

COMPANY NUMBER
2078273

ANNUAL REPORT AND FINANCIAL STATEMENTS
Birmingham International Airport Limited

FOR THE YEAR ENDED 31 MARCH 2011

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BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS AND ADVISERS

For the year ended 31 March 2011

REGISTERED NUMBER

2078273

DIRECTORS

J L Hudson

Chairman

D C Cooper

T L Huxtable

P Kehoe

M J Kelly

G E Richards

COMPANY SECRETARY

M J Kelly

EXECUTIVE BOARD

P Kehoe

Chief Executive Officer

M J Kelly

Deputy Chief Executive Officer

W Heynes

Operations Director

M Lloyd

Air Services Development Director

E Clarke

Head of Personnel

J Morris

Head of Government & Industry Affairs

J Lloyd

Head of Brand

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP

Chartered accountants and statutory 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

West Midlands, B26 3QJ

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2011

The directors present their report and audited financial statements of the company for the year ended 31 March 2011

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £4 712 million (2010 £0 153 million loss). No dividends were paid in the year (2010 10 8p per £1 share amounting to £4 032million), resulting in a retained profit of £4 712million (2010 £4 185 million loss)

PRINCIPAL ACTIVITIES

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 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

D C Cooper		P Kehoe
L R Gregory	(Resigned 02/06/10)	M J Kelly
J L Hudson		G E Richards
T L Huxtable	(Appointed 02/07/10)	

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. The continued high level of employee take up of the Holding Company's All Employee Share Ownership Plan has continued this year enabling all employees to have the opportunity to share in the success of the Group

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 £270, Conservative Party £2,160, Liberal Democrat Party £270, and others £540

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS' REPORT (continued)

For the year ended 31 March 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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.

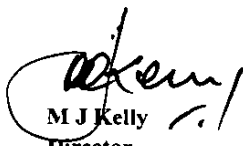
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

On behalf of the Board



M J Kelly

Director

29 June 2011

Registered number 2078273

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 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify any material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Stephen Snook (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

18/7/11

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2011

	Notes	2011 £000	2010 £000
TURNOVER	2	103,126	103,982
Operating costs		(85,675)	(88,213)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	3	17,451	15,769
Exceptional Items	3b	559	(2,871)
OPERATING PROFIT AFTER EXCEPTIONAL ITEMS		18,010	12,898
Interest receivable and similar income	6	788	815
Interest payable and similar charges	7	(10,056)	(10,974)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,742	2,739
Tax on profit on ordinary activities	8	(4,030)	(2,892)
PROFIT/(LOSS)FOR THE FINANCIAL YEAR		4,712	(153)

All results are derived from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2011 £000	2010 £000
Profit on ordinary activities after taxation	4,712	(153)
Actuarial loss on pension scheme	(2,378)	(3,930)
Movement on current tax relating to pension scheme contributions	666	416
Movement on deferred tax relating to pension scheme actuarial loss	-	684
Change in taxation rate	(235)	-
Gain on asset revaluation	18,231	-
Total recognised gains and losses for the year	20,996	(2,983)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2011 £000	2010 £000
Reported profit on ordinary activities before taxation	8,742	2,739
Excess depreciation on revalued assets	4,019	3,951
Historical cost profit on ordinary activities before taxation	12,761	6,690
Historical cost profit/(loss) for the financial year after taxation	8,731	(234)

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

BALANCE SHEET

As at 31 March 2011

	Notes	2011 £000	2010 £000
FIXED ASSETS			
Tangible assets	10	434,903	425,575
Investments	11	11,375	11,382
		<u>446,278</u>	<u>436,957</u>
CURRENT ASSETS			
Stocks	12	445	365
Debtors	13	12,329	12,408
Cash at bank and in hand		10,979	7,616
		<u>23,753</u>	<u>20,389</u>
CREDITORS			
Amounts falling due within one year	14	(30,633)	(31,357)
NET CURRENT LIABILITIES		<u>(6,880)</u>	<u>(10,968)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>439,398</u>	<u>425,989</u>
CREDITORS			
Amounts falling due after more than one year	15	(151,085)	(157,457)
PROVISIONS FOR LIABILITIES	17	(13,129)	(14,138)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>275,184</u>	<u>254,394</u>
PENSION LIABILITY	23	(20,551)	(20,757)
NET ASSETS INCLUDING PENSION LIABILITY		<u>254,633</u>	<u>233,637</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	115,391	101,179
Profit and loss account	19	46,190	39,406
TOTAL SHAREHOLDERS' FUNDS	20	<u>254,633</u>	<u>233,637</u>

The financial statements on pages 5 to 19 were approved by the board of directors on 29 June 2011 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 2011

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 2006 and applicable accounting standards in the United Kingdom. The principle accounting policies, which have been applied consistently throughout the year are set out below.

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 is a wholly owned subsidiary company of a group headed by Birmingham Airport Holdings Limited, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the Company has taken advantage of the exemption within FRS 1 'Cash flow statements (revised 1996)' from preparing a cash flow statement.

The financial statements contain information about Birmingham International Airport Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Birmingham Airport Holdings Limited.

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 2011 (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.

INVESTMENTS

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

STOCKS

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

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

1. ACCOUNTING POLICIES (Continued)

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.

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'.

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. Actuarial gains and losses are recognised in full on the Balance Sheet. Actuarial gains and losses are also recognised through the Statement of Total Recognised Gains and Losses as incurred. Payments to the defined contribution scheme are charged against profits as incurred.

The most recent full actuarial valuation at 31 October 2009 identified a company funding requirement of 21.1% of Pensionable Earnings plus £232,200 per month from 1 February 2011 until 31 October 2020.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

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 Airport and its related activities. All are generated in the United Kingdom. Turnover comprises:

- **Aeronautical income** – sales relate 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

	2011 £000	2010 £000
Aeronautical income	50,395	51,577
Concession and property income and recharges	52,731	52,405
	<u>103,126</u>	<u>103,982</u>

3 OPERATING PROFIT

	2011 £000	2010 £000
a) The operating profit for the year is stated after charging/(crediting)		
Services provided by the company's auditor		
Fees payable for the audit	50	48
Fees payable for other services	17	17
Depreciation		
Owned assets	22,240	21,877
Assets held under finance leases	336	336
European Regional Development Fund grants	(19)	(19)
Trans European Networks grants	(46)	(46)
Local Transport Plan grant	(104)	(104)
Operating lease rentals		
Plant and machinery	89	96
other	447	447
Loss /(Gain) on disposal of fixed assets	(83)	89

b) Exceptional Items

During the year restructuring costs (being mostly severance pay and related costs) of £1 189 million were recognised (2010 £2 871 million). Also during the year a finance lease was granted for the site of a hotel development resulting in a net gain of £1 748 million (2010 £nil).

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

4	DIRECTORS' EMOLUMENTS	2011	2010
		£000	£000
	Aggregate emoluments (excluding pension contributions)	<u>609</u>	<u>640</u>
	Retirement benefits are accruing to 1 Director (2010: 1) under a defined benefit pension scheme		
	Aggregate emoluments in respect of the highest paid director are		
		2011	2010
		£000	£000
	Total emoluments (excluding pension contributions)	<u>359</u>	<u>387</u>
	Pension contributions	<u>25</u>	<u>25</u>
	The amount of accrued pension for the defined benefit pension scheme	-	-
	The amount of accrued lump sum for the defined benefit pension scheme	<u>-</u>	<u>-</u>
5.	STAFF COSTS	2011	2010
		£000	£000
	Wages and salaries	<u>18,582</u>	<u>20,261</u>
	Social security costs	<u>1,303</u>	<u>1,496</u>
	Other pension costs	<u>790</u>	<u>1,547</u>
		<u>20,675</u>	<u>23,304</u>
	The average monthly number of employees during the year comprised		
		2011	2010
		Number	Number
	Engineering	<u>69</u>	<u>72</u>
	Operations and security	<u>289</u>	<u>332</u>
	Support services	<u>91</u>	<u>93</u>
	Terminal services	<u>49</u>	<u>73</u>
		<u>498</u>	<u>570</u>
6.	INTEREST RECEIVABLE AND SIMILAR INCOME	2011	2010
		£000	£000
	Bank interest receivable	<u>358</u>	<u>290</u>
	Dividends received	<u>430</u>	<u>525</u>
		<u>788</u>	<u>815</u>
7	INTEREST PAYABLE AND SIMILAR CHARGES	2011	2010
		£000	£000
	Other interest	<u>648</u>	<u>629</u>
	Finance lease interest	-	4
	Inter-company interest	<u>9,410</u>	<u>9,565</u>
	Capitalised interest	<u>(451)</u>	<u>(1,261)</u>
	FRS 17 finance expenses (Note 23)	<u>449</u>	<u>2,037</u>
		<u>10,056</u>	<u>10,974</u>

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

8	TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES	2011	2010
		£000	£000
	(a) Analysis of tax charge		
	UK Current Tax – on profit for the year	4,714	2,297
	Adjustment in respect of prior years	(770)	(561)
	Total current tax (Note 8b)	3,944	1,736
	Deferred tax – current year (Note 17)	(274)	655
	Deferred tax – adjustment in respect of prior years (Note 17)	440	501
	Deferred tax – on pension deficit movement charges in the profit and loss account	296	-
	Deferred tax – tax rate change	(376)	-
	Tax on profit on ordinary activities	4,030	2,892
	Current tax on pension contributions	(666)	(416)
	Deferred tax on pension deficit charged to Statement of Total Recognised Gains and Losses	235	(684)
	Total tax charged in financial statements	3,599	1,792
	Deferred tax credited to provisions for liabilities and charges		
	Deferred tax – current year (Note 17)	(274)	655
	Deferred tax – adjustment in respect of prior years (Note 17)	440	501
	Deferred tax – tax rate change	(696)	-
		(530)	1,156
	Deferred tax credited to pension liability		
	Deferred tax – on pension deficit movement charges in the profit and loss account	296	-
	Deferred tax on pension deficit charged to Statement of Total Recognised Gains and Losses	-	(684)
	Deferred tax – tax rate change	555	-
		851	(684)

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

The tax assessed on the profit on ordinary activities for the year is higher (2010 higher) than the ordinary rate of Corporation Tax in the UK of 28% (2010 28%) The differences are reconciled below

	2011	2010
	£000	£000
Profit on ordinary activities before taxation	8,742	2,739
Profit on ordinary activities at the standard rate of tax of 28% (2010 28%)	2,448	767
Effects of		
Disallowed expenses and non-taxable income	2,897	3,493
Industrial Buildings Allowances for the year	(609)	(1,309)
Capital allowances less than/(in excess) of depreciation	415	(526)
Short term timing differences	(141)	(128)
Movement on pension liability	(962)	-
Transfer to STRGL	666	-
Adjustments in respect of prior year	(770)	(561)
Current tax charge for year (Note 8a)	3,944	1,736

The disallowable expenses include £2,897,000 (2010 £3,493,000) relating to non qualifying depreciation

(c) Factors affecting future tax charges

In his budgets of 22 June 2010 and 23 March 2011, the Chancellor of the Exchequer proposed a decrease in the rate of UK corporation tax from 28% to 23%, falling by 2% in 2011 and a further 1% a year over the period 2012 to 2014 The first 1% reduction for 2011 was substantially enacted on 27 July 2010, and the second 1% reduction for 2011 was substantially enacted on 29 March 2011 and in accordance with accounting standards has been reflected in the Company's financial statements

The effect of the above proposed reductions in rate by 2014 would be to decrease the net deferred tax liability by £212,000

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

9.	DIVIDENDS	2011 £000	2010 £000
	Equity -2010 no final dividend paid (2009 10 8p per share)	-	4,032
		-	4,032

A dividend of 11 355p per share will be proposed at the Board meeting to be paid in June 2011

10 TANGIBLE ASSETS

Freehold land and buildings, runways, taxiways and infrastructure were valued as at the 31 March 2011 by DTZ Debenham Tie Leung 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 existing use methodology was used. The valuation of £385 437 million identified a £18 231 million increase in value.

	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 2010	338,131	200	116,900	106,803	2,076	564,110
Additions	-	-	-	-	15,160	15,160
Capitalised Interest	-	-	-	-	451	451
Transfer	(10,122)	-	(4,543)	21,460	(6,795)	-
Disposals	(2,261)	-	-	(1,046)	-	(3,307)
Revaluation	(28,105)	-	(24,762)	-	-	(52,867)
At 31 March 2011	297,643	200	87,595	127,217	10,892	523,547
Accumulated Depreciation						
As at 1 April 2010	36,998	-	22,052	79,485	-	138,535
Provided in the Year	7,980	-	4,639	9,957	-	22,576
Disposals	(571)	-	-	(798)	-	(1,369)
Revaluation	(44,407)	-	(26,691)	-	-	(71,098)
At 31 March 2011	-	-	-	88,644	-	88,644
Net Book Value						
At 31 March 2011	297,643	200	87,595	38,573	10,892	434,903
At 31 March 2010	301,133	200	94,848	27,318	2,076	425,575

A cumulative amount of £10 560 million (2010 £10 109 million) relating to capitalised interest is included within the cost of fixed assets. Interest capitalised during the year amounted to £0 451 million (2010 £1 261 million) at a capitalisation rate of 6.5% (2010 6.5%). Included in land and buildings is land at a value of £54 381 million (2010 £38 968 million) which is not depreciated.

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

	2011 £000	2010 £000
Land and Buildings	8,168	8,487

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

10 TANGIBLE FIXED ASSETS (Continued)

On the historical cost 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 2011						
Cost	288,209	202	138,726	127,217	10,892	565,246
Cumulative depreciation	(90,046)	-	(69,658)	(88,644)	-	(248,348)
Net Book Value	198,163	202	69,068	38,573	10,892	316,898
At 31 March 2010						
Cost	300,785	202	143,269	106,803	2,076	553,135
Cumulative depreciation	(85,505)	-	(66,363)	(79,485)	-	(231,353)
Net Book Value	215,280	202	76,906	27,318	2,076	321,782

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	25%	31 March	Non Trading
		Preference Shares	30%		

	Subsidiary Undertaking £000	Associated Undertaking £000	Total £000
Share Capital	1,470	6,025	7,495
Loans	3,887	-	3,887
Provisions	-	-	-
At 1 April 2010	5,357	6,025	11,382
Movement during year			
Share Capital	-	-	-
New loans	(7)	-	(7)
Provisions	-	-	-
Investments at 31 March 2011	5,350	6,025	11,375
Comprising			
Shares	1,470	6,025	7,495
Loans	3,880	-	3,880
Provisions	-	-	-
Net Book Value at 31 March 2011	5,350	6,025	11,375

The directors believe that the carrying value of the investments is supported by their underlying net assets

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

12. STOCKS	2011	2010
	£000	£000
Consumables	<u>445</u>	<u>365</u>
13. DEBTORS	2011	2010
	£000	£000
Trade debtors	<u>7,866</u>	<u>6,849</u>
Other debtors	<u>148</u>	<u>202</u>
Prepayments and accrued income	<u>4,315</u>	<u>5,357</u>
	<u>12,329</u>	<u>12,408</u>

There are no debtors falling due after more than one year (2010 £nil)

14 CREDITORS: amounts falling due within one year	2011	2010
	£000	£000
Trade creditors	<u>2,096</u>	<u>2,642</u>
Corporation Tax	<u>2,405</u>	<u>729</u>
Other taxes and social security costs	<u>355</u>	<u>393</u>
Deferred income	<u>6,001</u>	<u>5,438</u>
ERDF, SMBC and TENS grants	<u>170</u>	<u>170</u>
Accruals	<u>19,606</u>	<u>21,985</u>
	<u>30,633</u>	<u>31,357</u>

15. CREDITORS amounts falling due after more than one year	2011	2010
	£000	£000
Amounts owed to group undertakings	<u>140,264</u>	<u>146,892</u>
Net premium arising on lease and leaseback (Note 25)	<u>4,732</u>	<u>4,732</u>
Deferred income	<u>624</u>	<u>648</u>
ERDF, SMBC and TENS grants	<u>5,465</u>	<u>5,185</u>
	<u>151,085</u>	<u>157,457</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	Land and Buildings		Other	
	2011	2010	2011	2010
	£000	£000	£000	£000
Non-cancellable operating leases				
Annual commitments under leases which expire				
Within one year	-	-	7	7
In the second to fifth year inclusive	-	-	62	52
After five years	<u>447</u>	<u>447</u>	<u>-</u>	<u>-</u>
	<u>447</u>	<u>447</u>	<u>69</u>	<u>59</u>

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Development Related £000	Deferred Tax £000	Total £000
At 1 April 2010	4,553	9,585	14,138
Released during the year	(367)	(530)	(897)
Utilised during the year	(112)	-	(112)
At 31 March 2011	4,074	9,055	13,129

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 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 is estimated at £200,000 (2010 £200,000).

Deferred Taxation

The amounts provided in the accounts are as follows -

	2011 £000	2010 £000
Capital allowances in excess of depreciation	9,381	9,857
Other timing differences	(326)	(272)
	9,055	9,585

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.

18 CALLED UP SHARE CAPITAL

	2011 £000	2010 £000
38,000,000 Authorised ordinary shares of £1 each	38,000	38,000
37,336,958 Allotted 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 2009	28,193	27,522	105,130	42,470
Loss for the financial year	-	-	-	(153)
Dividends paid	-	-	-	(4,032)
Actuarial loss on pension scheme	-	-	-	(3,930)
Movement on deferred tax on pension scheme	-	-	-	1,100
Transfer of excess depreciation on asset revaluation	-	-	(3,951)	3,951
At 31 March 2010	28,193	27,522	101,179	39,406
Profit for the financial year	-	-	-	4,712
Actuarial loss on pension scheme	-	-	-	(2,378)
Movement on deferred tax on pension scheme	-	-	-	431
Transfer of excess depreciation on asset revaluation	-	-	(4,019)	4,019
Asset revaluation – gain shown in the Statement of Total Recognised Gains and Losses	-	-	18,231	-
At 31 March 2011	28,193	27,522	115,391	46,190

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

20. RECONCILIATION OF MOVEMENTS OF SHAREHOLDERS' FUNDS

	£000
At 1 April 2009	240,652
Loss for the financial year	(153)
Dividends paid	(4,032)
FRS 17 – loss shown in the Statement of Total Recognised Gains and Losses	(2,830)
At 1 April 2010	233,637
Profit for the financial year	4,712
FRS 17 – loss shown in the Statement of Total Recognised Gains and Losses	(1,947)
Asset revaluation – gain shown in the Statement of Total Recognised Gains and Losses	18,231
At 31 March 2011	254,633

21. CAPITAL COMMITMENTS

	2011 £000	2010 £000
Amounts contracted but not provided for in the accounts	2,221	2,189

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 25 June 2010 the Company, along with other group members of Birmingham Airport Holdings Limited provided guarantees to Santander UK plc and The Royal Bank of Scotland plc in support of a £45 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of 5 years, with an expiry date of 25 June 2015. At the date of signing these financial statements, the total amount outstanding under the facility was £nil.

23. PENSION COMMITMENTS

The Company operates a defined benefit pension plan in the UK for certain permanent employees, which is funded by the payment of contributions to a separately administered trust-based fund the assets of which are held to meet long-term pension liabilities to past and present employees. The trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of members of the trustee board is determined by the trust documentation.

The most recent full actuarial valuation was carried out with an effective date of 31 October 2009 using the projected unit method. Following that valuation the Company and Trustees agreed a schedule of contributions, dated 25 January 2011, under which the Company would pay 26.6% of contributing members' pensionable earnings (less member contributions of 5.5%) plus £232,200 per month from 1 February 2011 to 31 October 2020, plus expenses and levies. This schedule was in force on 31 March 2011. The company contributions expected to be made in the year commencing 1 April 2011 are approximately £5,100,000.

The principle method and assumptions used for setting the Technical Provision and the results of the actuarial valuation for the Trustees as at 31 October 2009 are shown below -

	Valuation (31 October 2009)
Valuation method	Projected Unit
Employer's regular pension cost	21.1%
Investment rate of return - prior to retirement	5.9%
- after retirement	5.9%
Future increases in salaries	4.5%
Increases in pensions (bulk of membership)	3.5%
Market value of assets	£70.5m
Level of funding (actuarial value of assets as a percentage of technical provisions)	73%

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 March 2011

23. PENSION COMMITMENTS (Continued)

A qualified independent actuary has updated the Actuarial Valuation as at 31 March 2011. The main financial assumptions used are as follows:

	2011	2010	2009
Rate of inflation	3.00% / 3.50%	3.50%	3.00%
Rate of increase of salaries	4.00%	4.00%	4.00%
Rate of increase in actual pensions	3.40%	3.40%	2.90%
Rate of increase in deferred pensions	2.50% / 3.50%	3.50%	3.00%
Discount rate	5.50%	5.60%	6.50%
Expected return on assets	7.21%	6.96%	5.76%
Post retirement mortality	SIPA year of birth tables with medium cohort allowance, subject to a minimum improvement of 1%	PMA92/PFA92 With year of birth improvements and medium cohort	PMA92/PFA92 With year of birth improvements and medium cohort

Pensions increases in deferment which are calculated using CPI are capped at the rate of 2.5% pa.

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

	2011 %	2011 £000	2010 %	2010 £000	2009 %	2009 £000
Equities	8.00%	44,385	8.00%	45,957	7.50%	30,501
GTAA funds	-	-	8.00%	1,501	7.50%	1,465
Target Return Funds	8.00%	17,775	7.50%	7,313	-	-
Corporate Bonds	5.50%	22,091	5.20%	20,966	5.25%	15,766
Cash	0.50%	1,681	0.50%	2,563	0.50%	9,047
Other Investments	-	-	-	-	10.00%	30
Market value of scheme's assets		85,932		78,300		56,809
Actuarial value of scheme's liabilities		(113,703)		(107,129)		(83,196)
Deficit in scheme		(27,771)		(28,829)		(26,387)
Related deferred tax asset		7,220		8,072		7,388
Net Pension Liability		(20,551)		(20,757)		(18,999)

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

Changes in the present value of the defined benefit obligation:

	2011 £000	2010 £000
Opening defined benefit obligation	107,129	83,196
Service cost	2,106	1,956
Contributions by members	597	679
Past service costs	-	-
Settlements and curtailments	(302)	579
Interest cost	5,986	5,422
Actuarial losses	1,878	18,077
Benefits paid	(3,691)	(2,780)
Closing defined benefit obligation	113,703	107,129

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

23 PENSION COMMITMENTS (Continued)

Changes in the fair value of scheme assets

	2011 £000	2010 £000
Opening fair value of scheme assets	78,300	56,809
Expected return	5,537	3,385
Actuarial (losses)/gains	(500)	14,147
Contributions by employer	5,689	6,060
Contributions by members	597	679
Benefits paid	(3,691)	(2,780)
Closing fair value of scheme assets	85,932	78,300

Scheme assets do not include any of Birmingham International Airport Limited's own financial instruments or any property occupied by Birmingham International Airport Limited

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 gain of £5 037 million (2009 £17 532 million)

Analysis of amount charged to operating profit

	2011 £000	2010 £000
Current service cost	2,106	1,956
Past service cost	-	-
Curtailment and settlements	(302)	579
Total charged to operating profit	1,804	2,535
Expected return on pension scheme assets	5,537	3,385
Interest on pension scheme liabilities	(5,986)	(5,422)
Amount charged to other financial charges	(449)	(2,037)

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

	2011 £000	2010 £000
Actual return less expected return on pension scheme assets	(500)	14,147
Experience gains and losses on liabilities	-	(606)
Changes in assumptions underlying the present value of the scheme liabilities	(1,878)	(17,471)
Actuarial loss recognised in the Statement of Total Recognised Gains and Losses	(2,378)	(3,930)

History of experience gains and losses

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Defined benefit obligation	(113,703)	(107,129)	(83,196)	(87,211)	(86,257)
Scheme assets	85,932	78,300	56,809	66,044	65,456
Surplus/ (deficit)	(27,771)	(28,829)	(26,387)	(21,167)	(20,801)
Difference between expected and actual return on scheme assets	(500)	14,147	(17,972)	(8,855)	(125)
-percentage of scheme assets	-0.6%	18.0%	-31.6%	-13.4%	-0.2%
Experience gains and losses on scheme liabilities	-	(606)	-	-	2,049
-percentage of scheme liabilities	-	-0.6%	-	-	2.3%
Amount recognised in the Statement of Total Recognised Gains and Losses	(2,378)	(3,930)	(7,194)	(3,738)	(189)
-percentage of scheme liabilities	-2.1%	-3.7%	-8.7%	-4.3%	-0.2%

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £34 403 million (2010 £32 025 million)

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

24. ULTIMATE PARENT COMPANY AND CONTROLLING INTEREST

The immediate and ultimate parent undertaking and controlling party is Birmingham Airport Holdings Limited, a company incorporated in England. Birmingham Airport Holdings Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2011. The consolidated financial statements of Birmingham Airport Holdings Limited are available from its registered office, Diamond House, Birmingham International Airport, Birmingham, West Midlands B26 3QJ.

25. TRANSACTIONS WITH RELATED PARTIES

The following entities conducted transactions with Birmingham International Airport Limited ("BIA") during the year ended 31 March 2011, and were considered related parties as defined by FRS 8, Related Party Transactions. The Company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Birmingham Airport Holdings Limited, whose financial statements are publicly available.

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 financial statements 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 a defined element of turnover less the basic rent in the period. The total amount paid in 2011 was £647,847 (2010 £620,254). The amount at the end of the year was £4.732 million (2010 £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 2011, £4.391 million was held within deferred income (2010 £4.495 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.

Airport Group Investments Limited

Airport Group Investments Limited (AGIL) is a shareholder in the Parent undertaking. The Company has an agreement with AGIL for the Airport to claim consortium relief on tax losses surrendered to the Company by AGIL. The tax benefit is claimed in arrears and the full benefit transferred to AGIL. During the year £2.399m was paid to AGIL (2010 £nil) and at the balance sheet date there were no amounts outstanding (2010 £nil).

Birmingham International Airport Limited Pension Scheme

On 15 March 2000, the Company entered into an arms length lease agreement with the Pension Scheme to lease 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 £nil (2010 £nil). This 10 year period has now ceased and is replaced by an annual payment of £1,250.

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 attributed 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	50,395
Costs	(60,909)
	(10,514)
Other Income	
Revenue	52,731
Costs	(24,766)
	27,965
Non operational activities	
The Companies have no such activities under the Act	
Operating profit for the year	17,451