents | 13b | 4,445 | (5,434) |
| | | (12,110) | (5,057) |

The notes on pages 21 to 28 form part of these accounts

Notes to the Accounts *for the year ended 31st March 1992*

- 1 Accounting Policies** The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life. The principal rates per annum are as follows:

| | |
|---------------------|-------------------------|
| Buildings | between 5 and 40 years |
| Other works | between 7 and 30 years |
| Runways and aprons | between 10 and 25 years |
| Plant and equipment | between 4 and 25 years |
| Motor vehicles | between 5 and 10 years |

Stores

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

Deferred Taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable. Advanced Corporation Tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Leasing Commitments

Assets obtained under finance lease contracts are capitalised in the balance sheet and are depreciated over the shorter of the primary lease 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 straightline basis over the lease term.

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

Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Pensions

The expected cost of pensions in respect of the defined benefit pension scheme in which the company participates is charged to the Profit and Loss account so as to spread the cost of pensions over the service lives of the members of the scheme. The pension cost is assessed in accordance with the advice of independent qualified actuaries. As in previous years, the charge to the Profit and Loss account was the actual amount of contributions made by the company to the scheme. This currently represents the best estimate of regular pension cost following the implementation of SSAP 24 (see note 24).

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.

| | 1992
£000 | 1991
£000 |
|--|--------------|--------------|
| Gross Aeronautical Income | 30,410 | 28,542 |
| Less: collected on behalf of Euro-Hub (Birmingham) Ltd | 2,475 | — |
| | <hr/> 27,935 | <hr/> 28,542 |
| Commercial Income and Recharges | 15,077 | 13,025 |
| | <hr/> 43,012 | <hr/> 41,567 |



Notes to the Accounts *for the year ended 31st March 1992*

3 Operating Profit

| | 1992 | 1991 |
|---|---------------|---------------|
| | £000 | £000 |
| a) The operating profit for the year is stated after charging/(crediting): | | |
| Auditors' remuneration | 33 | 26 |
| Depreciation: | | |
| Owned assets | 6,133 | 6,280 |
| Assets held under finance leases | 331 | 407 |
| Non-cash consideration in Investments | 158 | — |
| Operating lease rentals: | | |
| Plant and equipment | 345 | 222 |
| Rents | (2,095) | (2,045) |
| Concessions | (8,203) | (9,308) |
| b) Reconciliation of operating profit to net cash inflow from operating activities: | 1992 | 1991 |
| | £000 | £000 |
| Operating profit | 5,194 | 10,193 |
| Depreciation | 6,622 | 6,687 |
| Loss on disposal | 847 | 24 |
| Deferred income — lease | (24) | (24) |
| Bad debt provision | (36) | (327) |
| Increase in stocks | (3) | (35) |
| (Increase)/decrease in debtors & prepayments | 317 | (813) |
| Increase/(decrease) in creditors & accruals | (160) | 596 |
| Net cash inflow from operating activities | <u>12,757</u> | <u>16,301</u> |

4 Directors' Emoluments

| | 1992 | 1991 |
|--|------|------|
| | £000 | £000 |
| Emoluments (including pension contributions) | 197 | 151 |
| Compensation to Director for loss of office | — | 47 |
| The emoluments of the Chairman, excluding pension contributions | 5 | 5 |
| The emoluments of the highest paid director, excluding pension contributions | 75 | 66 |

Directors' emoluments, excluding pension contributions, fell within the following ranges:

| | number | number |
|-------------------|--------|--------|
| £NIL | 12 | 12 |
| £5,000 — £10,000 | 2 | 1 |
| £25,000 — £30,000 | — | 1 |
| £40,000 — £45,000 | 1 | — |
| £50,000 — £55,000 | — | 1 |
| £55,000 — £60,000 | 1 | — |
| £65,000 — £70,000 | — | 1 |
| £75,000 — £80,000 | 1 | — |

5 Staff Costs

| | 1992 | 1991 |
|-----------------------|---------------|--------------|
| | £000 | £000 |
| Wages and salaries | 10,815 | 9,014 |
| Social security costs | 879 | 738 |
| Other pension costs | 331 | 213 |
| | <u>12,025</u> | <u>9,965</u> |

The average weekly number of employees during the period was made up as follows:

| | number | number |
|-------------------------|------------|------------|
| Operations and security | 376 | 277 |
| Engineering | 79 | 74 |
| Terminal services | 100 | 102 |
| Support services | 98 | 90 |
| | <u>653</u> | <u>543</u> |

6 Interest Receivable

Includes £353,000 in respect of income from an associated company (1991 — £416,000)

7 Interest Payable

| | 1992 | 1991 |
|--|--------------|------------|
| | £000 | £000 |
| Charges under finance leases | 241 | 247 |
| Land Compensation Act claims | 32 | 30 |
| Bank loans, overdrafts and other loans | | |
| — repayable within five years | 327 | 62 |
| — repayable after five years | 612 | 612 |
| | <u>1,212</u> | <u>951</u> |

8 Taxation

| | 1992 | 1991 |
|---------------------------------|-------|-------|
| | £000 | £000 |
| Based on profit for the period: | | |
| Corporation tax at 33%; (34%) | 1,900 | 4,000 |

If full provision had been made for deferred tax for the period, the tax charge would have been increased by £0.432 million (1991: £0.101 million).



Notes to the Accounts for the year ended 31st March 1992

9 Dividends

| | 1992 | 1991 |
|---|--------------|--------------|
| | £000 | £000 |
| Ordinary — Paid at 16p per share | 423 | — |
| — Proposed at 32p per share (1991: 48p per share) | 845 | 1,268 |
| Preference — Paid | 356 | 356 |
| | <u>1,624</u> | <u>1,624</u> |

10 Tangible Fixed Assets

| | Land and buildings | | | | Assets in the | |
|--------------------------|--------------------|----------------|---------------|---------------------|------------------------|----------------|
| | Freehold | Long leasehold | Other works | Plant and equipment | course of construction | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost: | | | | | | |
| At 1 April 1991 | 87,703 | 300 | 19,415 | 33,985 | 14,396 | 155,799 |
| Additions | 2,340 | — | 33 | 1,434 | 5,039 | 8,846 |
| WIP Capitalised | 10,493 | — | 4,126 | 2,481 | (17,100) | — |
| Disposals | (742) | — | — | (2,713) | — | (3,455) |
| At 31 March 1992 | <u>99,794</u> | <u>300</u> | <u>23,574</u> | <u>35,187</u> | <u>2,335</u> | <u>161,190</u> |
| Depreciation: | | | | | | |
| At 1 April 1991 | 27,112 | — | 10,948 | 18,761 | — | 56,821 |
| Provided during the year | 3,138 | — | 849 | 2,477 | — | 6,464 |
| Disposals | (198) | — | — | (2,403) | — | (2,601) |
| At 31 March 1992 | <u>30,052</u> | <u>—</u> | <u>11,797</u> | <u>18,835</u> | <u>—</u> | <u>60,684</u> |
| Net book value: | | | | | | |
| 31 March 1992 | <u>69,742</u> | <u>300</u> | <u>11,777</u> | <u>16,352</u> | <u>2,335</u> | <u>100,506</u> |
| 31 March 1991 | <u>60,591</u> | <u>300</u> | <u>8,467</u> | <u>15,224</u> | <u>14,396</u> | <u>98,978</u> |

Included in net book value are the following amounts for assets acquired under finance leases:

| | | | | | | |
|---------------|------------|----------|----------|--------------|----------|--------------|
| 31 March 1992 | <u>933</u> | <u>—</u> | <u>—</u> | <u>1,566</u> | <u>—</u> | <u>2,499</u> |
| 31 March 1991 | <u>988</u> | <u>—</u> | <u>—</u> | <u>1,842</u> | <u>—</u> | <u>2,830</u> |

£1,214,000 of the Disposals at cost relates to assets destroyed in the course of upgrading the passenger terminal in the year. It is the Airport's policy to recognise such events as and when they arise in the normal course of maintaining the comfort and safety of passengers and the efficiency of operations.

11 Investments

Associated Undertakings

| Name of Company | Incorporation
and Operation | Holding | Proportion
Held | Year
End | Nature of
Business |
|--|--------------------------------|----------------------|--------------------|-------------|-----------------------------------|
| Euro-Hub
(Birmingham) Ltd | England | Ordinary
Shares | 25% | 31/3/92 | Terminal
Building
Operation |
| | | Preference
Shares | 28.5% | | |
| Airline Maintenance
Birmingham Ltd | England | Ordinary
Shares | 50% | 31/3/93 | Aircraft
Maintenance |
| Birmingham Airport
Developments Ltd | England | Ordinary
Shares | 50% | 5/4/92 | Site development |

There were no material transactions in the books of Birmingham Airport Developments Ltd (BADL) between 31 March 1992 and 5 April 1992.

| Investment in Associates | EHBL
1992 | BADL
1992 | AMBL
1992 | Total
1992 | Total
1991 |
|-------------------------------------|--------------|--------------|--------------|---------------|---------------|
| Share Capital | £ | £ | £ | £ | £ |
| Ordinary share capital | 25,000 | 30 | 24 | 25,054 | 25,030 |
| Preference share capital | 6,000,285 | — | — | 6,000,285 | 285 |
| | 6,025,285 | 30 | 24 | 6,025,339 | 25,315 |
| Total Investment | £000 | £000 | £000 | £000 | £000 |
| Share capital (as above) | 6,025 | — | — | 6,025 | 25 |
| Loans | — | 1,514 | 165 | 1,679 | — |
| Subordinated Convertible Loan Stock | — | — | — | — | 6,000 |
| Other cash consideration | 300 | — | — | 300 | — |
| Total cash paid | 6,325 | 1,514 | 165 | 8,004 | 6,025 |
| Non cash consideration | 1,656 | — | — | 1,656 | 1,814 |
| Total Investment | 7,981 | 1,514 | 165 | 9,660 | 7,839 |

The Company is committed to subscribing additional funding in respect of loans to certain associates. In addition, guarantees have been entered into in respect of borrowings made by certain associates.

| | BADL
1992 | AMBL
1992 | Total
1992 | Total
1991 |
|--------------------------------------|--------------|--------------|---------------|---------------|
| Loans | £000 | £000 | £000 | £000 |
| Principal element of guarantees | — | 35 | 35 | 1,200 |
| | 2,500 | — | 2,500 | 1,500 |
| Maximum Additional Funding Committed | 2,500 | 35 | 2,535 | 2,700 |

The Company has no subsidiaries and therefore is not required to produce group accounts. As a result the profit and loss account and balance sheet do not contain the Company's share of the profit or loss and the net assets of its associates. Under SSAP1 the recommended treatment is to prepare a supplementary profit and loss account and balance sheet incorporating the Company's share of the



Notes to the Accounts for the year ended 31st March 1992

11 Investments continued

results of the associate.

In order to provide fuller disclosure the unaudited results of the associates are summarised below:

| | EHBL | BADL | AMBL | Total | Total |
|---|---------|---------|---------|----------|----------|
| Associate's year end | 31/3/92 | 5/4/92 | 31/3/92 | 1992 | 1991 |
| | £000 | £000 | £000 | £000 | £000 |
| Retained profit/(loss) for the year | 617 | 882 | (165) | 1,334 | (11,186) |
| Profit and loss account brought forward | (1,643) | (9,766) | — | (11,409) | (223) |
| Profit and loss account carried forward | (1,026) | (8,884) | (165) | (10,075) | (11,409) |
| Share capital and other reserves | 21,101 | 0 | (323) | 20,778 | 101 |
| Net Assets | 20,075 | (8,884) | (488) | 10,703 | (11,308) |

No statutory accounts have been prepared for AMB Ltd for the period ended 31 March 1992 as the company's first accounting reference period will end on 31 March 1993.

12 Debtors

| | 1992 | 1991 |
|--|--------------|--------------|
| | £000 | £000 |
| Trade debtors | 3,383 | 3,212 |
| Other debtors | 125 | 389 |
| ACT recoverable (after more than one year) | 55 | 197 |
| Prepayments and accrued income | 3,765 | 3,979 |
| | <u>7,328</u> | <u>7,777</u> |

Accrued income includes dividends and loan stock interest due from Associates amounting to £519,467 (1991: £483,395).

13 Cash at Bank and in Hand

a) Analysis of cash and cash equivalents:

| | 1992 | 1991 | 1990 |
|--------------------------------|---------------|---------------|---------------|
| | £000 | £000 | £000 |
| Short term deposits | 1,672 | 17,143 | 15,628 |
| Cash at bank and in hand | 5,156 | 266 | 1,200 |
| | <u>6,828</u> | <u>17,409</u> | <u>16,828</u> |
| Bank loans due within one year | — | (15,026) | (9,011) |
| Cash and cash equivalents | 6,828 | 2,383 | 7,817 |
| Long term deposits | 6,000 | — | — |
| | <u>12,828</u> | <u>2,383</u> | <u>7,817</u> |

b) Movement in cash and cash equivalents:

| | Change in Year | |
|--|----------------|----------------|
| | 1992 | 1991 |
| | £000 | £000 |
| Increase/(decrease) in cash and cash equivalents | <u>4,445</u> | <u>(5,434)</u> |

| | | 1992 | 1991 |
|--------------|---------------------------------------|---------------|---------------|
| | | £000 | £000 |
| 14 Creditors | Amounts falling due within one year | | |
| | Bank loans (unsecured) | — | 15,026 |
| | Obligations under finance leases | 430 | 421 |
| | Trade creditors | 1,240 | 2,204 |
| | Corporation tax | 2,334 | 4,417 |
| | Other taxes and Social Security Costs | 528 | 364 |
| | Deferred income | 782 | 890 |
| | Accruals | 4,981 | 5,755 |
| | Proposed dividends | 845 | 1,268 |
| | | <u>11,140</u> | <u>30,345</u> |

| | | 1992 | 1991 |
|--------------|--|---------------|--------------|
| | | £000 | £000 |
| 15 Creditors | Amounts falling due after more than one year | | |
| | Bank loans (unsecured) | 17,000 | — |
| | Other loans | 5,986 | 5,986 |
| | Obligations under finance leases | 1,969 | 2,399 |
| | Deferred Income | 1,080 | 1,104 |
| | | <u>26,035</u> | <u>9,489</u> |

The bank loans match the approvals by the Department of Transport for capital expenditure from 1987/88 to 1991/92 and are wholly repayable within 5 years.

The other loan is from Birmingham District Council on behalf of the shareholding districts and was used to finance capital expenditure during 1988/89. Interest is payable at 10% p.a. The 15 year loan is repayable on 31 March 2004.

| 16 Deferred Taxation | Provided | Unprovided | Provided | Unprovided |
|---|------------|--------------|------------|--------------|
| | 1992 | 1992 | 1991 | 1991 |
| | £000 | £000 | £000 | £000 |
| Capital allowances in advance of depreciation | 470 | 2,958 | 580 | 2,526 |
| Other timing differences | (170) | — | (280) | — |
| | <u>300</u> | <u>2,958</u> | <u>300</u> | <u>2,526</u> |
| ACT recoverable | (227) | — | (227) | — |
| | <u>73</u> | <u>2,958</u> | <u>73</u> | <u>2,526</u> |

| | | | |
|---|--|------------|------------|
| 17 Land Compensation Act | | 1992 | 1991 |
| | | £000 | £000 |
| The company is required to pay, in relation to major developments, compensation to property owners under the terms of the Land Compensation Act 1973. | | | |
| At 1 April 1991 | | 433 | 461 |
| Payments during the year | | (39) | (28) |
| At 31 March 1992 | | <u>394</u> | <u>433</u> |

| | | | |
|---|--|--------------|--------------|
| 18 Share Capital | | 1992 | 1991 |
| | | £000 | £000 |
| Authorised, allotted, called up and fully paid: | | | |
| 2,641,800 Ordinary shares of £1 each | | 2,642 | 2,642 |
| 5,283,600 6¾% Cumulative preference shares of £1 each | | 5,283 | 5,283 |
| | | <u>7,925</u> | <u>7,925</u> |

Notes to the Accounts for the year ended 31st March 1992

| | | | |
|----------------------------------|---|---|---|
| 19 Capital Development Reserve | <p>At 1 April 1991</p> <p>Appropriation during period</p> <p>Accrued interest on accumulated fund</p> <p>Balance at 31 March 1992</p> | <p>1992</p> <p>£000</p> <p>1,544</p> <p>450</p> <p>158</p> <hr/> <p>2,152</p> | <p>1991</p> <p>£000</p> <p>1,009</p> <p>400</p> <p>135</p> <hr/> <p>1,544</p> |
| 20 Capital Commitments | <p>Amounts contracted but not provided for in the accounts</p> <p>Amounts authorised by the directors but not contracted</p> | <p>1992</p> <p>£000</p> <p>3,793</p> <hr/> <p>1,745</p> | <p>1991</p> <p>£000</p> <p>5,582</p> <hr/> <p>396</p> |
| 21 Lease Commitments | <p>a) Finance lease commitments:</p> <p>Amounts payable:</p> <p> Within one year</p> <p> In the second to fifth years inclusive</p> <p> After five years</p> <p>b) Non-cancellable operating leases:</p> <p>Annual commitments under leases which expire:</p> <p> Within one year</p> <p> In the second to fifth years inclusive</p> | <p>1992</p> <p>£000</p> <p>430</p> <p>1,369</p> <p>600</p> <hr/> <p>2,399</p> <p>22</p> <p>308</p> <hr/> <p>330</p> | <p>1991</p> <p>£000</p> <p>421</p> <p>1,517</p> <p>882</p> <hr/> <p>2,820</p> <p>18</p> <p>153</p> <hr/> <p>171</p> |
| 22 Contingent Liabilities | The company has entered into guarantees in respect of borrowings made by an associate; see note 11. | | |
| 23 Noise Insulation Grant Scheme | The company operates a noise insulation grant scheme for domestic dwellings within defined areas around the airport. The company estimates that the future liability under the Scheme for the next twelve months amounts to approximately £750,000 (1991: £700,000). The total future commitment under the current schemes at 31 March 1992 amounts to approximately £3.0 million payable over the periods 1992/93 to 1995/96. | | |
| 24 Pension Commitments | <p>The company operates a defined benefit pension scheme for permanent employees. The company is an 'admitted body' participant in the West Midlands Metropolitan Authorities Superannuation Fund administered by Wolverhampton Metropolitan Borough Council. The scheme is operated in accordance with the regulations of the Local Government Superannuation Scheme under the Local Government Superannuation Act 1972 as amended.</p> <p>The scheme is funded by contributions based on pension costs determined by the Fund's independent qualified actuaries based on triennial valuations using the projected unit method and are charged to the Profit and Loss account so as to spread the cost of pensions over members' working lives. The current level of contributions was determined by the Actuary following the triennial valuation as at the 1 April 1990.</p> <p>The valuation incorporates the effect of the changes in legislation which became effective on 1 April 1990, and which gave effect to the funding of future Pensions Increase Act liabilities and amendments to the level of funding.</p> <p>The market value of the Fund's investments at 31 March 1991 was £1.8 billion. The main actuarial assumptions applied to the valuation were that the rate of return on investments would be 1.5% per annum more than the rate of salary increase and 3.5% more than the rate of pension increase.</p> | | |