

REPORT AND ACCOUNTS
Birmingham International Airport Limited

31 MARCH 2003



BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS

as at 16 July 2003

REGISTERED NUMBER

2078273

DIRECTORS

J L Hudson
Chairman

M Afzal
M C Balmforth
N Hanlon
R J Heard
M S Jaspal
M J Kelly
G E Richards
M Sweeney

COMPANY SECRETARIES

D A P Timmins
C J C Westwood

EXECUTIVE MANAGEMENT GROUP

Richard Heard
Managing Director
Michael Joseph Kelly
Finance Director
Position Vacant
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
2 St Philips Place, Birmingham B3 3RB

SOLICITORS

Eversheds LLP
115 Colmore Row, Birmingham B3 3AL

REGISTERED ADDRESS

Diamond House
Birmingham International Airport, Birmingham B26 3QJ

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2003.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £16.410 million (2002: £16.098 million). This enabled a dividend on the ordinary shares to be paid or accrued during the year of £12.307 million (2002: £14.236 million) resulting in a retained profit for the year of £4.103 million (2002: £1.862 million).

PRINCIPAL ACTIVITY

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

FUTURE DEVELOPMENTS

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 Afzal (Appointed 29 January 2003)	J L Hudson	G E Richards
M C Balmforth	F S Hunt (Resigned 5 June 2002)	B Summers (Resigned 30 June 2003)
N Hanlon	M S Jaspal (Appointed 5 June 2002)	M Sweeney
R J Heard (Appointed 1 July 2003)	M J Kelly	M Wells (Resigned 29 January 2003)

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 has well-established policies and procedures to ensure that Equal Opportunity is available for all members of the Community who seek employment with us and for our current employees. These policies and procedures are subject to regular review by the Board.

The Airport Company was the 2002 Regional Winner of the Remploy Leading the Way Award - (Disability) and commended in the National Finals for good practice in the employment of people with disabilities.

The airport remains committed to the ✓✓ standard for the recruitment and retention of people with disabilities, the award having recently been reconfirmed following an external audit.

EMPLOYEE CONTRIBUTION

The contribution that all our employees make to the success of our business is both recognised and highly valued. We seek through leadership, employment practices and organisational culture to build on this commitment, loyalty and pride that our staff display in their work to achieve our organisational objectives.

Developing our employees to meet the ongoing changes and development within aviation is an essential part of business planning and is undertaken within the Investors in People framework. In 2002 the Company was externally audited and confirmed as continuing to meet the standard. The assessor feedback highlighted the high standard and wide range of employee training undertaken together with the development opportunities that are available to our employees.

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 2003, the Company had an average of 8 days (2002: 9 days) outstanding in trade creditors (including capital expenditure).

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the Company made charitable contributions totalling £72,476 (2002: £71,282). 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 & Young LLP shall be deemed re-appointed as auditors.

BY ORDER OF THE BOARD



M J Kelly
Director

16 July 2003

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 2003 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 accounts for the year ended 31 March 2003 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 accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 accounts in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the accounts 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 accounts, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

OPINION ON ACCOUNTS

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 March 2003 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 therein and is in accordance with the requirements of the Accounts Conditions issued by the Civil Aviation Authority under section 41 (1) of the Airports Act 1986.



Ernst & Young LLP

Registered Auditor

Birmingham

16 July 2003

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2003

	Notes	2003 £000	2002 £000
TURNOVER	2	101,143	94,354
Operating costs		(70,368)	(67,716)
OPERATING PROFIT	3	30,775	26,638
Dividend receivable		300	428
Interest receivable		599	715
Interest payable	6	(6,854)	(4,104)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		24,820	23,677
Tax on profit on ordinary activities	7	(8,410)	(7,579)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		16,410	16,098
Dividends on equity shares	8	(12,307)	(14,236)
RETAINED PROFIT FOR THE YEAR	19	4,103	1,862

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2003 £000	2002 £000
Profit on ordinary activities after taxation	16,410	16,098
Unrealised deficit on asset revaluation	-	(1,061)
Total Recognised Gains And Losses Relating To The Year	16,410	15,037

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2003 £000	2002 £000
Reported profit on ordinary activities before taxation	24,820	23,677
Excess depreciation on revalued assets	2,684	3,325
Historical Cost Profit On Ordinary Activities Before Taxation	27,504	27,002
Historical Cost Profit Retained After Taxation And Dividends	6,787	5,187

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

BALANCE SHEET

At 31 March 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS			
Tangible assets	9	313,334	315,379
Investments	10	10,748	10,751
		<u>324,082</u>	<u>326,130</u>
CURRENT ASSETS			
Stocks	11	380	387
Debtors	12	12,779	11,977
Cash at bank and in hand		8,759	4,329
		<u>21,918</u>	<u>16,693</u>
CREDITORS			
Amounts falling due within one year	13	(35,096)	(30,040)
NET CURRENT LIABILITIES		<u>(13,178)</u>	<u>(13,347)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>310,904</u>	<u>312,783</u>
CREDITORS			
Amounts falling due after more than one year	14	(113,966)	(122,090)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(19,571)	(17,429)
		<u>177,367</u>	<u>173,264</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	68,382	71,066
Profit and loss account	19	15,933	9,146
EQUITY SHAREHOLDERS' FUNDS	17	<u>177,367</u>	<u>173,264</u>


M J Kelly
Director


J L Hudson
Chairman

16 July 2003

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2003

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 accounts 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, investment properties and assets in the course of construction, 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 9).

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 AND LOCAL TRANSPORT PLAN GRANTS

European Regional Development Fund (ERDF) grants, Trans European Networks (TENS) grants and Local Transport Plan (LTP) 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. The effect of the time value of money is not material and therefore the provisions are not discounted.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2003

1. ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING FOR LEASES

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.

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

DEFERRED TAXATION

Financial Reporting Standard 19 ('FRS 19'), 'Deferred Tax' became compulsory for accounting periods ending on or after 23 January 2002. Deferred tax is recognised in respect of all timing differences that have originated at the balance sheet date but not reversed except for the following:

- 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. Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

PENSIONS

The Company operates a defined benefit pension scheme that requires contributions to be made to a separately administered fund. Contributions 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 are amortised over the expected remaining service lives of the members affected. 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. The Company has incorporated the disclosure requirement of FRS 17 into these notes.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2003

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.

	2003 £000	2002 £000
Gross aeronautical income	64,540	62,291
Less: collected on behalf of Euro-Hub (Birmingham) Limited	-	(2,341)
Net aeronautical income	64,540	59,950
Commercial income and recharges	36,603	34,404
	<u>101,143</u>	<u>94,354</u>

3. OPERATING PROFIT

The operating profit for the period is stated after charging/(crediting)

	2003 £000	2002 £000
Auditors' remuneration		
Audit services	38	36
Non-audit services	124	42
Depreciation		
Owned assets	14,943	14,038
Assets held under finance leases	463	431
European Regional Development Fund grants	(58)	(66)
Trans European Networks grants	(3)	-
Local Transport Plan grant	(22)	-
Operating lease rentals		
Plant and equipment	171	175
Land and buildings	447	426
Rents	(5,844)	(4,998)
Concessions	(24,546)	(22,187)
Loss on disposal of fixed assets	93	95
	<u></u>	<u></u>

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2003

4. DIRECTORS' EMOLUMENTS	2003 £000	2002 £000
Emoluments (excluding pension contributions)	305	282

Retirement benefits are accruing to 2 Directors (2002: 2) under a defined benefit pension scheme.

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

	2003 £000	2002 £000
Total emoluments (excluding pension contributions)	159	153
The amount of accrued pension for the defined benefit pension scheme	79	73
The amount of accrued lump sum for the defined benefit pension scheme	226	209

The Managing Director has in excess of forty years qualifying service in the defined benefit pension scheme.

5. STAFF COSTS	2003 £000	2002 £000
Wages and salaries	18,433	18,587
Social security costs	1,117	1,209
Other pension costs	2,907	2,354
	22,457	22,150

Other pension costs include a charge of £876,200 (2002: £349,224) to cover company funded contractual pension and retirement costs including early and ill health retirements (Note 16).

The average monthly number of employees during the year comprised:

	2003 Number	2002 Number
Operations and security	342	337
Engineering	73	76
Terminal services	133	133
Support services	137	157
	685	703

6. INTEREST PAYABLE	2003 £000	2002 £000
Bank loans and overdrafts	1	1
Other interest	436	406
Finance lease interest	73	97
Inter-company	6,525	4,852
Capitalised interest	(181)	(1,252)
	6,854	4,104

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2003

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge

	2003 £000	2002 £000
UK Corporation Tax – current year	7,809	5,776
UK Corporation Tax – adjustment in respect of prior years	(106)	(936)
Total current tax (Note 7b)	7,703	4,840
Deferred tax (Note 16)	707	2,739
Tax on profit on ordinary activities	8,410	7,579

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.

(b) Factors affecting the tax charge for the year

Tax assessed on the profit on ordinary activities for the year is higher than the ordinary rate of Corporation Tax in the UK of 30% (2002: 30%). The differences are reconciled below:

	2003 £000	2002 £000
Profit on ordinary activities before tax	24,820	23,677
Profit on ordinary activities at the standard rate of tax of 30% (2002: 30%)	7,446	7,103
Effects of:		
Disallowed expenses and non-taxable income	1,760	1,412
Capital allowances in advance of depreciation	(1,352)	(2,617)
Short term timing differences	(45)	(122)
Adjustments in respect of prior year periods	(106)	(936)
Current tax charge for year (Note 7a)	7,703	4,840

8. DIVIDENDS

	2003 £000	2002 £000
Equity - Interim paid at 14.755p per share (2002: 16.306p)	5,509	6,088
- Final accrued at 18.207p per share (2002: 21.8218p)	6,798	8,148
	12,307	14,236

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2003

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, Infrastructure	Plant And Equipment	Assets in Course of Construction	Total
	Freehold £000	Leasehold £000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2002	195,859	501	61,728	41,638	30,275	330,001
Additions	-	1	-	-	13,282	13,283
Capitalised Interest	-	-	-	-	181	181
Transfer from AICC	1,268	-	12,478	13,217	(26,963)	-
Disposals	-	-	-	(195)	-	(195)
At 31 March 2003	197,127	502	74,206	54,660	16,775	343,270
Depreciation						
At 1 April 2002	4,629	257	2,934	6,802	-	14,622
Provided in the Year	5,180	32	3,460	6,734	-	15,406
Disposals	-	-	-	(92)	-	(92)
At 31 March 2003	9,809	289	6,394	13,444	-	29,936
Net Book Value						
At 31 March 2003	187,318	213	67,812	41,216	16,775	313,334
At 31 March 2002	191,230	244	58,794	34,836	30,275	315,379

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2003

9. TANGIBLE FIXED ASSETS (CONTINUED)

A cumulative amount of £5.602 million (2002: £5.421 million) relating to capitalised interest is included within the cost of fixed assets. Interest capitalised during the year amounted to £0.181 million (2002: £1.252 million) at a capitalisation rate of 6.5% (2002: 6.5%).

Included in land and buildings is land at a value of £31.793 million (2002: £31.793 million) and investment properties at a value of £0.150 million (2002: £0.150 million) which are not depreciated.

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

	2003 £000	2002 £000
Land and Buildings	8,189	8,430
Runways, Taxiways, Infrastructure	1,478	1,531
Plant and Machinery	377	503
	<u>10,044</u>	<u>10,464</u>

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

	Land and Buildings Freehold £000	Land and Buildings Leasehold £000	Runways, Taxiways, Infrastructure £000	Plant And Equipment £000	Assets in Course of Construction £000	Total £000
At 31 March 2003						
Cost	180,889	502	96,126	75,255	16,774	369,546
Cuml. depreciation	(43,712)	(289)	(42,364)	(40,126)	-	(126,491)
Net Book Value	<u>137,177</u>	<u>213</u>	<u>53,762</u>	<u>35,129</u>	<u>16,774</u>	<u>243,055</u>
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>

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2003

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%	31/3/03	Investment Property Holding Company
Birmingham Airport Developments Limited	England	Ordinary Shares	100%	5/4/03	Site Development
ASSOCIATED UNDERTAKINGS					
Airline Maintenance Birmingham Limited	England	Ordinary Shares	50%	31/3/03	Consultancy for Aircraft Maintenance Facilities
Euro-Hub (Birmingham) Limited	England	Ordinary Shares Preference Shares	25% 28.5%	31/3/03	Non Trading (from 22 July 2001)

	Subsidiary Undertaking £000	Associated Undertaking £000	Total £000
Share Capital	1,469	6,025	7,494
Loans	3,871	7	3,878
Provisions	(614)	(7)	(621)
At 1 April 2002	4,726	6,025	10,751
Movement during year			
New loans/(repayments)	(5)	1	(4)
Provisions	2	(1)	1
Investments at 31 March 2003	4,723	6,025	10,748
Comprising			
Shares	1,469	6,025	7,494
Loans	3,866	8	3,874
Provisions	(612)	(8)	(620)
Net Book Value at 31 March 2003	4,723	6,025	10,748

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2003

11. STOCKS	2003	2002
	£000	£000
Consumables	380	387
12. DEBTORS	2003	2002
	£000	£000
Trade debtors	7,538	7,183
Other debtors	272	173
Prepayments and accrued income	4,969	4,621
	12,779	11,977
13. CREDITORS: amounts falling due within one year	2003	2002
	£000	£000
Obligations under finance leases (Note 15)	257	229
Trade creditors	1,137	992
Corporation Tax	5,259	2,958
Other taxes and social security costs	426	419
Deferred income	3,787	2,616
European Regional Development Fund grants	343	58
Accruals	17,089	14,620
Accrued dividends	6,798	8,148
	35,096	30,040
14. CREDITORS: amounts falling due after more than one year	2003	2002
	£000	£000
Obligations under finance leases (Note 15)	278	535
Amounts owed to group undertakings	103,375	116,584
Net premium arising on lease and leaseback (Note 24)	3,412	3,180
Deferred income	816	840
ERDF, SMBC and TENS grants	6,085	951
	113,966	122,090

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%.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2003

15. OBLIGATIONS UNDER LEASE CONTRACTS

	2003 £000	2002 £000
a. Finance lease obligations		
Amounts payable		
Within one year	257	229
In the second to fifth years inclusive	180	385
After five years	98	150
	<u>535</u>	<u>764</u>

	Land and Buildings		Other	
	2003 £000	2002 £000	2003 £000	2002 £000
b. Non-cancellable operating leases				
Annual commitments under leases which expire				
Within one year	-	-	41	22
In the second to fifth year inclusive	-	-	69	82
After five years	447	426	-	-
	<u>447</u>	<u>426</u>	<u>110</u>	<u>104</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Development Related £000	Retirement Benefits £000	Deferred Tax £000	Total £000
At 1 April 2002	3,099	1,935	12,395	17,429
Provided during the year	1,182	876	707	2,765
Utilised during the year	(143)	(480)	-	(623)
At 31 March 2003	<u>4,138</u>	<u>2,331</u>	<u>13,102</u>	<u>19,571</u>

Development Related Provisions

The Company is fully committed to a positive environmental policy including the provision of a defined noise insulation scheme, financial penalties to support night flying restrictions and provisions for payments under the Land Compensation Act 1973. Provisions are made in line with foreseen liabilities. An element of the development related provision relates to potential claims arising under the Land Compensation Act as a result of certain developments being undertaken at the Airport which, by their nature, are uncertain. The timing for the transfer of the related economic benefits are therefore not expected to be significant within the next 12 months. With regards to the Noise Insulation scheme, the future liability for the next twelve months for the Noise Insulation scheme is estimated at £200,000 (2002: £200,000).

Retirement Benefits

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 and ill health retirement.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2003

16. PROVISIONS FOR LIABILITIES AND CHARGES (CONTINUED)

Deferred Taxation

The amounts provided in the accounts are as follows:-

	2003 £000	2002 £000
Capital allowances in advance of depreciation	15,305	14,579
Other timing differences	(2,203)	(2,184)
	<u>13,102</u>	<u>12,395</u>

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.

17. RECONCILIATION OF SHAREHOLDERS' FUNDS

	2003 £000	2002 £000
At 1 April	173,264	172,463
Profit for the year	16,410	16,098
Asset revaluation	-	(1,061)
Dividends (Note 8)	(12,307)	(14,236)
At 31 March	<u>177,367</u>	<u>173,264</u>

18. SHARE CAPITAL

	2003 £000	2002 £000
Authorised ordinary shares of £1 each	38,000	38,000
Allotted, called up and fully paid ordinary shares of £1 each	<u>37,337</u>	<u>37,337</u>

19. RESERVES

	Capital Reserve £000	Special Reserve £000	Revaluation Reserve £000	Profit & Loss Account £000
At 1 April 2001	28,193	27,522	75,452	3,959
Retained profit for the year	-	-	-	1,862
Asset revaluation adjustment	-	-	(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
Retained profit for the year	-	-	-	4,103
Transfer of excess depreciation on asset revaluation	-	-	(2,684)	2,684
At 31 March 2003	<u>28,193</u>	<u>27,522</u>	<u>68,382</u>	<u>15,933</u>

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2003

20. CAPITAL COMMITMENTS

	2003 £000	2002 £000
Amounts contracted but not provided for in the accounts	3,246	9,521

21. CONTINGENT LIABILITIES

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 £1.350 million (2002 £2.181 million).

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 method	
Employer's regular pension cost	14.0%
Investment rate of return:	
- prior to retirement	6.0%
- after retirement	5.0%
Future increases in salaries	3.8%
Increases in pensions (bulk of membership)	2.8%
Market value of assets	£39.9m
Level of funding (actuarial value of assets as a percentage of accrued service liabilities)	106%

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2003

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. 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.

A qualified independent actuary has updated the Actuarial Valuation of 31 October 2000. The main financial assumptions used are as follows:

	2003	2002
Rate of inflation	2.6%	2.8%
Rate of increase of salaries	3.6%	3.8%
Rate of increase in actual pensions	2.6%	2.8%
Rate of increase in deferred pensions	2.6%	2.8%
Discount rate	5.4%	6.0%

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

	2003 %	2003 £000	2002 %	2002 £000
Equities	7.0%	22,643	7.0%	35,504
Corporate Bonds	5.4%	4,106	-	-
Cash	4.5%	470	4.5%	336
Other Investments	10.0%	308	10.0%	336
Market value of scheme's assets		27,527		36,176
Actuarial value of scheme's liabilities		(49,276)		(40,758)
Deficit in scheme		(21,749)		(4,582)
Related deferred tax asset		6,525		1,375
Net Pension Liability		(15,224)		(3,207)
Reserves Reconciliation:-		2003 £000		2002 £000
Profit and loss reserve as reported		15,933		9,146
FRS 17 deficit in respect of the defined benefit pension scheme		(15,224)		(3,207)
Provision held within Company accounts *		1,746		1,935
Deferred tax associated with the above provision		(524)		(581)
Profit and loss reserve as revised		1,931		7,293
Net Assets Reconciliation:-		2003 £000		2002 £000
Net assets as reported		177,367		173,264
FRS 17 deficit in respect of the defined benefit pension scheme		(15,224)		(3,207)
Provision held within Company accounts *		1,746		1,935
Deferred tax associated with the above provision		(524)		(581)
Net assets as revised		163,365		171,411

* the provision held within Company accounts excludes £585,000 (2002: £nil) of the provision detailed in Note 16. This exclusion relates to provisions held to fund Company agreed early retirements which are not part of the pension scheme actuarial valuation assumptions. The provision will be paid over to the pension scheme when the employees retire to fund the additional liabilities incurred.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2003

22. PENSION COMMITMENTS (CONTINUED)

The FRS 17 liability has increased during the year as set out below.

	2003 £000
Liability at the 1 April 2002	4,582
Current service cost	1,719
Contributions	(2,771)
Past service cost	431
Net return on assets	(104)
Actuarial losses	17,892
Liability as at 31 March 2003	21,749

Had the Company adopted FRS 17 early, the following amounts would have been included in the profit and loss account.

	2003 £000
Current service cost	1,719
Past service cost	431
Total which would have been charged to operating profit	2,150
Expected return on pension scheme assets	2,594
Interest on pension scheme liabilities	(2,490)
Net amount which would have been credited to other financial income	104

In addition, the following amounts would have been recognised in the Statement of Total Recognised Gains and Losses.

	2003 £000
Actual return less expected return on pension scheme assets	(13,868)
Experience gains and losses arising on the scheme liabilities	-
Changes in assumptions underlying the present value of the scheme liabilities	(4,024)
Actuarial loss recognised in the Statement of Total Recognised Gains and Losses	(17,892)

History of experience gains and losses:

	2003 £000
Difference between expected and actual return on scheme assets:	(13,868)
-percentage of scheme assets	-50.4%
Experience gains and losses on scheme liabilities:	-
-percentage of scheme liabilities	-
Total amount recognised in the Statement of Total Recognised Gains and Losses:	(17,892)
-percentage of scheme liabilities	-36.3%

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

At 31 March 2003

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 2003, 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 2003, 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 Airport 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 2003 was £200,000 (2002: £200,000). The amount at the end of the year was £3,412,138 (2002: £3,179,563), all of which is due after more than one year.

Solihull Metropolitan Borough Council

Solihull Metropolitan Borough Council have provided a grant of £5.237 million (2002: £nil) during the year from the West Midlands Local Transport Plan fund towards the cost of building a Multi Modal Interchange. The building has been capitalised in the Company's accounts and the grant will be released to income on a straight line basis over the life of the asset. At the 31 March 2003, £5.215 million was held within deferred income (2002: £nil).

On 30 April 2002, Solihull Metropolitan Borough Council formally adopted the inbound and outbound access roads from the Airport site to the A45. The adoption transfers the liability for operating and maintaining the roads to the Council.

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 £313,617 (2002: £345,642).

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 £221,867 in the year (2002: £219,120). The amount outstanding at the balance sheet date was nil (2002: £55,040).

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.

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

	Total £000
Airport Charges	
Revenue	64,540
Costs	(54,847)
	<u>9,693</u>
Other Income	
Revenue	36,603
Costs	(15,521)
	<u>21,082</u>

Non operational activities

The Companies have no such activities under the Act.

Operating profit for the year	<u><u>30,775</u></u>
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