

COMPANY NUMBER
2078273

ANNUAL REPORT AND FINANCIAL STATEMENTS
Birmingham International Airport Limited

FOR THE YEAR ENDED 31 MARCH 2009



BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS AND ADVISORS

REGISTERED NUMBER	2078273
DIRECTORS	J L Hudson Chairman L R Gregory M J Kelly P Kehoe G E Richards W H Thomas
COMPANY SECRETARY	M J Kelly
EXECUTIVE BOARD	Paul Kehoe Chief Executive Officer Michael Joseph Kelly Deputy Chief Executive Officer Mark Hattersley Finance Director William Heynes Operations Director Elaine Clarke Head of Personnel John Morris Head of Corporate Affairs
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered accountants and registered auditors Cornwall Court, 19 Cornwall Street, Birmingham B3 2DT
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

For the year ended 31 March 2009

The directors present their report and audited financial statements for the year ended 31 March 2009

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £9.046 million (2008: £22.793million). A dividend of 33p per £1 share amounting to £12.321million was paid in July 2008 (2007: 8p per £1 share amounting to £2.987million) and a further dividend of 11p per £1 share amounting to £4.107million was paid in December 2008 (2007: 12.2p per £1 share amounting to £4.555m), resulting in a reduction in reserves of £7.382million (2007: profit of £15.251million).

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.

REVIEW OF THE BUSINESS

As the Company is a wholly owned subsidiary of Birmingham Airport Holdings Limited, a review of the business can be found within those accounts including a performance review, key performance indicators and information on financial risk management.

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

The directors during the year and up to the date of signing the financial statements were as follows

L R Gregory		P Kehoe	(Appointed 27/10/08)
J L Hudson		G E Richards	
M S Jaspal	(Resigned 04/06/08)	W H Thomas	(Appointed 18/06/08)
M J Kelly			

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

The Company is committed to ensuring that all members of the community have the opportunity to apply for vacancies as they arise within the Company; also, to ensure that applications receive fair treatment. We continue to meet the Two Ticks Positive about Disabled People Standard and all applications for employment from disabled people are considered within this framework

EMPLOYEE CONTRIBUTION

Employee contribution to our business is key to our success. The Company commits to meet the Investors in People Standard, ensuring the skills and knowledge of all our employees are updated to meet changes in our Industry. It is the Company policy to regularly exchange information concerning the operation with its employees and we have recently formed a new 'Talking Point' forum to engage with elected members of staff across the organisation. The continued high level of employee take up of the All Employee Share Ownership Plan has continued this year enabling all employees to have the opportunity to share in the success of the Company.

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. The average payment period during the year was 29 days (2008: 31 days) from date of invoice.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the Company made various charitable contributions, primarily to the Birmingham International Airport Community Trust Fund, totalling £50,000. Political contributions were made as follows: Labour Party £2,250, Conservative Party £2,750, Liberal Democrat Party £500, others £250.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS' REPORT (continued)

For the year ended 31 March 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

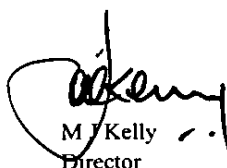
In the case of each of the persons who are directors at the time when the report is approved, the following applies:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The Company passed an elective resolution on 20 August 1997 under Section 386 Companies Act 1985 dispensing with the obligation to appoint auditors annually. PricewaterhouseCoopers LLP have confirmed their willingness to continue in office and accordingly, shall be deemed re-appointed as auditors.

BY ORDER OF THE BOARD



M J Kelly
Director

24 June 2009

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

We have audited the financial statements of Birmingham International Airport Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the note of historical cost profits and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Directors and Advisors page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

24 June 2009

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2009

	Notes	2009 £000	2008 £000
TURNOVER	2	107,522	109,796
Operating costs		(86,810)	(86,158)
OPERATING PROFIT	3	20,712	23,638
Interest receivable and similar income	6	886	975
Interest payable and similar charges	7	(7,438)	(6,027)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		14,160	18,586
Tax (charge)/credit on profit on ordinary activities	8	(5,114)	4,207
PROFIT FOR THE YEAR		9,046	22,793

All results are derived from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2009 £000	2008 £000
Profit on ordinary activities after taxation	9,046	22,793
Actuarial loss on pension scheme	(7,194)	(3,738)
Movement on deferred tax relating to pension scheme actuarial loss	2,014	1,121
Total recognised gains and losses for the year	3,866	20,176

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2009 £000	2008 £000
Reported profit on ordinary activities before taxation	14,160	18,586
Excess depreciation on revalued assets	3,964	2,858
Historical Cost Profit On Ordinary Activities Before Taxation	18,124	21,444
Historical Cost (Loss)/Profit Retained After Taxation And Dividends	(3,418)	18,109

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

BALANCE SHEET

As at 31 March 2009

	Notes	2009 £000	2008 £000
FIXED ASSETS			
Tangible assets	10	418,103	383,725
Investments	11	11,241	11,522
		<u>429,344</u>	<u>395,247</u>
CURRENT ASSETS			
Stocks	12	344	288
Debtors	13	15,175	13,660
Cash at bank and in hand		2,158	1,846
		<u>17,677</u>	<u>15,794</u>
CREDITORS			
Amounts falling due within one year	14	(37,667)	(32,426)
NET CURRENT LIABILITIES		<u>(19,990)</u>	<u>(16,632)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>409,354</u>	<u>378,615</u>
CREDITORS			
Amounts falling due after more than one year	15	(136,733)	(96,213)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(12,970)	(13,948)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>259,651</u>	<u>268,454</u>
PENSION LIABILITY	23	(18,999)	(15,240)
NET ASSETS INCLUDING PENSION LIABILITY		<u>240,652</u>	<u>253,214</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	105,130	109,094
Profit and loss account	19	42,470	51,068
TOTAL SHAREHOLDERS' FUNDS	20	<u>240,652</u>	<u>253,214</u>

The financial statements on pages 5 to 20 were approved by the board of directors on 24 June 2009 and were signed on its behalf by:


J L Hudson
Chairman


P Kehoe
Chief Executive Officer

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

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 the Companies Act 1985 and applicable accounting standards in the United Kingdom.

BASIS OF PREPARATION

These accounts have been prepared on the going concern concept as the directors believe that continuing finance will be available from the parent undertaking for the Company to meet its liabilities as they fall due and to continue without the immediate realisation of its assets.

The Company has exercised its right, under FRS 1 (revised 1996), 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 Companies 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 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'. Independent valuations are undertaken every five years with the last such valuation being undertaken at 31 March 2006 (Note 10). The valuations are internally reviewed for continued applicability on an annual basis in between these independent valuations.

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. Where the effect if the time value of money is not material, provisions are not discounted.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

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

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. The accounting for the pension scheme is in accordance with Financial Reporting Standard 17 ('FRS 17'), 'Retirement Benefits' which was published on 30 November 2000. The Company has complied with the requirements of this FRS and consolidated the pension deficit into its accounts.

CHANGE IN ACCOUNTING POLICY

The Company has adopted the amendment to FRS 17, "Retirement benefits". As a result of this quoted securities held as part of scheme assets in the defined benefit scheme are now valued at bid price rather than mid market value.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

2. TURNOVER

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

- Aeronautical income: sales relating to aeronautical activities net of rebates, incentives and value added tax and is recognised, at the point of passenger and aircraft departure.
- Concession and property income: concession rentals net of value added tax relating to retail activities on the site and revenues relating to property lettings, service charges, utility recharges and usage charges for operational systems. Concession income for car parking is recognised at the end of the parking stay and income from all other activities is recognised in the period to which it relates on an accruals basis.

	2009 £000	2008 £000
Aeronautical income	54,718	57,602
Concession and property income and recharges	52,804	52,194
	107,522	109,796

3. OPERATING PROFIT

	2009 £000	2008 £000
The operating profit for the year is stated after charging/(crediting)		
Auditors' remuneration		
Audit services	48	46
Other audit services	17	16
Depreciation		
Owned assets	20,576	20,231
Assets held under finance leases	337	337
European Regional Development Fund grants	(25)	(32)
Trans European Networks grants	(46)	(46)
Local Transport Plan grant	(104)	(104)
Operating lease rentals		
Plant and machinery	127	148
other	447	447
Rents	(5,141)	(5,449)
Concessions	(39,196)	(38,442)
(Gain)/Loss on disposal of fixed assets	(5)	60

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

4. DIRECTORS' EMOLUMENTS	2009	2008
	£000	£000
Emoluments (excluding pension contributions)	<u>407</u>	<u>218</u>
Retirement benefits are accruing to 1 Director (2008: 1) under a defined benefit pension scheme.		
Emoluments in respect of the highest paid director are:		
	2009	2008
	£000	£000
Total emoluments (excluding pension contributions)	<u>198</u>	<u>178</u>
The amount of accrued pension for the defined benefit pension scheme	<u>19</u>	<u>17</u>
The amount of accrued lump sum for the defined benefit pension scheme	<u>57</u>	<u>50</u>
5. STAFF COSTS	2009	2008
	£000	£000
Wages and salaries	<u>20,447</u>	<u>19,349</u>
Social security costs	<u>1,365</u>	<u>1,417</u>
Other pension costs	<u>1,858</u>	<u>1,950</u>
	<u>23,670</u>	<u>22,716</u>
The average monthly number of employees during the year comprised:		
	2009	2008
	Number	Number
Engineering	<u>74</u>	<u>74</u>
Operations and security	<u>340</u>	<u>335</u>
Support services	<u>133</u>	<u>126</u>
Terminal services	<u>75</u>	<u>71</u>
	<u>622</u>	<u>606</u>
6. INTEREST RECEIVABLE AND SIMILAR INCOME	2009	2008
	£000	£000
Bank interest receivable	<u>586</u>	<u>567</u>
FRS 17 finance income (Note 23)	<u>-</u>	<u>108</u>
Preference dividends received	<u>300</u>	<u>300</u>
	<u>886</u>	<u>975</u>
7. INTEREST PAYABLE AND SIMILAR CHARGES	2009	2008
	£000	£000
Other interest	<u>623</u>	<u>600</u>
Finance lease interest	<u>10</u>	<u>15</u>
Inter-company interest	<u>6,939</u>	<u>5,811</u>
Capitalised interest	<u>(1,092)</u>	<u>(399)</u>
FRS 17 finance expenses (Note 23)	<u>958</u>	<u>-</u>
	<u>7,438</u>	<u>6,027</u>

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

8. TAX CHARGE/(CREDIT) ON PROFIT ON ORDINARY ACTIVITIES	2009	2008
(a) Analysis of tax charge/(credit)	£000	£000
UK Corporation tax – current year	5,012	5,221
UK Corporation tax – adjustment in respect of prior years	(341)	(1,002)
Total current tax (Note 8b)	4,671	4,219
Deferred tax – current year (Note 17)	(138)	1,225
Deferred tax – adjustment in respect of prior years (Note 17)	28	854
Deferred tax – on pension deficit movement charges in the profit and loss account	553	1,012
Deferred tax – removal of Industrial Buildings Allowance	-	(11,330)
Deferred tax – tax rate change	-	(187)
Tax on profit on ordinary activities	5,114	(4,207)
Deferred tax on pension deficit charged to Statement of Total Recognised Gains and Losses	(2,014)	(1,121)
Total tax charged/(credited) in financial statements	3,100	(5,328)
Deferred tax credited to provisions for liabilities and charges		
Deferred tax – current year (Note 17)	(138)	1,225
Deferred tax – adjustment in respect of prior years (Note 17)	28	854
Deferred tax – removal of Industrial Buildings Allowance	-	(11,330)
Deferred Tax – tax rate change	-	(611)
	(110)	(9,862)
Deferred tax credited to pension liability		
Deferred tax – on pension deficit movement charges in the profit and loss account	553	1,012
Deferred tax on pension deficit charged to Statement of Total Recognised Gains and Losses	(2,014)	(1,121)
Deferred tax – tax rate change	-	422
	(1,461)	313

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.

Following the changes made in the 2007 budget regarding the removal of industrial buildings allowances, the deferred tax previously provided on these assets was released back to the profit & loss account.

(b) Factors affecting the tax charge for the year

The tax assessed on the profit on ordinary activities for the year is higher (2008: lower) than the ordinary rate of Corporation Tax in the UK of 28% (2008: 30%). The differences are reconciled below:

	2009	2008
	£000	£000
Profit on ordinary activities before taxation	14,160	18,586
Profit on ordinary activities at the standard rate of tax of 28% (2008: 30%)	3,965	5,576
Effects of:		
Disallowed expenses and non-taxable income	3,097	1,882
Industrial Buildings Allowances for the year	(1,635)	-
Capital allowances in advance of depreciation	477	(496)
Short term timing differences	(339)	(729)
Movement on pension liability	(553)	(1,012)
Adjustments in respect of prior year periods	(341)	(1,002)
Current tax charge for year (Note 8a)	4,671	4,219

The disallowable expenses include £3,008,000 (2008: £1,748,000) relating to non qualifying depreciation.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

9.	DIVIDENDS	2009 £000	2008 £000
	Equity -2008 final dividend paid at 33.00p per share (2007: 8.00p)	12,321	2,987
	-2009 interim dividend paid at 11.00p per share (2008: 12.20p)	4,107	4,555
		16,428	7,542

A dividend of 10.8p per share will be proposed at the Board meeting to be paid in June 2009

10. TANGIBLE ASSETS

Freehold land and buildings, runways, taxiways and infrastructure were valued as at the 31 March 2006 by Atisreal Limited, 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 methodology was used for operational assets. For other assets/land, the open market value methodology was used. The valuation of £320.780 million identified a £60.578 million increase in value.

The valuation has been 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						
As at 1 April 2008	266,997	200	103,177	101,747	7,203	479,324
Additions	-	-	-	-	54,199	54,199
Capitalised Interest	-	-	-	-	1,092	1,092
Transfer	7,668	-	10,742	2,691	(21,101)	-
Disposals	-	-	-	(68)	-	(68)
At 31 March 2009	274,665	200	113,919	104,370	41,393	534,547
Depreciation						
As at 1 April 2008	17,431	-	10,180	67,988	-	95,599
Provided in the Year	8,761	-	5,496	6,656	-	20,913
Disposals	-	-	-	(68)	-	(68)
At 31 March 2009	26,192	-	15,676	74,576	-	116,444
Net Book Value						
At 31 March 2009	248,473	200	98,243	29,794	41,393	418,103
At 31 March 2008	249,566	200	92,997	33,759	7,203	383,725

A cumulative amount of £8.848 million (2008: £7.756 million) relating to capitalised interest is included within the cost of fixed assets. Interest capitalised during the year amounted to £1.092 million (2008: £0.399 million) at a capitalisation rate of 6.5% (2008: 6.5%). Included in land and buildings is land at a value of £31.793 million (2008: £31.793 million) which is not depreciated.

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

	2009 £000	2008 £000
Land and Buildings	8,823	9,160

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

10. TANGIBLE FIXED ASSETS (Continued)

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

	Land and Buildings		Runways, Taxiways, Infrastructure	Plant And Equipment	Assets in Course of Construction	Total
	Freehold £000	Leasehold £000	£000	£000	£000	£000
At 31 March 2009						
Cost	237,319	202	140,288	104,370	41,393	523,572
Cuml. depreciation	(77,305)	-	(61,332)	(74,576)	-	(213,213)
Net Book Value	160,014	202	78,956	29,794	41,393	310,359
At 31 March 2008						
Cost	229,652	202	129,545	101,747	7,203	468,349
Cuml. depreciation	(71,163)	-	(57,181)	(67,988)	-	(196,332)
Net Book Value	158,489	202	72,364	33,759	7,203	272,017

11. 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 March	Investment Property Holding Company
Birmingham Airport Developments Limited	England	Ordinary Shares	100%	5 April	Site Development
Birmingham Airport Fire & Rescue Limited	England	Ordinary Shares	90%	31 March	Airport Rescue and Fire Fighting Services
ASSOCIATED UNDERTAKINGS					
Euro-Hub (Birmingham) Limited	England	Ordinary Shares Preference Shares	25% 30%	31 March	Non Trading (from 22 July 2001)

	Subsidiary Undertaking £000	Associated Undertaking £000	Total £000
Share Capital	1,470	6,025	7,495
Loans	4,027	-	4,027
Provisions	-	-	-
At 1 April 2008	5,497	6,025	11,522
Movement during year			
Share Capital	-	-	-
New loans/(repayments)	(281)	-	(281)
Provisions	-	-	-
Investments at 31 March 2009	5,216	6,025	11,241
Comprising			
Shares	1,470	6,025	7,495
Loans	3,746	-	3,746
Provisions	-	-	-
Net Book Value at 31 March 2009	5,216	6,025	11,241

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

12. STOCKS	2009	2008
	£000	£000
Consumables	<u>344</u>	<u>288</u>

13. DEBTORS	2009	2008
	£000	£000
Trade debtors	<u>8,867</u>	<u>8,725</u>
Other debtors	<u>1,750</u>	<u>122</u>
Prepayments and accrued income	<u>4,558</u>	<u>4,813</u>
	<u>15,175</u>	<u>13,660</u>

There are no debtors falling due after more than one year (2008: £nil).

14. CREDITORS: amounts falling due within one year	2009	2008
	£000	£000
Obligations under finance leases (Note 16)	<u>41</u>	<u>57</u>
Trade creditors	<u>2,204</u>	<u>1,284</u>
Corporation Tax	<u>2,547</u>	<u>2,217</u>
Other taxes and social security costs	<u>438</u>	<u>446</u>
Deferred income	<u>5,604</u>	<u>4,164</u>
ERDF, SMBC and TENS grants	<u>170</u>	<u>175</u>
Accruals	<u>26,663</u>	<u>24,083</u>
	<u>37,667</u>	<u>32,426</u>

15. CREDITORS: amounts falling due after more than one year	2009	2008
	£000	£000
Obligations under finance leases (Note 16)	<u>-</u>	<u>41</u>
Amounts owed to group undertakings	<u>125,975</u>	<u>85,220</u>
Net premium arising on lease and leaseback (Note 25)	<u>4,732</u>	<u>4,732</u>
Deferred income	<u>672</u>	<u>696</u>
ERDF, SMBC and TENS grants	<u>5,354</u>	<u>5,524</u>
	<u>136,733</u>	<u>96,213</u>

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 fixed rate of 6.75%.

16. OBLIGATIONS UNDER LEASE CONTRACTS	2009	2008
	£000	£000
a. Finance lease obligations – amounts payable		
- within 1 year	<u>41</u>	<u>57</u>
- in the second to fifth years inclusive	<u>-</u>	<u>41</u>
	<u>41</u>	<u>98</u>

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

16. OBLIGATIONS UNDER LEASE CONTRACTS (Continued)

	Land and Buildings		Other	
	2009	2008	2009	2008
	£000	£000	£000	£000
b. Non-cancellable operating leases				
Annual commitments under leases which expire				
Within one year	-	-	24	20
In the second to fifth year inclusive	-	-	57	77
After five years	447	447	-	-
	<u>447</u>	<u>447</u>	<u>81</u>	<u>97</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Development Related	Deferred Tax	Total
	£000	£000	£000
At 1 April 2008	5,409	8,539	13,948
Released during the year	(618)	(110)	(728)
Utilised during the year	(250)	-	(250)
At 31 March 2009	<u>4,541</u>	<u>8,429</u>	<u>12,970</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 (2008: £200,000).

Deferred Taxation

The amounts provided in the accounts are as follows:-

	2009	2008
	£000	£000
Capital allowances in excess of depreciation	8,831	9,284
Other timing differences	(402)	(745)
	<u>8,429</u>	<u>8,539</u>

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. The above does not include deferred tax assets disclosed in Note 23.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

18. CALLED UP SHARE CAPITAL

	2009 £000	2008 £000
38,000,000 Authorised ordinary shares of £1 each	38,000	38,000
37,336,958 Allotted, called up and fully paid ordinary shares of £1 each	37,337	37,337

19. RESERVES

	Capital Reserve £000	Special Reserve £000	Revaluation Reserve £000	Profit & Loss Account £000
At 1 April 2007	28,193	27,522	111,952	35,576
Profit for the year	-	-	-	22,793
Dividends paid	-	-	-	(7,542)
Actuarial loss on pension scheme	-	-	-	(3,738)
Movement on deferred tax on pension scheme	-	-	-	1,121
Transfer of excess depreciation on asset revaluation	-	-	(2,858)	2,858
At 31 March 2008	28,193	27,522	109,094	51,068
Profit for the year	-	-	-	9,046
Dividends paid	-	-	-	(16,428)
Actuarial loss on pension scheme	-	-	-	(7,194)
Movement on deferred tax on pension scheme	-	-	-	2,014
Transfer of excess depreciation on asset revaluation	-	-	(3,964)	3,964
At 31 March 2009	28,193	27,522	105,130	42,470

20. RECONCILIATION OF TOTAL SHAREHOLDERS' FUNDS

	£000
At 1 April 2007	240,580
Profit for the year	22,793
Dividends paid	(7,542)
FRS 17 – loss shown in the Statement of Total recognised Gains and Losses	(2,617)
At 1 April 2008	253,214
Profit for the year	9,046
Dividends paid	(16,428)
FRS 17 – loss shown in the Statement of Total recognised Gains and Losses	(5,180)
At 31 March 2009	240,652

21. CAPITAL COMMITMENTS

	2009 £000	2008 £000
Amounts contracted but not provided for in the accounts	20,612	22,551

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

22. CONTINGENT LIABILITIES

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.

On 16 December 2005, the Company, along with other group members of Birmingham Airport Holdings Limited, provided Guarantees to The Royal Bank of Scotland plc and Lloyds TSB Bank plc in support of a £40 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of 5 years with an expiry date of 23 November 2010. At the date of signing these accounts, the total amount outstanding under the facility was £nil.

23. PENSION COMMITMENTS

The Company operates a defined benefit pension scheme for permanent employees, which is funded by the payment of contributions to a separately administered trust fund. The pension cost is determined by an independent qualified actuary on the basis of a triennial valuation using the projected unit method using assumptions agreed between the Trustees and the company. The most recent full actuarial valuation at 31 October 2006 identified a company funding requirement of 20.6% of Pensionable Earnings plus £2,786,400 per annum for 10 years from 1 January 2008. The above contributions are expected to fund the deficit identified within the scheme over the period to 31 December 2017.

The principal methods and assumptions used and the results of the valuation are shown below:-

	Valuation (31 October 2006)
Valuation method	Projected Unit
Employer's regular pension cost	20.6%
Investment rate of return: - prior to retirement	6.6%
- after retirement	4.4%
Future increases in salaries	4.0%
Increases in pensions (bulk of membership)	3.0%
Market value of assets	£61.7m
Level of funding (actuarial value of assets as a percentage of accrued service liabilities)	76%

Financial Reporting Standard 17 ('FRS 17'), 'Retirement Benefits' was published on 30 November 2000. The following sets out the additional information required by FRS 17.

A qualified independent actuary has updated the Actuarial Valuation of 31 October 2006. The main financial assumptions used are as follows:

	2009	2008	2007
Rate of inflation	3.00%	3.60%	3.10%
Rate of increase of salaries	4.00%	4.60%	4.10%
Rate of increase in actual pensions	2.90%	3.50%	3.05%
Rate of increase in deferred pensions	3.00%	3.60%	3.10%
Discount rate	6.50%	6.40%	5.20%
Expected return on assets	5.76%	6.85%	6.84%
Post retirement mortality	PMA92/PFA92 With year of birth improvements and medium cohort	PMA92/PFA92 With year of birth improvements and medium cohort	PMA92/PFA92 With year of birth improvements

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

23. PENSION COMMITMENTS (Continued)

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

	2009 %	2009 £000	2008 %	2008 £000	2007 %	2007 £000
Equities	7.50%	30,501	7.50%	44,274	7.50%	47,944
GTAA funds	7.50%	1,465	7.50%	1,839	-	-
Corporate Bonds	5.25%	15,766	5.50%	14,939	5.00%	14,600
Cash	0.50%	9,047	4.75%	4,901	4.75%	2,766
Other Investments	10.00%	30	10.00%	91	10.00%	146
Market value of scheme's assets		56,809		66,044		65,456
Actuarial value of scheme's liabilities		(83,196)		(87,211)		(86,257)
Deficit in scheme		(26,387)		(21,167)		(20,801)
Related deferred tax asset		7,388		5,927		6,240
Net Pension Liability		(18,999)		(15,240)		(14,561)

The equity investments and bonds which are held in scheme assets are quoted and are valued at the current bid price following the adoption of the amendment to FRS 17. Previously these were valued at mid price. The prior year asset values have not been restated.

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

Changes in the present value of the defined benefit obligation

	2009 £000	2008 £000
Opening defined benefit obligation	87,211	86,257
Service cost	2,621	2,652
Contributions by members	710	739
Past service costs	-	37
Settlements and curtailments	297	1,024
Interest cost	5,617	4,526
Actuarial gains	(10,778)	(5,117)
Benefits paid	(2,482)	(2,907)
Closing defined benefit obligation	83,196	87,211

Changes in the fair value of scheme assets

	2009 £000	2008 £000
Opening fair value of scheme assets	66,044	65,456
Expected return	4,659	4,634
Actuarial losses	(17,972)	(8,855)
Contributions by employer	5,850	6,977
Contributions by members	710	739
Benefits paid	(2,482)	(2,907)
Closing fair value of scheme assets	56,809	66,044

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected returns for each asset class have been set with reference to market yields and include an allowance for expenses.

The actual return on scheme assets in the year was a loss of £13.313 million. (2008: £4.221 million).

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

23. PENSION COMMITMENTS (Continued)

Analysis of amount charged to operating profit:

	2009 £000	2008 £000
Current service cost	2,621	2,652
Past service cost	-	37
Curtailment and settlements	297	1,024
Total charged to operating profit	2,918	3,713
Expected return on pension scheme assets	4,659	4,634
Interest on pension scheme liabilities	(5,617)	(4,526)
Amount (charged)/credited to other financial charges	(958)	108

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

	2009 £000	2008 £000
Actual return less expected return on pension scheme assets	(17,972)	(8,855)
Changes in assumptions underlying the present value of the scheme liabilities	10,778	5,117
Actuarial loss recognised in the Statement of Total Recognised Gains and Losses	(7,194)	(3,738)

History of experience gains and losses:

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Defined benefit obligation	(83,196)	(87,211)	(86,257)	(79,765)	(68,840)
Scheme assets	56,809	66,044	65,456	58,985	44,500
Surplus/ (deficit)	(26,387)	(21,167)	(20,801)	(20,780)	(24,340)
Difference between expected and actual return on scheme assets:	(17,972)	(8,855)	(125)	8,048	1,451
-percentage of scheme assets	-31.6%	-13.4%	-0.2%	13.6%	3.3%
Experience gains and losses on scheme liabilities:	-	-	2,049	(217)	(168)
-percentage of scheme liabilities	-	-	2.3%	-0.3%	-0.2%
Amount recognised in the Statement of Total Recognised Gains and Losses:	(7,194)	(3,738)	(189)	2,877	339
-percentage of scheme liabilities	-8.7%	-4.3%	-0.2%	3.6%	0.5%

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £28.095 million.

24. ULTIMATE PARENT COMPANY AND CONTROLLING INTEREST

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 2009, Birmingham Airport Holdings Limited has produced group accounts.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

25. TRANSACTIONS WITH RELATED PARTIES

The following entities conducted transactions with Birmingham International Airport Limited ("BIA") during the year ended 31 March 2009, 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 Midlands District Councils

Birmingham City Council, Coventry City Council, Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council, Walsall Metropolitan Borough Council and Wolverhampton City Council 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 pays a basic rent of £600,000 p.a. from 1 April 2007 subsequently index linked each year for the remaining lease period. In addition, a turnover based rent is payable calculated at 0.4% of turnover less the basic rent in the period. The total amount paid in 2009 was £772,600 (2008: £450,000). The amount at the end of the year was £4.732 million (2008: £4.732 million), all of which is due after more than one year.

Solihull Metropolitan Borough Council

Solihull Metropolitan Borough Council provided a grant during 2002/03 of £5.237 million 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 2009, £4.601 million was held within deferred income (2008: £4.705 million).

Solihull Metropolitan Borough Council is the local authority for the airport and transacts with the Company in a number of areas including business rates, planning applications and building control services. All of these transactions are carried out on an arms length basis at a full commercial rate.

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 an office block. Under the lease, the Pension Scheme granted the Company a 10 year lease in exchange for a lease premium of £7.244 million 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 16). The amount due at the end of the year was £40,585 (2008: £97,729).

26. POST BALANCE SHEET EVENTS

In response to market changes, on 29 April 2009, the Company announced a two stage restructuring programme. Stage one has been completed and 39 posts have been made redundant. Stage two is expected to commence in September 2009 and it is anticipated that this will result in further job reductions. The final cost to the Company of this programme cannot be accurately assessed at this stage.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

This statement does not comprise part of the annual report and accounts

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 statement has been prepared by allocating income and costs to the relevant categories. Income, and where possible costs, have been directly attributable to a specific category. The remaining shared costs have been allocated between the two categories using the most relevant apportionment available. In some cases, this requires an estimate of the resource/cost allocation.

Airport operational activities

	Total £000
Airport Charges	
Revenue	54,719
Costs	(64,809)
	<u>(10,090)</u>
Other Income	
Revenue	52,803
Costs	(22,001)
	<u>30,802</u>

Non operational activities

The Companies have no such activities under the Act.

Operating profit for the year	<u><u>20,712</u></u>
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