

COMPANY NUMBER

2078273

Birmingham Airport Limited

(formerly Birmingham International Airport Limited)

Directors' Report and Financial Statements

for the Year Ended 31 March 2012



Birmingham Airport Limited (formerly Birmingham International Airport Limited)

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Birmingham Airport Limited (formerly Birmingham International Airport Limited)

Company Information

Registration number	02078273
Chairman	J Hudson
Chief executive	P Kehoe
Directors	Sir A Bore D C Cooper M J Kelly G E Richards
Company secretary	M J Kelly
Registered office	Diamond House Birmingham Airport Birmingham West Midlands B26 3QJ
Solicitors	Eversheds LLP 115 Colmore Row Birmingham West Midlands B3 3AL
Bankers	National Westminster Bank plc 2 St Philips Place Birmingham West Midlands B3 3RB
Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Cornwall Court 19 Cornwall Street Birmingham West Midlands B3 2DT

Birmingham Airport Limited (formerly Birmingham International Airport Limited)

Directors' Report for the Year Ended 31 March 2012

The directors present their report and the audited financial statements for the year ended 31 March 2012

Principal activity

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

On 2 November 2011 the company changed its name from Birmingham International Airport Limited to Birmingham Airport Limited

Business review

Fair 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

Results and dividends

The profit for the year after taxation amounted to £7,473,373 (2011 £4,712,056) A dividend of 11.36p (2011 £nil) per ordinary share, amounting to £4,239,611 (2011 £nil) was paid during the year

The directors recommend a final dividend payment of £0.184 per share, equating to £6,870,000 to be made in respect of the financial year ended 31 March 2012. This dividend has not been recognised as a liability in the financial statements

Directors of the company

The directors who held office during the year were as follows

R A M Brew (appointed 14 December 2011 and resigned 13 June 2012)

D C Cooper

J Hudson - Chairman

T L Huxtable (resigned 12 October 2011)

P Kehoe - Chief executive

M J Kelly - Company secretary and director

G E Richards

The following director was appointed after the year end

Sir A Bore (appointed 5 July 2012)

Employee involvement

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 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.

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.

Birmingham Airport Limited (formerly Birmingham International Airport Limited)

Directors' Report for the Year Ended 31 March 2012 (continued)

Statement of directors' responsibilities

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.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Approved by the Board on 12 December 2012 and signed on its behalf by


M J Kelly
Company secretary and director

Independent Auditor's Report to the Members of Birmingham Airport Limited

(formerly Birmingham International Airport Limited)

We have audited the financial statements of Birmingham Airport Limited for the year ended 31 March 2012, 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, set out on pages 5 to 25. 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 Directors' Report to identify 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 the 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 2012 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 December 2012

Birmingham Airport Limited (formerly Birmingham International Airport Limited)**Profit and Loss Account for the Year Ended 31 March 2012**

	Note	2012 £ 000	2011 £ 000
Turnover	2	103,853	103,126
Administrative expenses		(81,063)	(85,675)
Operating profit before exceptionals	3	22,790	17,451
Costs of reorganisation and restructuring	4	(682)	(1,188)
Other exceptional items	4	-	1,747
Operating profit		22,108	18,010
Other interest receivable and similar income	7	987	788
Interest payable and similar charges	8	(9,676)	(10,056)
Profit on ordinary activities before taxation		13,419	8,742
Tax on profit on ordinary activities	9	(5,946)	(4,030)
Profit for the financial year	20	7,473	4,712

Turnover and operating profit derive wholly from continuing operations

Statement of Total Recognised Gains and Losses

	Note	2012 £ 000	2011 £ 000
Profit for the financial year	20	7,473	4,712
P&L reserve - Actuarial (loss)/gain recognised in pension	24	(9,026)	(2,378)
Movement on current tax relating to pension scheme contributions	9	918	666
Change in taxation rate	9	(394)	(236)
Deferred tax on actuarial gain/loss recognised on defined benefit pension scheme	9	1,429	-
Unrealised surplus on revaluation of properties	11	-	18,231
Total recognised gains and losses relating to the year		400	20,995

Note of historical cost profits and losses

	2012 £ 000	2011 £ 000
Reported profit on ordinary activities before taxation	13,419	8,742
Difference between historical cost depreciation charge and actual depreciation charge on revalued amount	4,008	4,019
Historical cost profit on ordinary activities before taxation	17,427	12,761
Historical cost profit for the year retained after taxation	11,481	8,731

The notes on pages 7 to 25 form an integral part of these financial statements

Birmingham Airport Limited (formerly Birmingham International Airport Limited)**Balance Sheet at 31 March 2012**

	Note	2012 £ 000	2011 £ 000
Fixed assets			
Tangible fixed assets	11	419,949	434,903
Investments	12	12,004	11,375
		<u>431,953</u>	<u>446,278</u>
Current assets			
Stocks	13	483	445
Debtors	14	13,461	12,329
Cash at bank and in hand		18,001	10,979
		<u>31,945</u>	<u>23,753</u>
Creditors Amounts falling due within one year	15	(32,805)	(30,634)
Net current liabilities		<u>(860)</u>	<u>(6,881)</u>
Total assets less current liabilities		431,093	439,397
Creditors Amounts falling due after more than one year	16	(144,453)	(151,085)
Provisions for liabilities	18	(10,567)	(13,129)
Net assets excluding pension liability		276,073	275,183
Net pension liability	24	(25,282)	(20,551)
Net assets		<u>250,791</u>	<u>254,632</u>
Capital and reserves			
Called up share capital	19	37,337	37,337
Share premium account	20	27,522	27,522
Capital redemption reserve	20	28,193	28,193
Revaluation reserve	20	111,382	115,391
Profit and loss account	20	46,357	46,189
Total shareholders' funds	21	<u>250,791</u>	<u>254,632</u>

Approved by the Board on 12 December 2012 and signed on its behalf by

J Hudson
Chairman

P Kehoe
Chief executive

The notes on pages 7 to 25 form an integral part of these financial statements
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Birmingham Airport Limited (formerly Birmingham International Airport Limited)
Notes to the Financial Statements for the Year Ended 31 March 2012

1 Accounting policies

Basis of preparation

The financial statements have been 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.

The financial statements contain information about Birmingham Airport Limited as an individual company and do not contain consolidated financial information as the parent of the 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.

Going concern

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.

Cash flow

The company is a wholly owned subsidiary company of Birmingham Airport Holdings Limited and is included in the consolidated financial statements of Birmingham Airports Holdings Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

Turnover

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

Turnover comprised

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. Concessions 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.

Tangible fixed assets and accumulated 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:

Asset class

Buildings
Runways, taxiways and infrastructure
Plant and equipment
Motor vehicles

Depreciation method and rate

between 5 and 50 years
between 10 and 50 years
between 4 and 30 years
between 4 and 15 years

Accounting policies (continued)

Capitalised 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.

Capital grants and contributions

European Regional Development Fund (ERDF) grants, Trans European Networks (TENS) grants and Local Transport Plan (LTP) grants in respect of capital expenditure, along with a capital contribution received from Travelodge 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.

Fixed asset revaluations

The company revalues certain categories of assets in accordance with Financial Reporting Standard 15 (FRS15) 'Tangible Fixed Assets'. Independent valuations are undertaken every five years with the last such valuation being undertaken at 31 March 2011 (note 11). The valuations are internally reviewed for continued applicability on an annual basis in between these independent valuations.

Hire purchase and leasing

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.

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. Rents receivable under operating leases are included in turnover on an accrual basis.

Stock

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

Deferred tax

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 and laws enacted or substantively enacted at the balance sheet date.

Impairment and 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 of the time value of money is not material provisions are not discounted.

Accounting policies (continued)

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

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 20.6% of pensionable earnings plus £232,200 per month from 1 February 2011 until 31 October 2020.

However following a change in the future accrual rate, this has been reduced to 14.5% from 1 September 2011.

2 Turnover

An analysis of turnover by class of business is given below:

	2012	2011
	£ 000	£ 000
Aeronautical Income	47,593	50,395
Concessions, property income and recharges	56,260	52,731
	<u>103,853</u>	<u>103,126</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2012	2011
	£ 000	£ 000
Operating leases - plant and machinery	83	89
Operating leases - other assets	450	447
Profit on sale of tangible fixed assets	(14)	(83)
Depreciation of owned assets	22,818	22,240
Depreciation of assets held under finance lease and hire purchase contracts	-	336
Amortisation - Capital Grants	(176)	(169)
Auditor's remuneration	<u>64</u>	<u>67</u>

Birmingham Airport Limited (formerly Birmingham International Airport Limited)**Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****3 1 Auditor's remuneration**

	2012 £ 000	2011 £ 000
Audit of the financial statements	46	50
Other fees to auditors		
Other services	18	17
	<u>64</u>	<u>67</u>

4 Exceptional items

	2012 £ 000	2011 £ 000
Reorganisation or restructuring	682	1,188
Other exceptional	-	(1,747)
	<u>682</u>	<u>(559)</u>

During the year restructuring costs (being mostly severance pay and related costs of £0 682 million (2011 £1 188 million) were recognised. During the previous year a finance lease was granted for the site of a hotel development resulting in a net gain of £1 748 million.

5 Directors' emoluments

The directors' emoluments for the year was as follows

	2012 £ 000	2011 £ 000
Aggregate emoluments (excluding pension contributions)	<u>663</u>	<u>609</u>

During the year the number of directors who were receiving benefits and share incentives was as follows

	2012 No	2011 No
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director

	2012 £ 000	2011 £ 000
Salary	210	210
Benefits in kind	22	23
Bonus	100	126
Long-term incentive plan	76	-
Total emoluments	<u>408</u>	<u>359</u>
Company contributions to money purchase pension schemes	<u>25</u>	<u>25</u>

Birmingham Airport Limited (formerly Birmingham International Airport Limited)**Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****6 Particulars of employees**

The aggregate payroll costs were as follows

	2012	2011
	£ 000	£ 000
Wages and salaries	17,575	18,582
Social security costs	1,403	1,303
Staff pensions	879	790
	<u>19,857</u>	<u>20,675</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows

	2012	2011
	No.	No.
Administration and support services	100	91
Engineering	62	69
Terminal services	49	49
Security and operations	261	289
	<u>472</u>	<u>498</u>

7 Other interest receivable and similar income

	2012	2011
	£ 000	£ 000
Bank interest receivable	200	34
Other interest receivable	45	63
Pension scheme other finance income	51	-
Dividends from shares in group undertakings	430	431
Interest from group companies	261	260
	<u>987</u>	<u>788</u>

8 Interest payable and similar charges

	2012	2011
	£ 000	£ 000
Interest on loans from group undertakings	9,361	9,410
Other interest payable	682	648
Pension scheme other finance costs	-	449
Capitalised Interest	(367)	(451)
	<u>9,676</u>	<u>10,056</u>

9 Taxation**Tax on profit on ordinary activities**

	2012	2011
	£ 000	£ 000
Current tax		
Corporation tax charge	7,476	4,714
Adjustments in respect of previous years	(720)	(770)
UK Corporation tax	<u>6,756</u>	<u>3,944</u>
Deferred tax		
Origination and reversal of timing differences	(707)	(274)
Deferred tax adjustment relating to previous years	290	440
Effect of changes in tax rates	(393)	(376)
Deferred tax relating to FRS 17	-	296
Total deferred tax	<u>(810)</u>	<u>86</u>
Total tax on profit on ordinary activities	<u>5,946</u>	<u>4,030</u>
Current tax credited to statement of total recognised gains and losses	(918)	(666)
Deferred tax credited to statement of total recognised gains and losses	(1,429)	-
Deferred tax - change in rate	<u>394</u>	<u>236</u>
Total tax charged in financial statements	<u>3,993</u>	<u>3,600</u>

Deferred tax credited to provisions for liabilities and charges

Origination and reversal of timing differences	(707)	(274)
Deferred tax adjustment relating to previous years	290	440
Effect of changes in tax rates	(664)	(696)
	<u>(1,081)</u>	<u>(530)</u>

Deferred tax credited to pension liability

Deferred tax on pension deficit movement charged in the profit and loss account	-	296
Deferred tax charged to statement of total recognised gains and losses	(1,429)	-
Deferred tax - change in rate	<u>665</u>	<u>556</u>
	<u>(764)</u>	<u>852</u>

Birmingham Airport Limited (formerly Birmingham International Airport Limited)**Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****Taxation (continued)**

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 charges arises in respect of the origination and reversal of timing differences

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is higher than (2011 - higher than) the standard rate of corporation tax in the UK of 26% (2011 - 28%)

The differences are reconciled below

	2012 £ 000	2011 £ 000
Profit on ordinary activities before taxation	13,419	8,742
Corporation tax at standard rate	3,489	2,448
Capital Allowances in excess of depreciation	726	415
Movement on pension liability	-	(296)
Short term timing differences	(18)	(141)
Disallowed expenses and non-taxable income	3,279	2,897
Adjustments in respect of prior years	(720)	(770)
Industrial Buildings Allowances for the year	-	(609)
Total current tax	6,756	3,944

Factors that may affect future tax charges

In his budgets of 2010, 2011 and 2012, the Chancellor of the Exchequer proposed a decrease in the rate of UK corporation tax from 26% to 22% falling by 2% in 2012 and a further 1% a year in 2013 and 2014. The first 1% reduction to 25% for 2012 was substantively enacted in July 2011 and, in accordance with accounting standards, has been reflected in the Company's financial statements. The second 1% reduction to 24% for 2012 was substantively enacted on 29 March 2012 and, in accordance with accounting standards, will be reflected in the Company's financial statements in respect of the year ended 31 March 2012. Further proposed changes will only be reflected once the reductions are substantively enacted.

The effect on the proposed reductions in rate by 2014 would be to decrease the net deferred tax liability by £664,544.

10 Dividends

	2012 £ 000	2011 £ 000
Dividends paid		
Prior year final dividend paid 11 36p (2010 nil) per ordinary share	4,240	-
Recommended final dividend proposed for approval by shareholders	6,870	4,240

Birmingham Airport Limited (formerly Birmingham International Airport Limited)

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

11 Tangible fixed assets

	Freehold land and buildings £ 000	leasehold land and buildings £ 000	Infrastructure £ 000	Plant and equipment £ 000	Assets in the course of construction £ 000	Total £ 000
Cost or valuation						
At 1 April 2011	297,643	200	87,595	127,217	10,892	523,547
Additions	4	-	-	-	8,448	8,452
Capitalised interest	-	-	-	-	367	367
Transfer	12,163	-	1,211	3,472	(16,846)	-
Disposals	-	-	(169)	(1,019)	-	(1,188)
At 31 March 2012	309,810	200	88,637	129,670	2,861	531,178
Depreciation						
At 1 April 2011	-	-	-	88,644	-	88,644
Provided in the year	10,190	-	5,471	7,157	-	22,818
Disposals	-	-	-	(233)	-	(233)
At 31 March 2012	10,190	-	5,471	95,568	-	111,229
Net book value						
At 31 March 2012	299,620	200	83,166	34,102	2,861	419,949
At 31 March 2011	297,643	200	87,595	38,573	10,892	434,903

Birmingham Airport Limited (formerly Birmingham International Airport Limited)**Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****Tangible fixed assets (continued)**

Freehold land and buildings, runways, taxiways and infrastructure were valued as at 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.

A cumulative amount of £10,927 million (2011: £10,560 million) relating to capitalised interest is included within the cost of fixed assets. Interest capitalised during the year amounted to £0,367 million (2011: £0,451 million) at a capitalisation rate of 6.5% (2011: 6.5%). Included in land and buildings is land at a value of £54,381 million (2011: £54,381 million) which is not depreciated.

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

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Infrastructure £'000	Plant and Equipment £'000	Assets in the course of construction £'000	Total £'000
At 31 March 2012						
Cost	300,376	202	139,937	129,672	2,860	573,047
Accumulated depreciation	(97,459)	-	(73,897)	(95,569)	-	(266,925)
Net Book Value	202,917	202	66,040	34,103	2,860	306,122
At 31 March 2011						
Cost	288,209	202	138,726	127,217	10,892	565,246
Accumulated depreciation	(90,046)	-	(69,658)	(88,644)	-	(248,348)
Net Book Value	198,163	202	69,068	38,573	10,892	316,898

Birmingham Airport Limited (formerly Birmingham International Airport Limited)**Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****12 Investments held as fixed assets****Details of undertakings**

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
First Castle Developments Limited	Ordinary Shares	100%	Investment Holding Company
Birmingham Airport Developments Limited	Ordinary Shares	100%	Property Site Development
Birmingham Airport Fire & Rescue Limited	Ordinary Shares	100%	Airport Rescue and Fire Fighting Services

Associates

Eurohub Limited	(Birmingham) Ordinary Shares	25%	Non Trading
Eurohub Limited	(Birmingham) Preference Shares	30%	Non Trading

	2012 £ 000	2011 £ 000
Shares in group undertakings and participating interests	7,495	7,495
Loans to group undertakings and participating interests	4,509	3,880
	<u>12,004</u>	<u>11,375</u>

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

Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000
Cost	
At 1 April 2011	<u>7,495</u>
At 31 March 2012	<u>7,495</u>
Net book value	
At 31 March 2012	<u>7,495</u>
At 31 March 2011	<u>7,495</u>

Birmingham Airport Limited (formerly Birmingham International Airport Limited)**Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****Investments held as fixed assets (continued)****Loans to group undertakings and participating interests**

	Subsidiary undertakings £ 000
At 1 April 2011	3,880
Repaid	(34)
Additions	663
At 31 March 2012	<u>4,509</u>

13 Stocks

	2012 £ 000	2011 £ 000
Stocks	<u>483</u>	<u>445</u>

14 Debtors

	2012 £ 000	2011 £ 000
Trade debtors	7,993	7,866
Other debtors	189	148
Prepayments and accrued income	<u>5,279</u>	<u>4,315</u>
	<u>13,461</u>	<u>12,329</u>

15 Creditors Amounts falling due within one year

	2012 £ 000	2011 £ 000
Trade creditors	1,254	2,096
Corporation tax	3,867	2,405
Other taxes and social security	380	355
Deferred Income	6,587	6,001
Accruals and deferred income	20,538	19,607
Deferred income - capital grants	<u>179</u>	<u>170</u>
	<u>32,805</u>	<u>30,634</u>

Birmingham Airport Limited (formerly Birmingham International Airport Limited)**Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****16 Creditors Amounts falling due after more than one year**

	2012 £ 000	2011 £ 000
Amounts owed to group undertakings	130,092	140,264
Net premium arising on lease and leaseback	4,732	4,732
Deferred income	4,518	624
Capital grants	5,111	5,465
	<u>144,453</u>	<u>151,085</u>

17 Obligations under lease contracts

	Land and Buildings		Other	
	2012 £000	2011 £000	2012 £000	2011 £000
Annual commitments under leases which expire				
- within one year	-	-	10	7
- in the second to fifth year exclusive	450	-	94	62
- after five years	-	447	-	-
	<u>450</u>	<u>447</u>	<u>104</u>	<u>69</u>

18 Provisions

	Deferred tax £ 000	Other provision £ 000	Total £ 000
At 1 April 2011	9,055	4,074	13,129
Credited to the profit and loss account	(1,081)	(1,369)	(2,450)
Utilised during the year	-	(112)	(112)
	<u>(1,081)</u>	<u>(1,481)</u>	<u>(2,562)</u>
At 31 March 2012	<u>7,974</u>	<u>2,593</u>	<u>10,567</u>

Birmingham Airport Limited (formerly Birmingham International Airport Limited)**Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****Provisions (continued)****Development Related Provision**

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 Land Compensation Act 1973. Provisions are made in line with foreseen liabilities. An element of the development related provision related 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 (2011 £200,000).

Analysis of deferred tax

	2012 £ 000	2011 £ 000
Difference between accumulated depreciation and amortisation and capital allowances	8,095	9,381
Other timing differences	(121)	(326)
	<u>7,974</u>	<u>9,055</u>

19 Share capital**Allotted, called up and fully paid shares**

	2012		2011	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £1 each	<u>37,337</u>	<u>37,337</u>	<u>37,337</u>	<u>37,337</u>

20 Reserves

	Special reserve £ 000	Capital reserve £ 000	Revaluation reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2011	27,522	28,193	115,391	46,189	217,295
Profit for the financial year	-	-	-	7,473	7,473
Dividends	-	-	-	(4,240)	(4,240)
Transfer of realised profits	-	-	(4,009)	4,008	(1)
Actuarial loss on pension schemes	-	-	-	(9,026)	(9,026)
Movement on current tax relating to pension scheme contributions	-	-	-	918	918
Movement on deferred tax on pension schemes	-	-	-	1,035	1,035
At 31 March 2012	<u>27,522</u>	<u>28,193</u>	<u>111,382</u>	<u>46,357</u>	<u>213,454</u>

Birmingham Airport Limited (formerly Birmingham International Airport Limited)

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

21 Reconciliation of movement in shareholders' funds

	2012 £ 000	2011 £ 000
Profit attributable to the members of the company	7,473	4,712
Other recognised gains and losses relating to the year	(7,074)	16,282
Dividends	(4,240)	-
Net (reduction)/addition to shareholders' funds	(3,841)	20,994
Shareholders' funds at 1 April	254,632	233,638
Shareholders' funds at 31 March	250,791	254,632

22 Commitments

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £1,736,477 (2011 - £2,221,000)

23 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.

24 Pension schemes

Birmingham Airport Defined Benefit Plan

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. The company is currently paying contributions of £232,200 per month in connection with the funding deficit from the 31 October 2009 actuarial valuation. Members pay 5.5 per cent of Pensionable Earnings. The company pays contributions so that overall contributions of 20 per cent of Pensionable Earnings are paid taking into account salary sacrifice adjustments. Scheme expenses (other than life insurance premiums) are payable by the Company. This schedule was in force on 31 March 2012.

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 -

Contributions payable to the pension scheme at the end of the year are £nil (2011 - £nil)

The total contributions in the next year are expected to be £4,200,000

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows

	2012 %	2011 %
Discount rate	4.90	5.50
Future salary increases	3.75	4.00
Future pension increases	3.25	3.40
Inflation	3.25	3.50
Expected return on scheme assets - equity	8.00	8.00
Expected return on scheme assets - cash	0.50	0.50
Expected return on scheme assets - corporate bonds	5.00	5.50
Expected return on scheme assets - target return funds	8.00	8.00
	2012	2011
	Based on	Based on
	S1PA tables	S1PA tables
	with medium	with medium
	cohort	cohort
	adjustments	adjustments
	and minimum	and minimum
	rates of	rates of
	improvement of	improvement of
	1% pa	1% pa
Post retirement mortality assumption		

Birmingham Airport Limited (formerly Birmingham International Airport Limited)**Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****Pension schemes (continued)****Reconciliation of scheme assets and liabilities to assets and liabilities recognised**

The amounts recognised in the balance sheet are as follows

	2012 £ 000	2011 £ 000
Fair value of scheme assets	91,207	85,932
Present value of scheme liabilities	(124,472)	(113,703)
Defined benefit pension scheme deficit	(33,265)	(27,771)
Related deferred tax asset	7,983	7,220
Net liability in the balance sheet	(25,282)	(20,551)

Scheme assets

Changes in the fair value of scheme assets are as follows

	2012 £ 000	2011 £ 000
Fair value at start of year	85,932	78,300
Expected return on assets	6,272	5,537
Actuarial losses	(3,109)	(500)
Employer contributions	4,845	5,689
Contributions by scheme participants	331	597
Benefits paid	(3,064)	(3,691)
Fair value at end of year	91,207	85,932

Pension schemes (continued)**Analysis of assets**

The major categories of scheme assets are as follows

	2012 £ 000	2011 £ 000
Equity instruments	34,899	44,385
Debt instruments	28,858	22,091
Cash	967	1,681
Other assets	26,483	17,775
	91,207	85,932

Actual return on scheme's assets

	2012 £ 000	2011 £ 000
Actual return on scheme assets	3,163	5,037

Birmingham Airport Limited (formerly Birmingham International Airport Limited)**Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****Pension schemes (continued)**

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity and property returns are developed based on the selection of an appropriate risk premium above the rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the Scheme's holding of these instruments.

The actual return on scheme assets in the year was a gain of £3.163 million (2011: £5.037 million)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows

	2012	2011
	£ 000	£ 000
Present value at start of year	113,703	107,129
Current service cost	1,144	2,106
Actuarial gains and losses	5,917	1,878
Interest cost	6,221	5,986
Benefits paid	(3,064)	(3,691)
Contributions by scheme participants	331	597
Liabilities extinguished on settlements	220	(302)
Present value at end of year	<u>124,472</u>	<u>113,703</u>

Amounts recognised in the profit and loss account

	2012	2011
	£ 000	£ 000
Amounts recognised in operating profit		
Current service cost	(1,144)	(2,106)
Losses / (gains) on curtailments and settlements	(220)	302
Recognised in arriving at operating profit	<u>(1,364)</u>	<u>(1,804)</u>
Amounts recognised in other finance (income)/cost		
Interest cost	(6,221)	(5,986)
Expected return on scheme assets	6,272	5,537
Recognised in other finance (income)/cost	<u>51</u>	<u>(449)</u>
Total recognised in the profit and loss account	<u>(1,313)</u>	<u>(2,253)</u>

Birmingham Airport Limited (formerly Birmingham International Airport Limited)

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

Pension schemes (continued)

Amounts recognised in the statement of total recognised gains and losses

	2012 £ 000	2011 £ 000
Actual return less expected return on scheme assets	(3,109)	(500)
Changes in assumptions	(5,917)	(1,878)
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	<u>(9,026)</u>	<u>(2,378)</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and (losses) since 1 January 2002 is (£43,429,000) (2011 - (£34,403,000))

History of experience adjustments on scheme assets and liabilities

	2012 £ 000	2011 £ 000	2010 £ 000	2009 £ 000	2008 £ 000
Fair value of scheme assets	91,207	85,932	78,300	56,809	66,044
Present value of scheme liabilities	(124,472)	(113,703)	(107,129)	(83,196)	(87,211)
Deficit in scheme	<u>(33,265)</u>	<u>(27,771)</u>	<u>(28,829)</u>	<u>(26,387)</u>	<u>(21,167)</u>

Experience adjustments

	2012 £ 000	2011 £ 000	2010 £ 000	2009 £ 000	2008 £ 000
Experience adjustments arising on scheme assets	(3,109)	(500)	14,147	(17,972)	(8,855)
Experience adjustments arising on scheme liabilities	-	-	(606)	-	-

Comparative figures have not been restated as permitted by FRS 17

25 Related party transactions

The following entities conducted transactions with Birmingham Airport Limited during the year ended 31 March 2012, 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 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 17.

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 2012 was £682,485 (2011: £647,847). The amount at the end of the year was £4.732 million (2011: £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 2012, £4.287 million was held within deferred income (2011: £4.391 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 arm's length basis at a full commercial rate.

26 Control

The company is controlled by 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 2012. The consolidated financial statements of Birmingham Airport Holdings Limited are available from its registered office: Diamond House, Birmingham Airport, Birmingham, West Midlands, B26 3QJ.

Birmingham Airport Limited (formerly 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	47,592
- Costs	<u>(57,987)</u>
	(10,395)
Other Income	
- Revenue	56,261
- Costs	<u>(23,076)</u>
	33,185

Non operational activities

- The companies have no such activities under the Act

Operating profit for the year

22,790