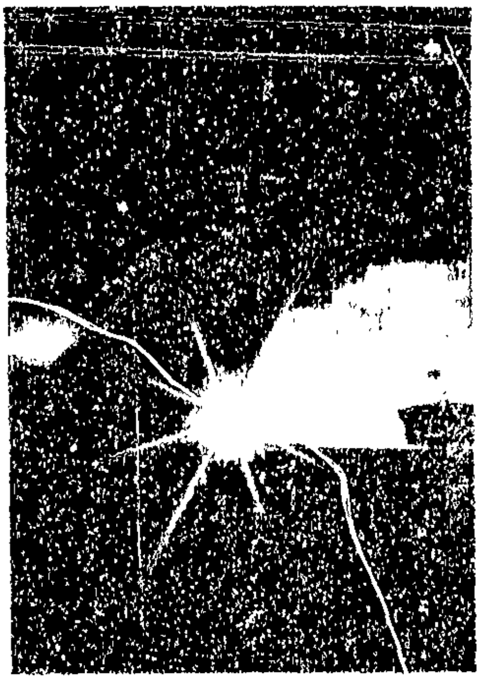
SIGNED COPY



ANNUAL REPORT AND ACCOUNTS

1987-1988

Birmingham International Airport plc

Contents

Chairman's Review

Birmingham International Airport's first year as a Company has been highly successful. We have achieved record figures for passenger and cargo throughput and ensured a profitable start for the Company.

The Airports Act (1986) introduced legislation requiring local authorities owning airports with a turnover in excess of £1 million to establish public airport companies. Birmingham International Airport plc is wholly owned by the seven District Councils in the County of West Midlands, namely Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton.

The Company's organisation and relationship with the shareholding Districts is well established and the support from each of the seven Councils has been excellent. In return, the shareholding Districts have a superb investment with our balance sheet at 31 March 1988 showing that shareholders' funds have already increased to £81.61 million. Furthermore, although dividends were not expected immediately, our first year profit of £1.94 million (net of tax), has allowed dividends totalling £0.65 million to be declared.

Birmingham International Airport is firmly established in terms of passenger and cargo throughput as a major UK gateway serving the Heart of England and beyond. As such, we help to create employment and improve the prosperity of the region. Our recent growth will, in my view, continue and I hope that this will ultimately lead to Central Government's support for designation as a full international 'gateway' airport.

The future holds many challenges for the Airport. These include providing for the increasing demand for services and adjusting to the Single European Market in 1992. We have achieved much in our first successful year and I am sure that we can look forward to the future with confidence. Our success has been made possible by the efforts of many people both at the Airport and in the seven local authorities. In particular, my personal thanks go to my fellow directors and especially to my Deputy Chairman, Syd Pemberton.

Chris Kirk

Chairman

Summary of Results (Year ended 31 March 1998)

FINANCIAL	
Turnover	£24.86 million
Growth in Turnover	25.2%
Profit after Tax	£1.94 million
Profit Distribution	£0.65 million
Ordinary Share Dividend	11 pence per share
Value of Shareholders Funds	£81.61 million
Return on Capital Employed	3.8%

AIRPORT TRAFFIC	Million	Growth %
Terminal Passengers (Total)	2.65	20.3%
Terminal Passengers (International)	2.10	20.3%
Terminal Passengers (Domestic)	0.55	20.7%
Total Passengers (Including Transits)	2.74	20.0%

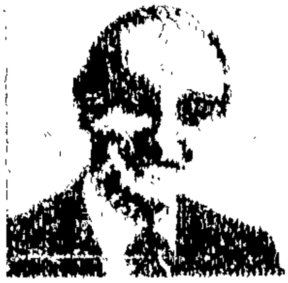
	000's	Growth %
Air Transport Movements	52.1	10.3%
Total Aircraft Movements	79.0	9.5%
Cargo (Tonnes)	29.8	86.9%

Directors and Officers

Board of Directors

Councillor [illegible]
Chairman
Birmingham City Council

Councillor [illegible] Pemberton
Deputy Chairman
Sandwell MBC



Councillor Denis [illegible]
Coventry City Council

Councillor [illegible]
[illegible] Council

Councillor [illegible]
Dudley MBC

Bob Taylor
Managing Director

Brian Summers
Financial Director and Company Secretary

Senior Management

Alan Cornthwaite
Personnel

Derek Edwards
Commercial Services

David Old
Chief Accountant

[illegible] Taylor
Marketing

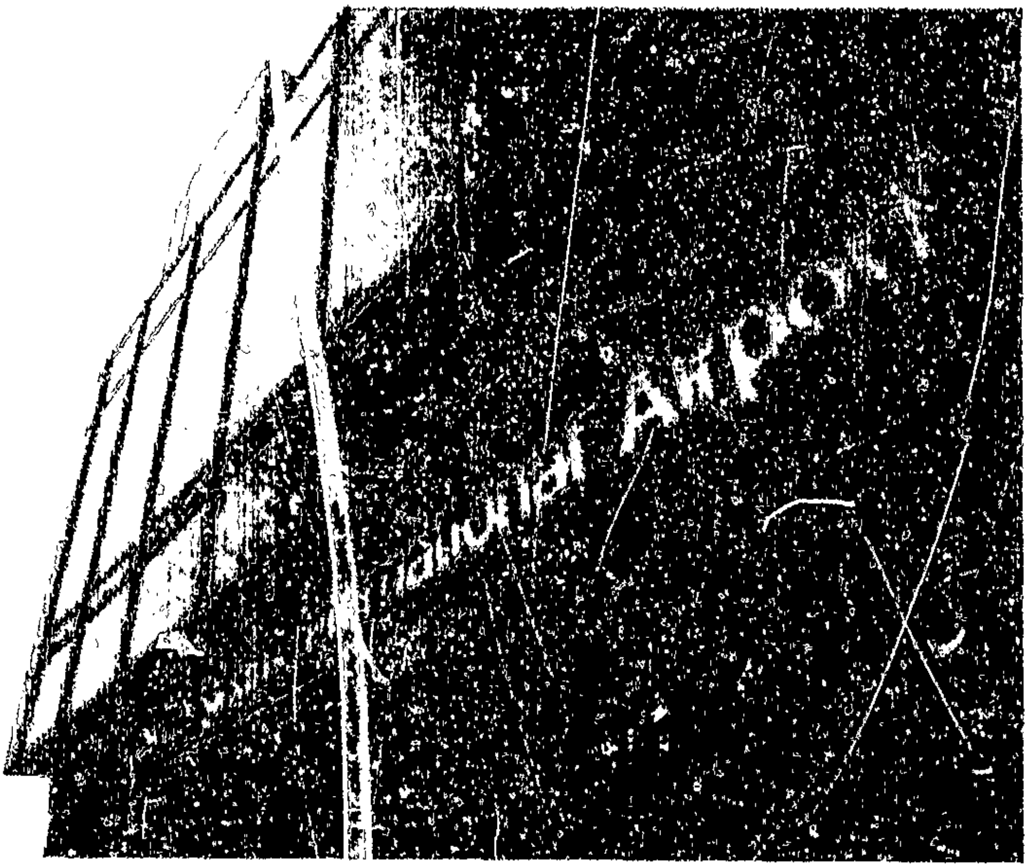
Managing Director's Report — Growth and Change

1987–88 was a year [illegible] for Birmingham International Airport with [illegible] growth in passenger and cargo [illegible] [illegible] compared to 1986–87.

Passenger growth was strong in all three main market sectors but the increase in transport movements was proportionately less reflecting higher load factors and larger aircraft. The increase in cargo [illegible] can primarily be attributed to the growth in the express [illegible]. However, there has also been strong growth in traditional air cargo and trucked air cargo.

Not surprisingly, these traffic figures have meant a successful financial year. Total turnover rose by [illegible] to £[illegible] million and a profit before tax of £[illegible] million was achieved.

Such figures, remarkable by any standard, have been achieved by responding to change, aggressive marketing of the



:port and by the provision of excellent rvice to modern efficient facilities.

his provision is a continuous exercise. The ain runway was completely resurfaced in me for the busy summer season of 1987. three year £95 million investment plan ill be implemented to expand passenger nd cargo facilities as the first stage to cope ith a forecast doubling of traffic by the te 1990s. We therefore look to the future ith confidence.

he change to company status now allows he Airport to operate in a more ommercial fashion and has entailed a rocess of change which will continue. Management has been reorganised to take account of the new character and style of he Company, more emphasis has been placed on business planning and long term trategy development, and communication with staff has been improved.

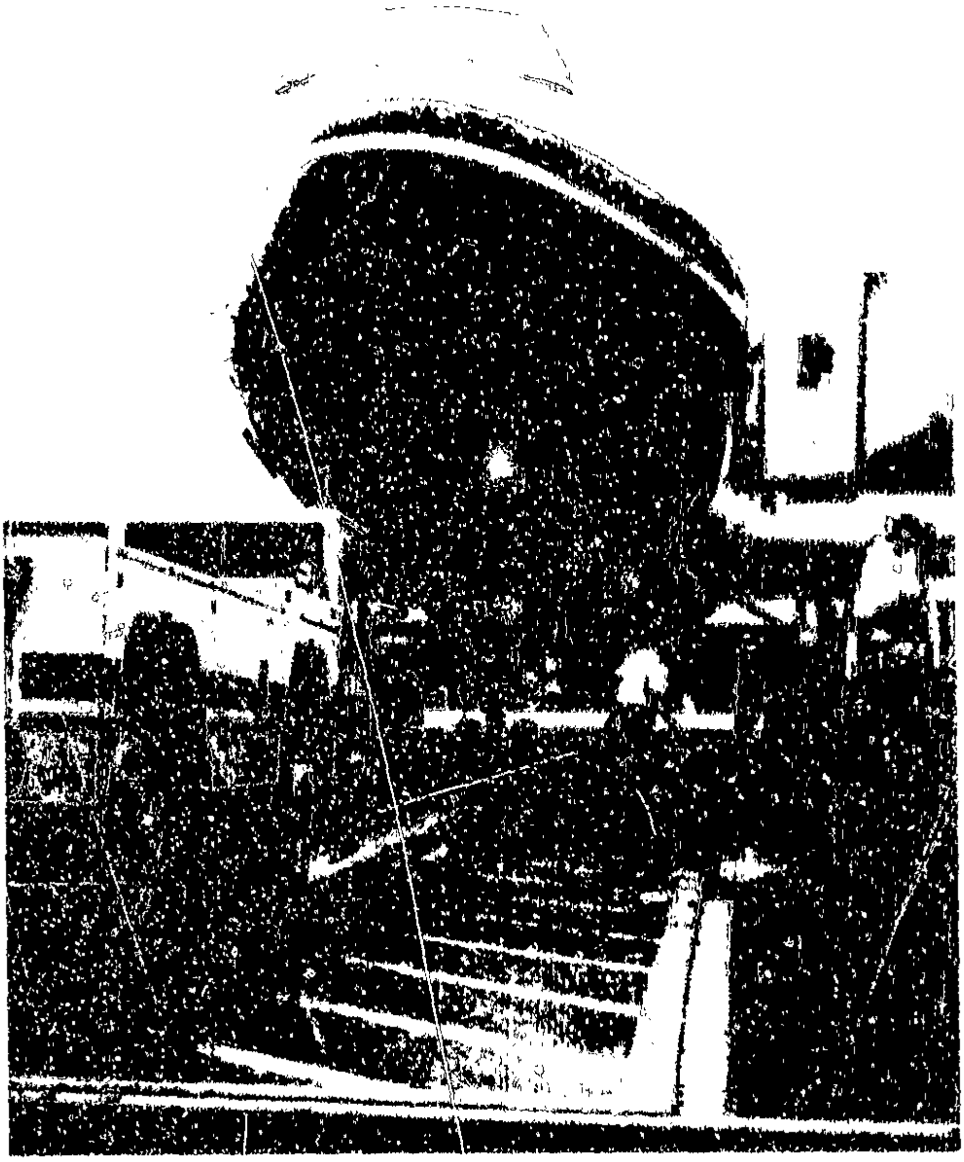
The Airport is proud of its tradition of friendly and professional service, of putting people first whether they be customer, passenger, or visitor and we have firmly established a "Birmingham Standard" of ervice. Now we are developing this even further so that in terms of airport tandards generally, Birmingham is ynonymous with the best. We will achieve his by paying particular attention to the monitoring of service in every department of the Company and in that supplied by other organisations.

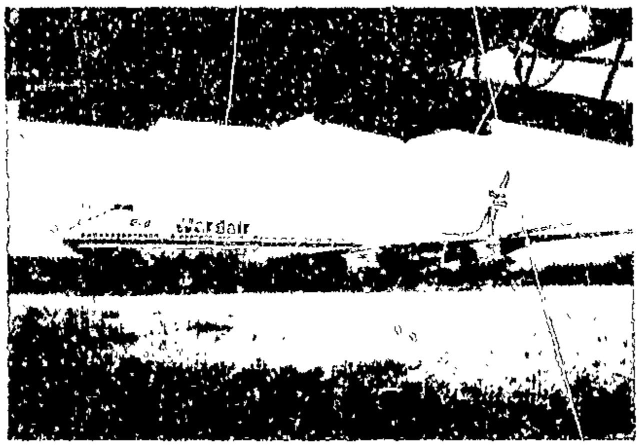
Careful consideration for the many residents living adjacent to the Airport has meant continued financial support for environmental improvement measures as part of our good neighbour policy.

It was my honour in 1987 to be elected Chairman of the Aerodrome Owners Association and the annual conference, opened by Lord Brabazon of Tara, the Minister of Aviation, was hosted by the Company in September.

Finally, I wish to thank the staff of the Company for their splendid service in a year of unprecedented growth and change.

Managing Director



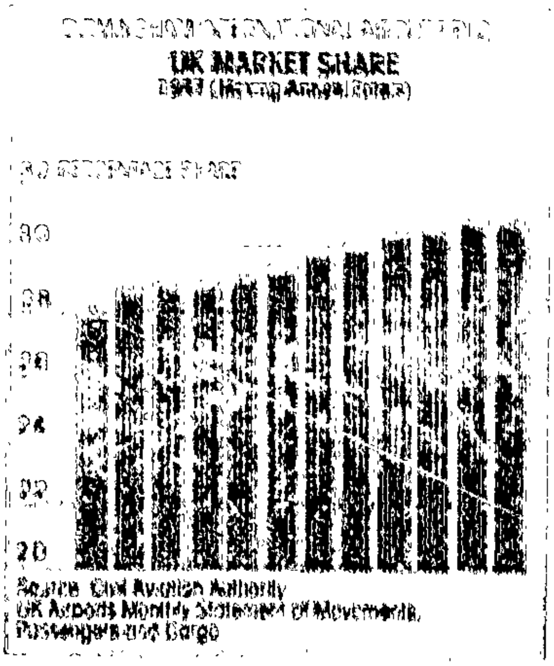


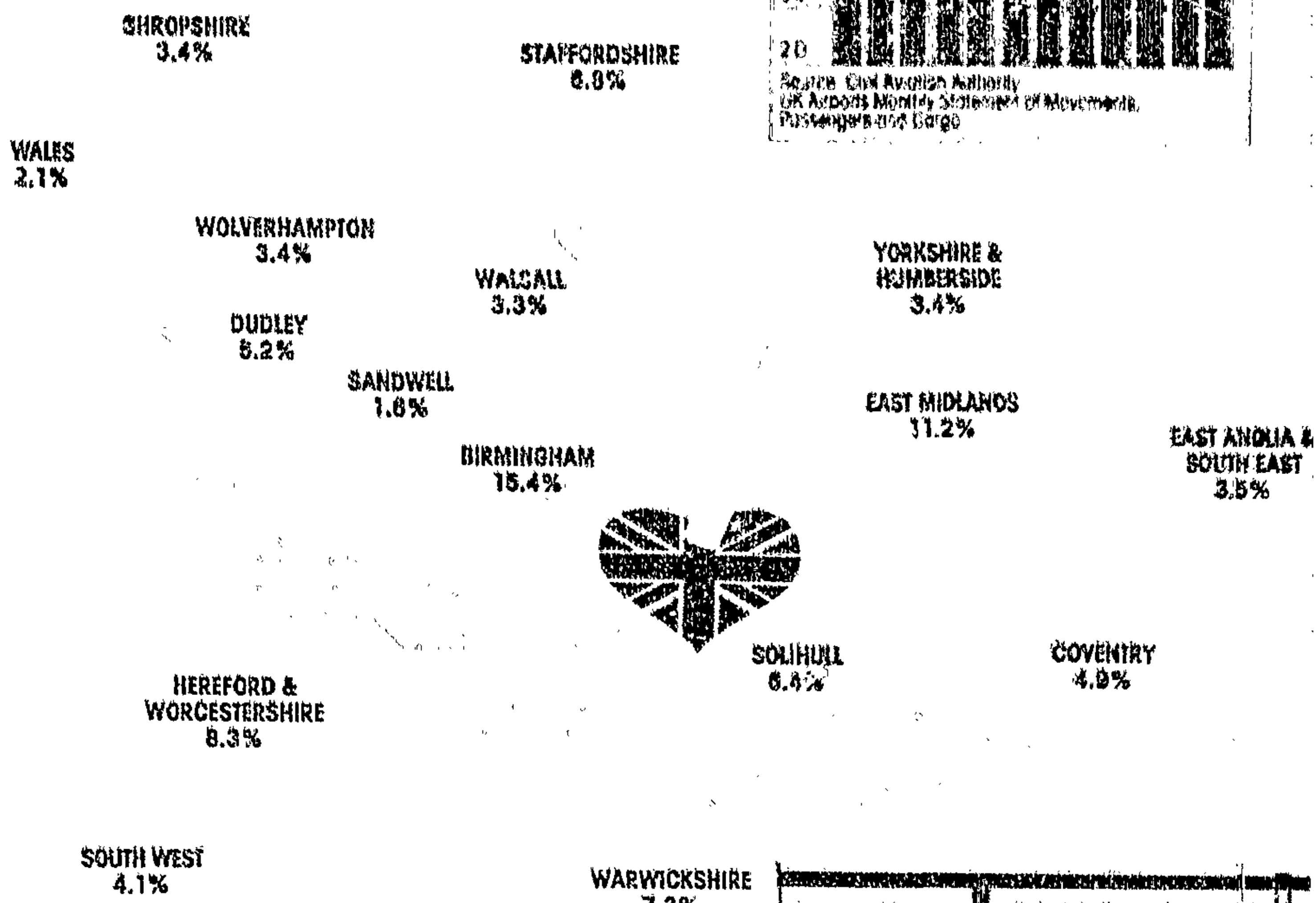
(Far left) *Entrance facade to the departure terminal. Comfort and efficiency, for passengers and staff users, being the main considerations for design of the main terminal building.* (Centre left) *A light and spacious pier linked by airbridges for passengers to enjoy covered aircraft access.* (Above and left) *With a significant growth in both passenger and cargo markets, air transport becomes more varied and larger in size.*

Birmingham — A Winner

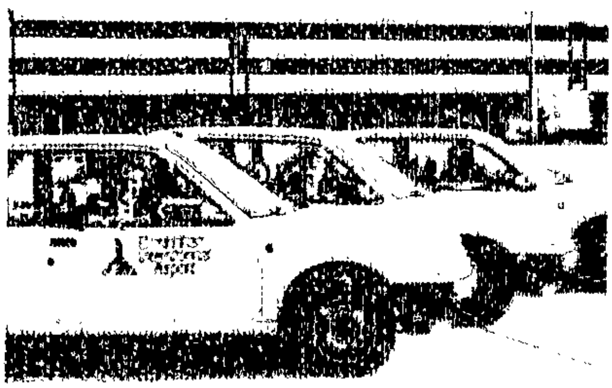
Our aim is simply to be the best airport in Britain with a formula that puts people first. We have created what we call a "Birmingham Standard" of service placing the emphasis firmly on high standards of efficiency and professionalism.

The "Birmingham Standard" is recognised throughout the airports' industry and, as this graph shows, it is appreciated by our passengers. Every month during 1987 we increased our share of the total UK passenger market.





Our surveys show that our passengers come from a wide catchment area. The map gives an indication of where they live, and is based on surveys conducted in August 1987 and February 1988. Approximately 34% of our passengers live outside the West Midlands economic planning region.



We have established a pioneering Sales Team whose main objective is to generate new business opportunities with the travel trade throughout our catchment area.

Competing in a Changing Environment

Birmingham International is one of the fastest growing airports in the UK with an average annual passenger growth rate of 10.9% over the past two years.

It is an impressive record in an increasingly volatile business where the range of services and programmes from one airport can change dramatically from year to year.

Competition between airports within the UK has increased enormously with improved road and rail links throughout the country.

Airports can no longer rely solely on their traditional catchment areas but, like Birmingham International, must broaden their horizons.

Improved communications within the UK have also widened the choice of airports available to foreign airlines creating further competition at home.

The liberalisation of air transport regulations within Europe and further afield will bring new opportunities for more international scheduled services operating from regional airports.

Meanwhile most of these airports rely on outgoing inclusive tours and charter flights for a considerable proportion of their traffic. At Birmingham this is a smaller proportion than many others and during the financial year under review, scheduled passengers accounted for 75.4% of our total.

The volume of traffic in the charter sector can be subject to major changes from year to year but it is our policy to maintain a balance between charter and scheduled services while encouraging development in both sectors.

BRITISH AIRWAYS

KLM

Lufthansa

Cyprus Airways

BUSINESS OR PLEASURE

MOST POPULAR DESTINATIONS (Thousands of Passengers)

INTERNATIONAL CHARTER		INTERNATIONAL SCHEDULED		DOMESTIC	
PALMA	(268)	DUBLIN	(111)	BELFAST	(123)
MALAGA	(108)	AMSTERDAM	(94)	GLASGOW	(106)
FARO	(107)	PARIS	(75)	HEATHROW	(93)
ALICANTE	(89)	FRANKFURT	(63)	JERSEY	(68)
TENERIFE	(85)	DUSSELDORF	(54)	EDINBURGH	(60)

swissair

AIR FRANCE

Aer Lingus

WE'VE GOT MORE GOING FOR YOU

England's Central Air Cargo Hub

Cargo is another of our success stories. During the past three years it has increased by almost 300% and in the last twelve months the value of imports and exports exceeded £800 million!

This remarkable achievement began when we built the new passenger terminal on the north side of the Airport four years ago. It presented an ideal opportunity to redevelop the old terminal building and create a modern air cargo complex.

This was timed to coincide with Freeport status while existing facilities were also completely refurbished to supply a specialist express cargo operation.

There are three distinct cargo sectors at the Airport.

These are: air freight, primarily carried in the cargo holds of passenger aircraft; air express — a highly specialised activity involving dedicated operators and aircraft; and air freight trucked to and from other airports.

In the past year business in these three sectors has increased by 48%, 196% and 38% over the previous twelve months.

The traditional air cargo business is handled through the new British Airways Cargo Centre which after eighteen months operation is now showing real benefits from 24 hour opening and the latest technology in handling equipment.

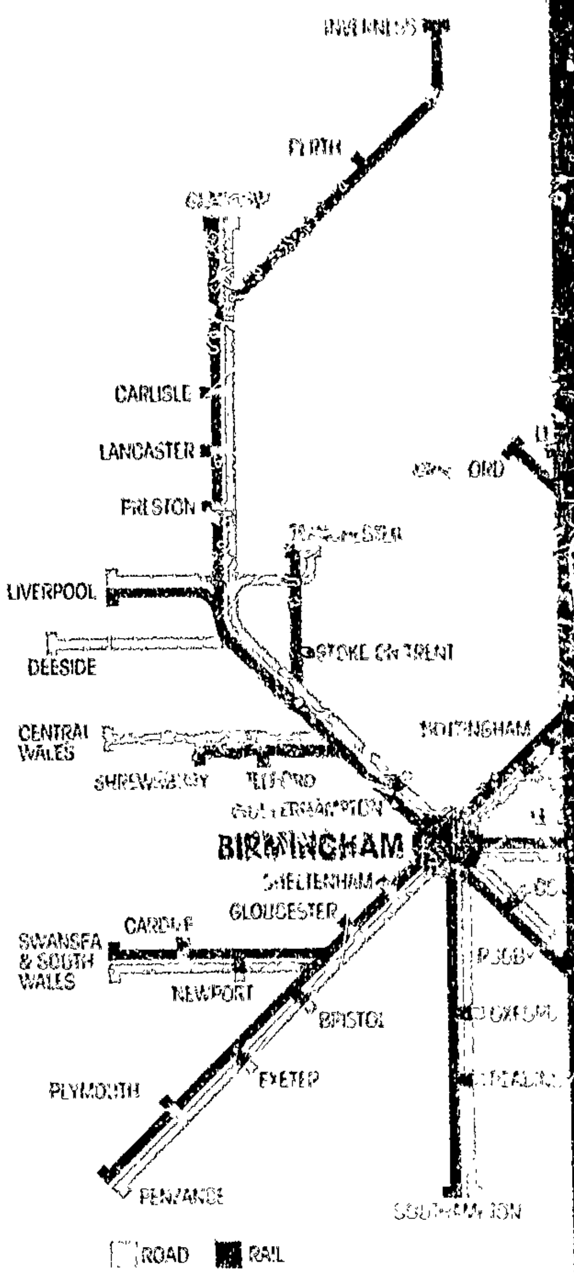
The world's leading express parcels and distribution companies now operate regular services from Birmingham, attracted by the Airport's superb central location and excellent motorway links.

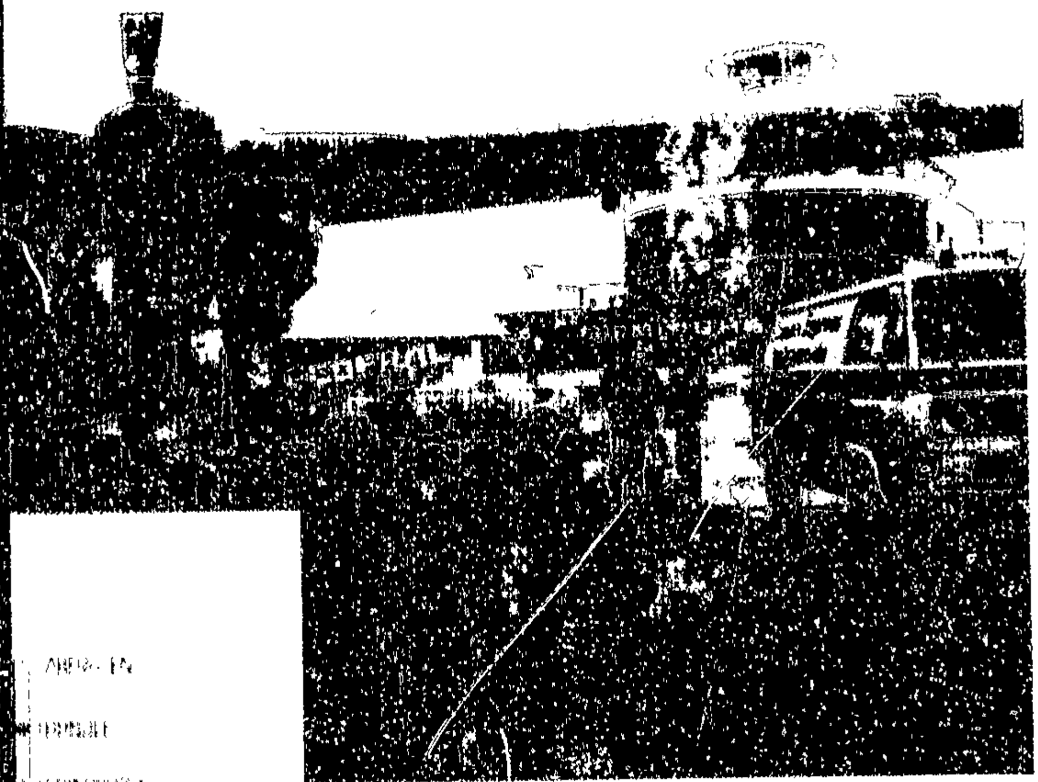
They include DHL International, Emery Worldwide, Federal Express, Securicor Express International, TNT-IPEC, TNT-Skypak, United Parcel Service and XP Express Parcel Systems.

Plans for new freight facilities are already underway including additional accommodation for freight operators and more apron handling space.

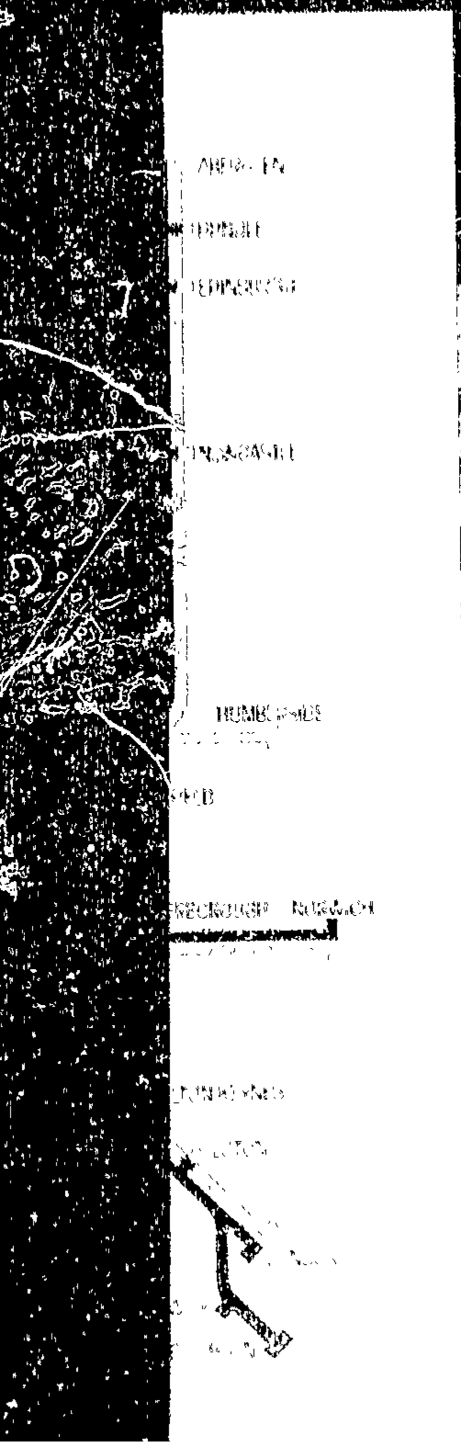
The Airport will spend £6.2 million on this phased development which will cope with the anticipated expansion into the 1990s.

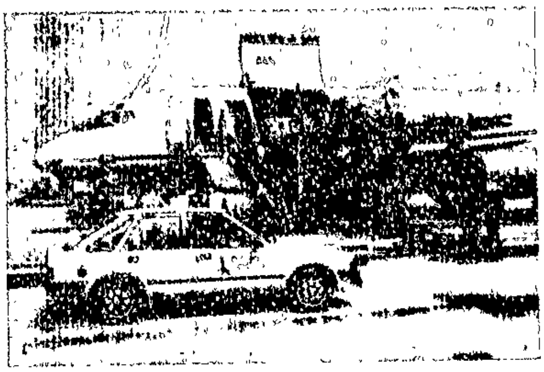
(Below) At a glance the map displays a most strategic position for a UK regional airport for both cargo and passengers. Situated at the centre of motorways, trunk roads and fast Inter City rail links.

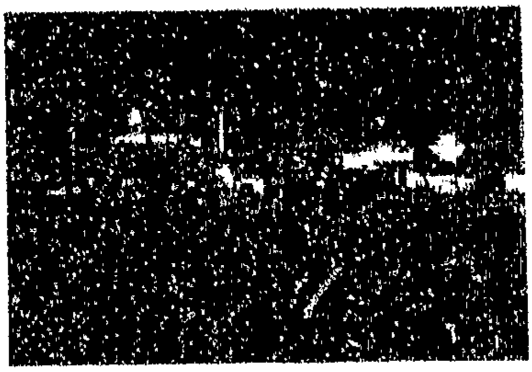


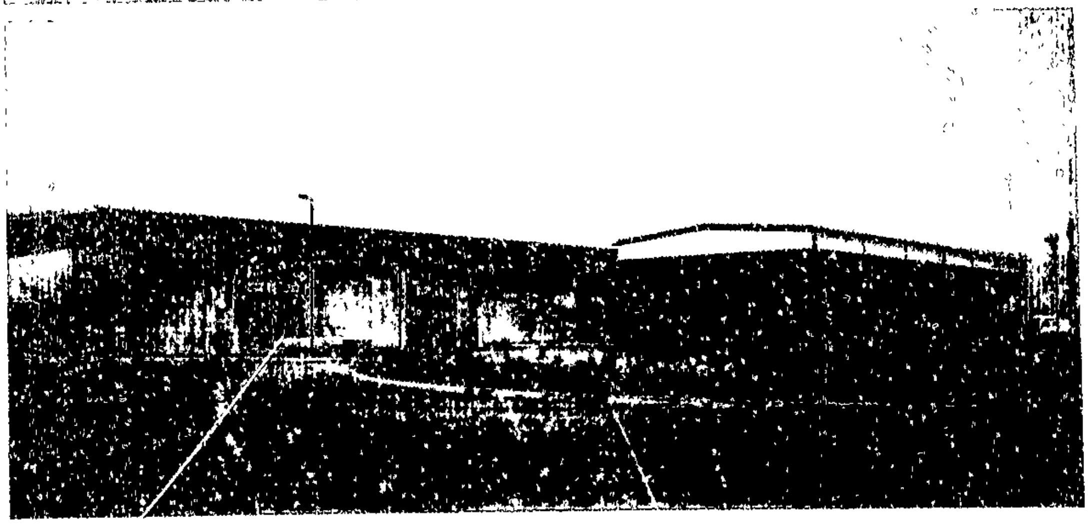


(Left) Birmingham International Airport has been successful in attracting many of the large international express parcel operators. (Below left) Loading an aircraft with the latest airport handling equipment. (Below right) Increased traffic of overnight air express cargo, domestic and continental, is ample evidence of the Airport's growing significance in the air freight market. (Bottom) British Airways new cargo centre has one of the most advanced cargo processing systems.









Development to Meet Demand

There are plans to spend almost £35 million over the next three years at Birmingham International Airport to provide even bigger and better facilities for [illegible] passengers and cargo traffic.

It is part of our Three Year Business Plan which will establish us as one of the leading regional airports of the 1990s.

Because of the Airport's rapid growth the Company is committed to doubling the current passenger capacity to six million a year and a number of schemes are being carried out in the current year to improve existing facilities.

These include extending the front of the passenger terminal to provide a larger international arrivals area and an additional first floor lounge area.

The extensions will be completed in time for the peak summer traffic this year.

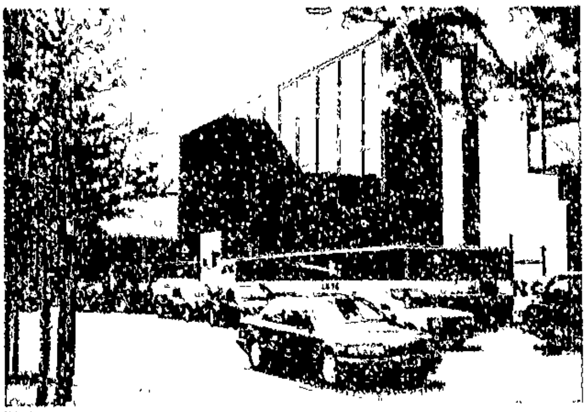
The Plan, which forecasts increases both in terminal passengers of three quarters of a million and cargo throughput of 20,000 tonnes by 1990/91, contains even more exciting proposals.

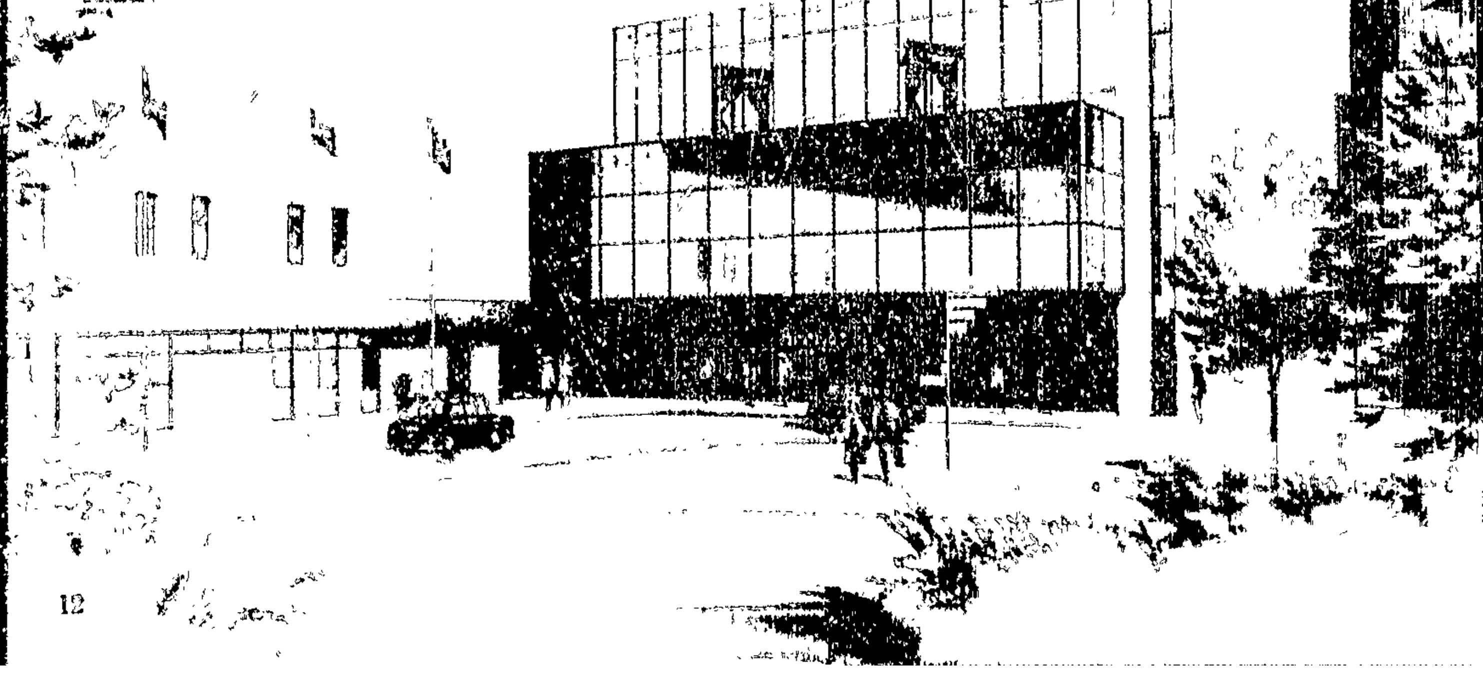
They include: An £11 million programme of improvements and extensions to the Terminal Building.

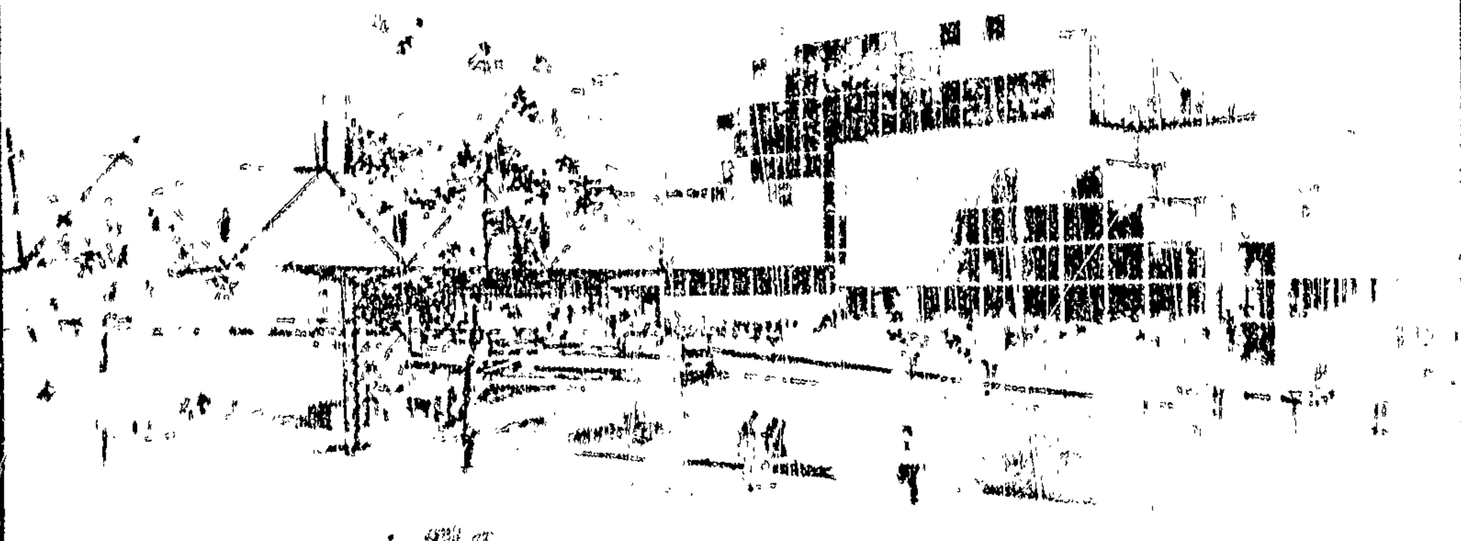
[illegible] million scheme to expand capacity [illegible] cargo operations.

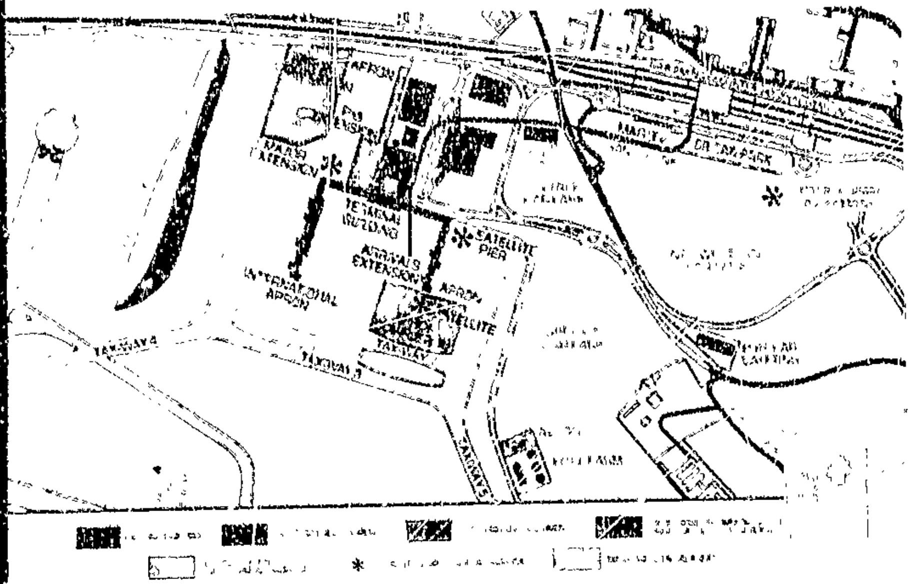
[illegible] million from outside investors to build [illegible] on site Airport hotel plus office accommodation and a new multi storey car park.

And this is only the start, the Airport is continually monitoring and meeting the growing demands of airlines and tenants [illegible] and encouraging direct investment in certain projects by other organisations who want to share in the success of one of Britain's fastest growing airports.

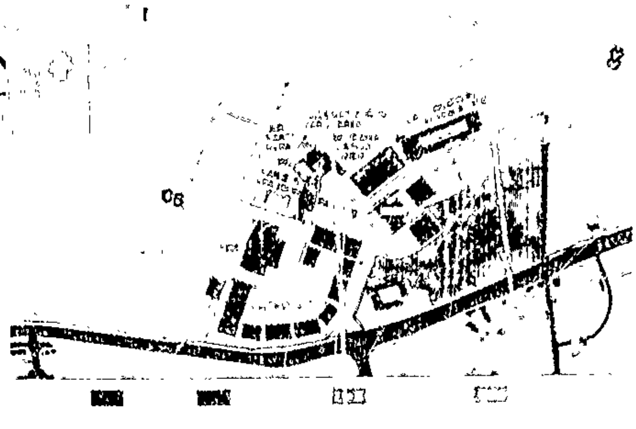








Development plans announced are seen as the first steps towards doubling Airport capacity during the 1980's. Phase one of the development programme is the extension to the main terminal building (Opposite page) Inset showing the almost completed construction. Also in the plans is the provision for a 200 bedroom Hotel (Above) to be situated opposite the main terminal building. Work is to start in 1988 (Below) A detail plan of the cargo centre which has already been partially developed



Commercial Activities

[illegible] generated by a range of commercial activities operated under agreements with the Airport Company.

These range from catering and duty free shops, terminal and in flight catering, car parking and car hire to banking and even advertising space sold within the Airport building.

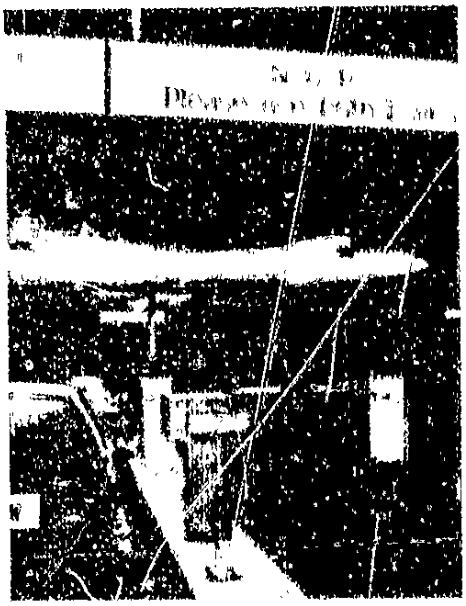
The total income from commercial activities in the year under review increased by 31% compared with the previous twelve months and commercial income per passenger reached £2.77 while facilities offered to passengers have continued to expand.

Our rapid growth has also led to an increase in demand for office accommodation at the Airport and income from the letting of property increased by 14.8%.

During the year work started on providing better facilities for car hire, car parking and banking plus a new lounge bar. There were considerable improvements to the airside catering and duty free shopping areas and a new purpose built flight catering commissary operated by Trust House Forte was opened last year.

While the Airport is continually under [illegible] for commercial ventures we take great care in choosing concessionaires and the services they supply are constantly monitored for efficiency and value.

They must maintain the "Birmingham Standard". Our passengers expect nothing less.



Commercial activities at the Airport are actively encouraged. (Above left) In flight catering. (Above centre) Duty Free Shopping. (Above right) Terminal catering and (Top) Car parking.

Good Neighbours

Living and working in harmony with our neighbours is of major importance to the Airport.

As part of our "good neighbour" policy we have an active Noise Management Programme and in the past ten years £2.5 million has been spent by the Airport on noise insulation grants to 3,400 neighbouring properties.

The Company is committed to continue the scheme by providing £250,000 annually for noise insulation and is in the course of reviewing the areas covered by the scheme.

The Noise Management Programme also makes provision for Land Compensation Act payments, noise monitoring and facilities to reduce noise from the Airport.

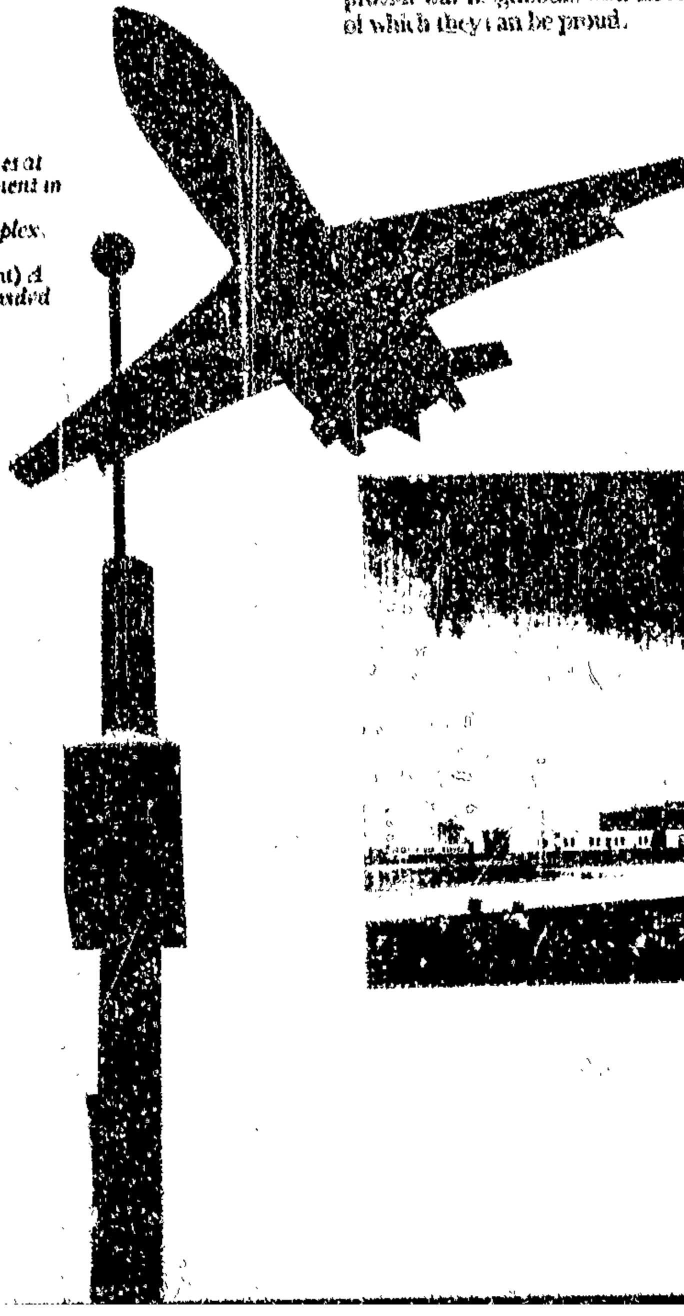
We involve the local community in the Programme through its representation on the Airport Consultative Committee which receives regular reports on all aspects of noise and other environmental issues affecting the Airport.

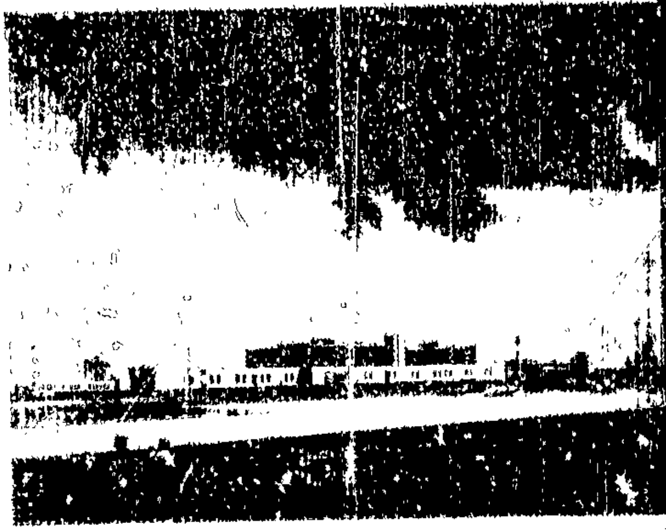
There is also close and regular monitoring on such issues as possible air and water pollution and the protection of flora and fauna.

We pay special attention to the design quality of our new buildings to ensure they blend in with our neighbours and we are strongly aware of the need for cleanliness and no litter around the Airport.

It's all part of our "good neighbour" policy designed to ensure harmony and provide our neighbours with an Airport of which they can be proud.

A key part of the 'good neighbour' activities at the Airport has been the £100,000 investment in a computerised Noise Monitoring System (Below). On and around the Airport complex, special attention is constantly paid to the protection of flora and fauna. (Below right) A view of the Airport from the specially provided picnic area.





At the Forefront of Engineering

As an operating airport must be at the forefront of new technology and development, Birmingham International is no exception.

Our baggage handling system has recently been refurbished to incorporate computer control which speeds up the system and significantly increases the capacity.

In the early months of the year the resurfacing of the main runway was completed. It was done entirely at night during the winter period with the minimum of disruption to Airport traffic.

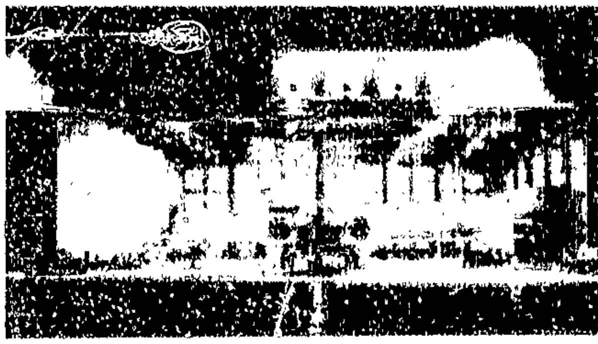
We have installed an automatic Gate Operating System controlled from the Apron Control Tower, the runway lighting system has been upgraded to Category II which will enable aircraft to operate in very poor visibility and there has been a major refurbishment of hangar 2 which is used for aircraft maintenance and hangarage.

Much of the development work is done by our own Engineering Department now housed in a superb purpose built Engineering Centre adjacent to the Fire Station.

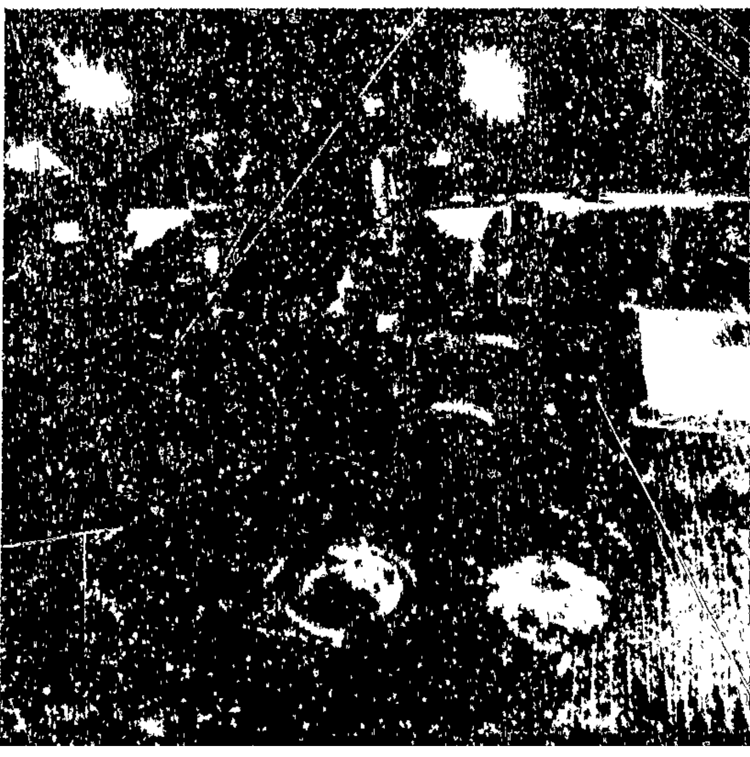
Phases II and III of this Centre have been completed in the past twelve months. The engineering offices, workshops, motor transport centre and Airport stores are all housed under one roof providing a much more efficient operation for the Company.

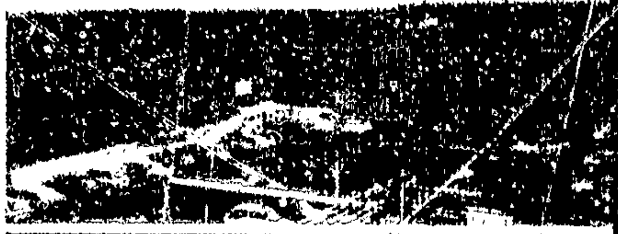
But our modern technological innovations are not solely concentrated on aviation.

The Airport is also at the forefront of practical energy conservation. A recent gas conversion and the installation of a unique Stramer Cycle system using fresh air cooling has provided significant energy savings — and helped keep our costs. Our energy bill is now less than they were in 1984/85.



Runway renovation. Resurfacing the main runway and installing new Category II runway lighting (Lower left) *and* (Bottom right) *batching plant for mixing and producing Marshall Asphalt.* (Below) *New purpose built Engineering Centre.* (Top) *Computer controlled baggage handling conveyor system recently installed to increase capacity.* (Above) *Recently refurbished hangarage for British Airways.*





Operations

Our Operations Team works round the clock to ensure safe and efficient operations at the Airport 24 hours a day.

Apart from fog, snow and slush can be a cause of disruption to flights in the winter months.

To combat the elements we have the latest snow blowing and sweeping equipment operated and maintained by a highly trained staff.

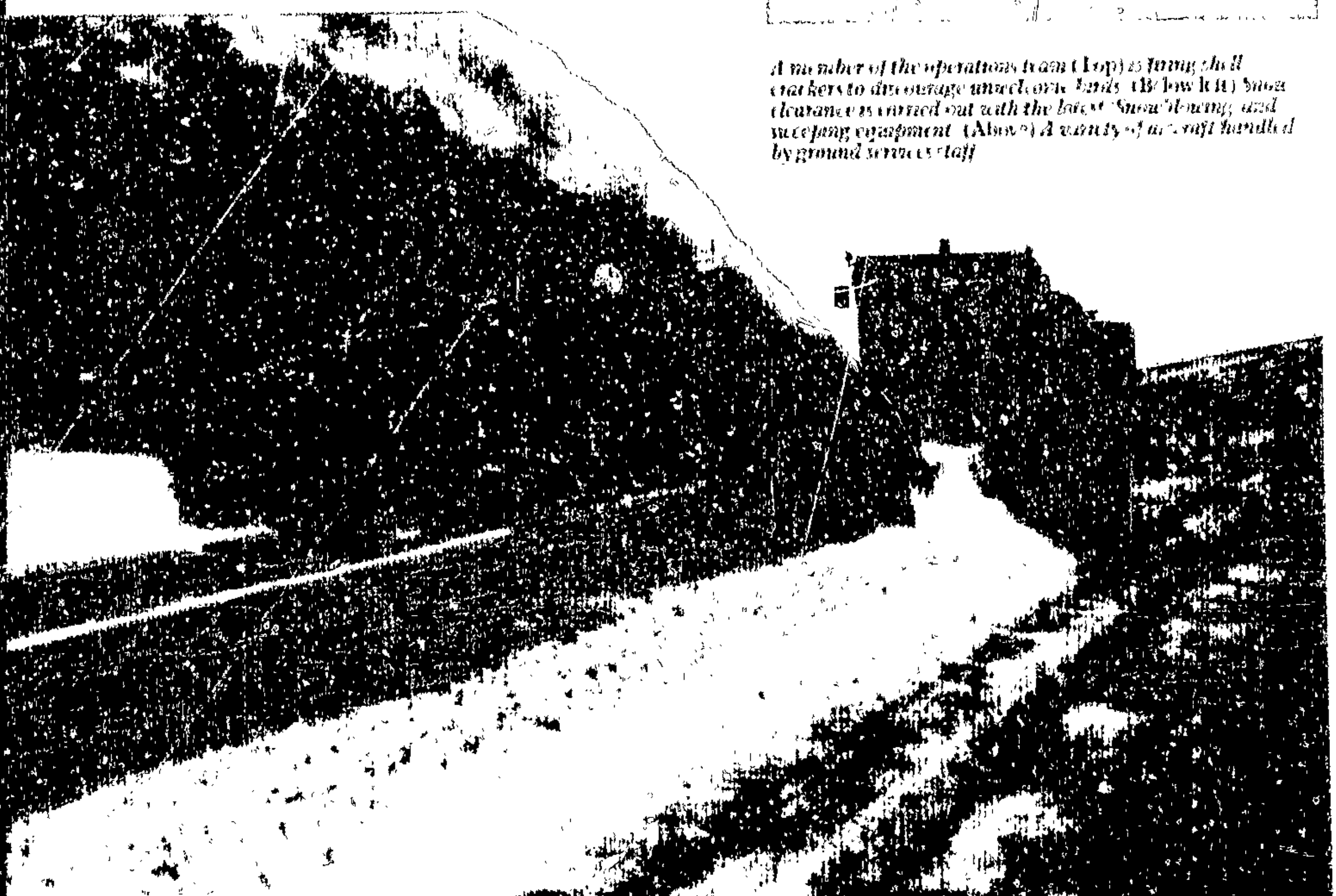
The Airport is also soon to take delivery of the latest [illegible] de-icer/anti-icer vehicle which will be operational in time for next winter.

Birds can also be a menace to aviation and the Civil Aviation Authority requires all airports to take measures to reduce the bird strike hazard.

At Birmingham International there is a dawn to dusk bird patrol using a variety of techniques including bird distress calls and firing shell crackers to prevent flocks from gathering in critical areas.

Birds are the *only* visitors we actively discourage at Birmingham International Airport.

A member of the operations team (Top) is firing shell crackers to discourage unwelcome birds. (Below left) Snow clearance is carried out with the latest Snow blowing and sweeping equipment. (Above) A variety of aircraft handled by ground services staff



Working Together

This year we launched a major "Working Together" scheme for all our staff

The aim is to help everyone involved in the running of the Airport to form a closely knit and effective team

In the first stage of "Working Together" we held a seminar attended by every member of the Airport staff

They were split into small working groups regardless of rank or job. Most were meeting for the first time and they spent a full day discussing their own jobs and problems and listening to those of their colleagues

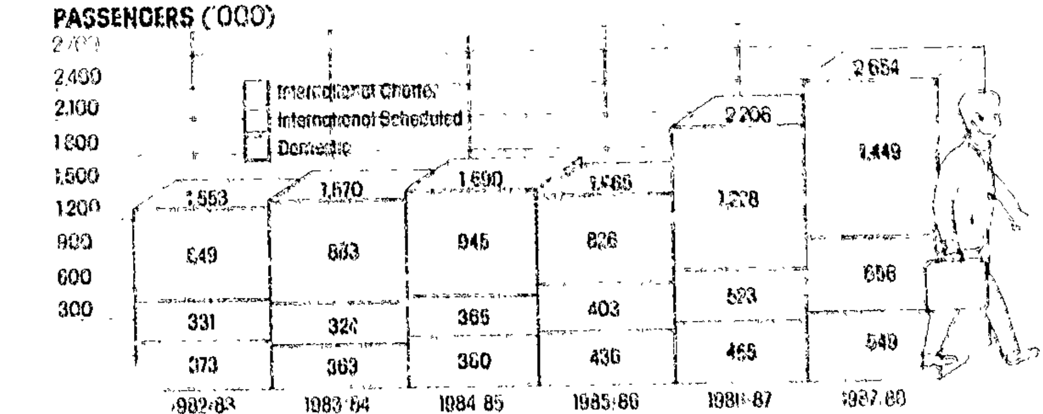
The immediate result was a better all round understanding by our staff of how every department in the airport works. They also made a lot of new friends"

At the time, Managing Director, Bob Taylor, outlined the aims of "Working Together" as being: "The stronger and more efficient this team becomes, the more satisfaction our jobs give us. As a result, the Airport becomes a nicer place in which to work and far more pleasant to use as a passenger."

(Below) A discussion group, on the "Working Together" scheme. A teddy bear award (Lower right) is given to personnel, for best day's achievement. (Above right) Airport mascot 'Birmingham Bertie', the cuddly owl, promoted by the Marketing Division, available at Birmingham International Airport shops

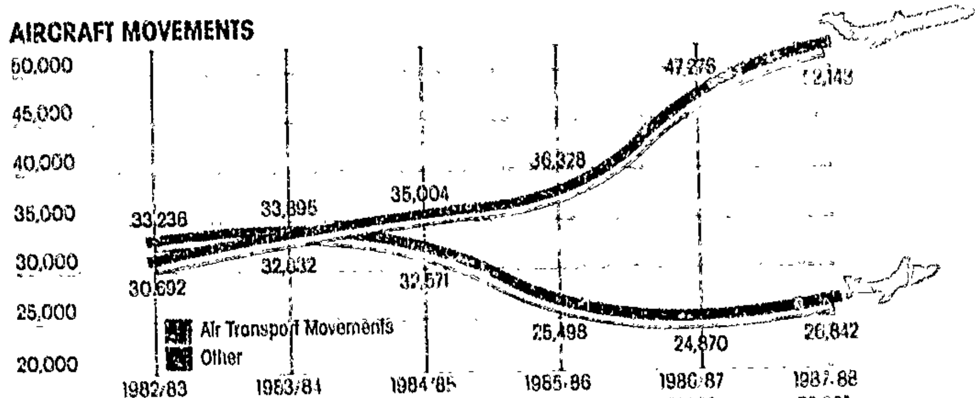
Airport Traffic Statistics

PASSENGERS ('000)



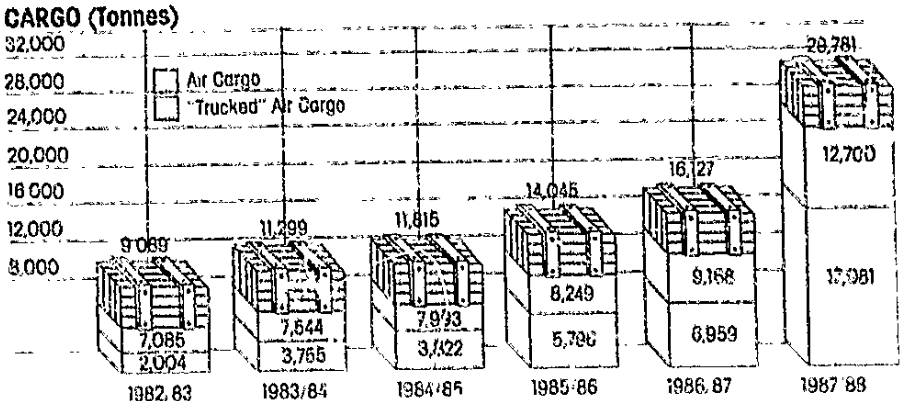
	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Terminal Passengers	1,553	1,570	1,690	1,665	2,206	2,654
Total Passengers including transits	1,601	1,623	1,754	1,725	2,283	2,740

AIRCRAFT MOVEMENTS



	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Total Movements	63,928	66,727	67,575	61,826	72,146	78,985

CARGO (Tonnes)



	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Total Cargo	9,089	11,299	11,815	14,045	16,127	29,781

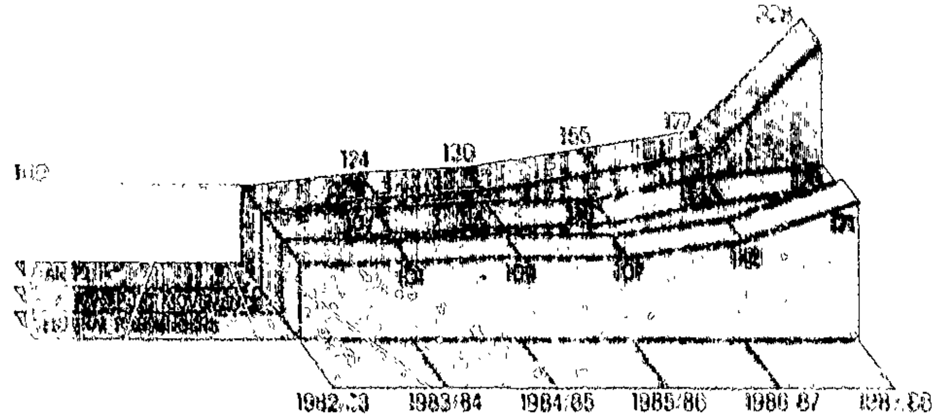
COMPARISON WITH OTHER MAJOR UK AIRPORTS (For Calendar Year) 1987

	Terminal Passengers (000)	% of Passengers at all UK Airports	Air Transport Movements	Air Cargo (1) (Tonnes)
Heathrow	34,743	[illegible]	303,031	574,116
Gatwick	19,381	22.53	173,828	191,056
Manchester	8,609	10.01	94,984	65,468
Glasgow	3,365	[illegible]	58,183	10,888
Birmingham	2,639	3.07	51,564	13,623
Luton	2,584	3.00	32,914	5,093
Belfast	2,116	2.46	34,368	26,067
Edinburgh	1,845	2.14	39,319	[illegible]
Aberdeen	1,469	1.71	66,843	5,901
Newcastle	1,335	1.55	21,162	933

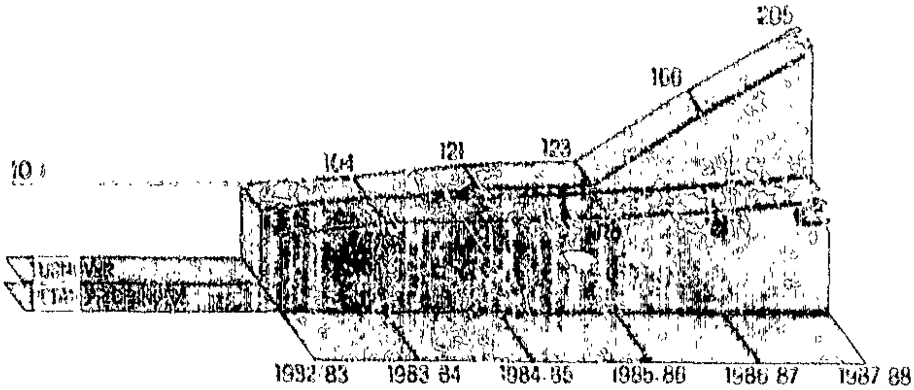
Note 1 Excluding Trucked Air Freight

Performance Indicators Index 1982/83 = 100

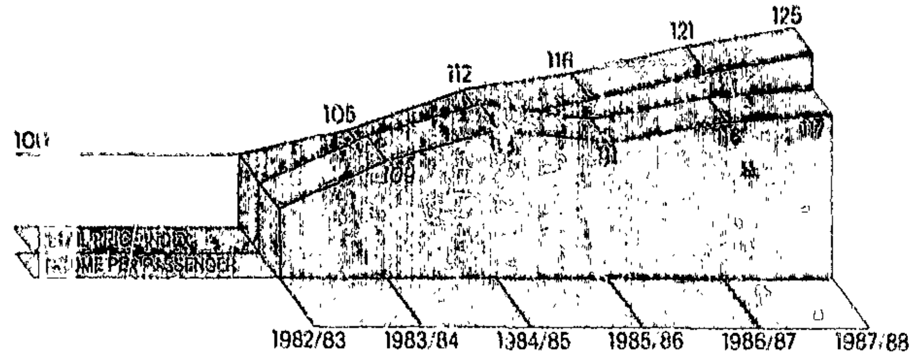
OPERATIONS STATISTICS



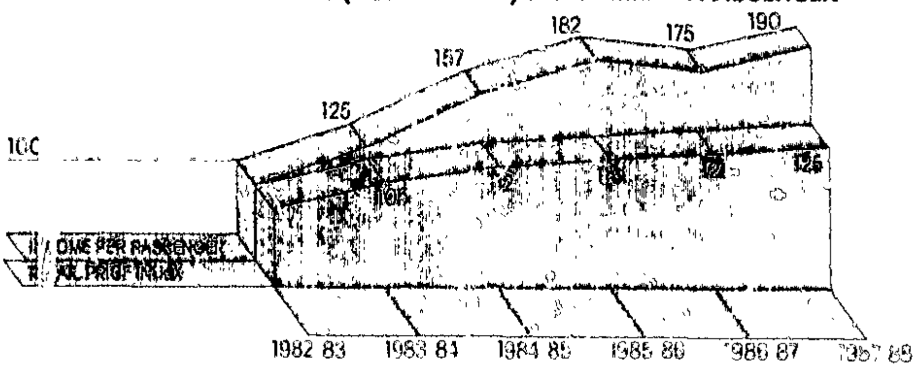
TURNOVER



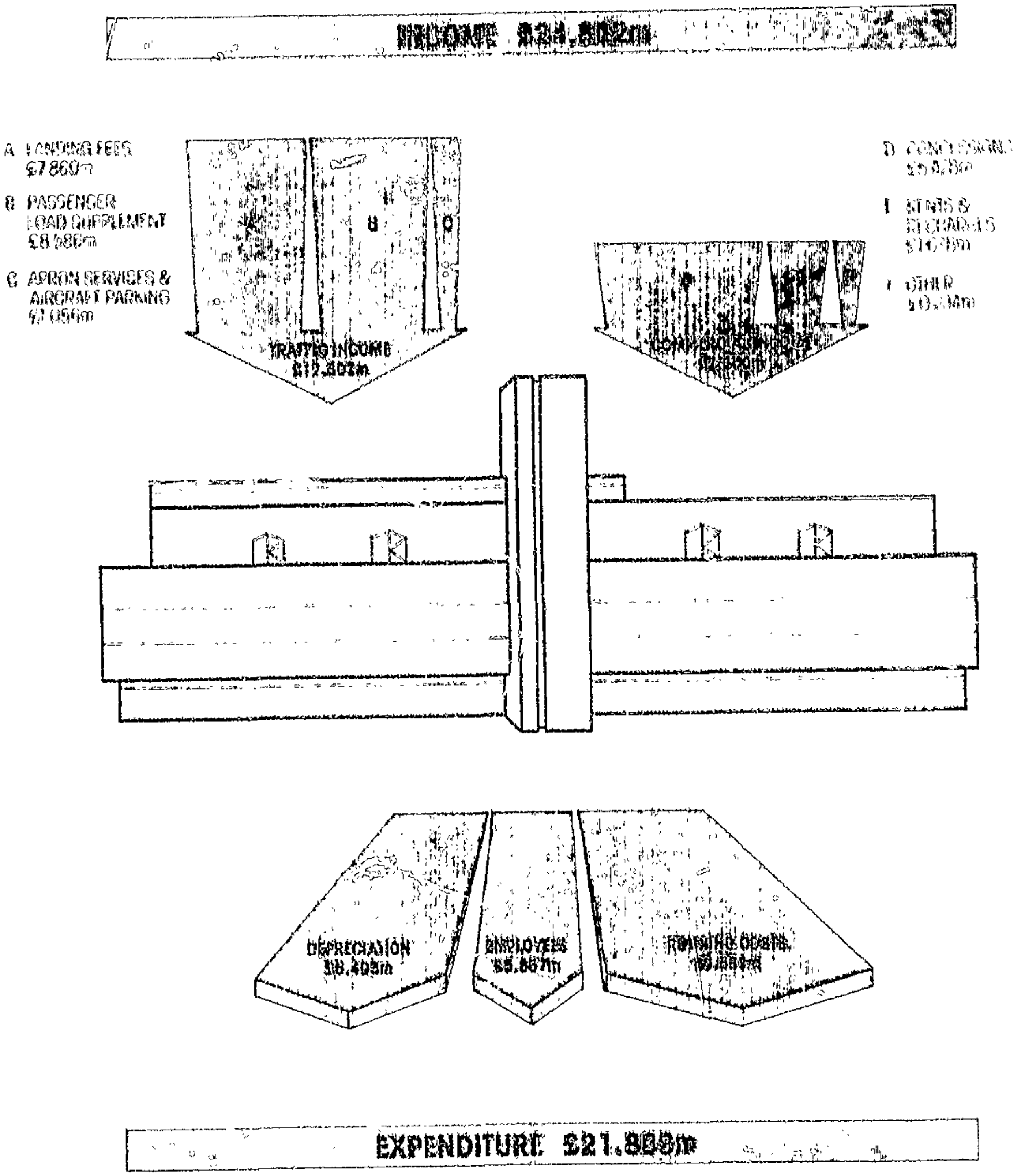
INCOME (TRAFFIC) PER TERMINAL PASSENGER



INCOME (COMMERCIAL) PER TERMINAL PASSENGER



Analysis of Income and Expenditure



REPORT OF THE DIRECTORS

Incorporation and commencement of trading

The directors submit their report and accounts for the period from incorporation on 5 November 1986 to 31 March 1988

Birmingham International Airport plc was incorporated on 5 November 1986 A scheme transferring the trade and certain net assets of the airport to the company came into effect on 1 April 1987 when the company began trading.

Consideration for the Airport was the issue of £5 28 million of preference shares and 2 64 million of £1 ordinary shares, comprising the whole of the authorised share capital, which was allocated between the seven metropolitan district councils of the West Midlands on the basis of population The value of the consideration was £54 76 million

Results and dividends

The profit for the year after taxation amounted to £1 94 million This enables the dividend on the £5 28 million 6¾% preference shares to be paid and the directors propose that an ordinary dividend of 11 pence per share be paid, taking the total dividend for the period to £0 65 million The directors propose that £0 25 million of retained profit be appropriated to a capital development reserve and that the balance of £1 04 million be retained.

Principal activities

The principal activities of the company are the operation and management of Birmingham International Airport and the provision of facilities and services associated therewith A review of the activities and prospects of the company is given on pages 6 to 21.

Future developments

The company's latest Business Plan covering the 3 years to 1990/91 includes a £36 million investment programme to substantially increase the airport's passenger and cargo capacities and this programme is now underway. Further development proposals beyond this plan are also under detailed consideration.

Fixed assets

The company acquired all the assets of Birmingham International Airport on the basis of a global valuation In order to establish full detailed accountancy records, meet Inland Revenue requirements and establish a fair value for the assets acquired a full valuation was carried out as at 1 April 1987. The major changes in the fixed assets of the company since then are set out in note 9 on page 30.

Directors and their interests

The directors during the period were as follows

C J Kirk (Chairman)	appointed 7 January 1987
F.J. Chapman	appointed 7 January 1987
R.M. Knowles	appointed 7 January 1987
D.G. Lewis	appointed 7 January 1987
J.D. Berry	appointed 7 January 1987
F S. Hunt	appointed 7 January 1987
P.F. Kellie	appointed 7 January 1987
B.D. John	appointed 7 January 1987, resigned 7 July 1987, reappointed 4 March 1988
S.A. Ledsam	appointed 7 January 1987, resigned 20 May 1987
R.R Taylor	appointed 1 April 1987
B Summers	appointed 1 April 1987
J N. Walker	appointed 1 April 1987
S P. Pemberton (Deputy Chairman)	appointed 29 April 1987
R. Swatman	appointed 6 June 1987
R J.H Collins	appointed 7 July 1987, resigned 4 March 1988
K.D. Reed	appointed 20 January 1988 (alternate director for R M. Knowles)

The board of directors is in compliance with the Articles of Association; three directors are employees of the company (R.R. Taylor, B. Summers and J.N. Walker), and each of the Metropolitan Districts appoints one director, except for Birmingham City Council which appoints four.

C.J Rolfe	appointed 5 November 1986, resigned 7 January 1987
M S Williams	appointed 5 November 1986, resigned 7 January 1987

C.J. Rolfe and M.S. Williams held one subscriber share each until 7 January 1987. No other directors held or hold any interest in the share capital of the company.

Equal opportunities and employment of disabled persons

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

Employee involvement

A high priority has been placed on the development of more effective communications within the company Every employee attended training sessions on a programme called "Working Together" It is intended to continue with this process of consultative discussion groups. Formal consultative arrangements with the trade unions have been strengthened

Staff newspapers and newsletters are distributed to all employees on a regular basis

REPORT OF THE DIRECTORS

Political and charitable contributions

During the year the company made various charitable contributions totalling £3,287. No contributions have been made for political purposes.

Auditors

The directors appointed Arthur Young as first auditors during the period, to serve until the conclusion of the first Annual General Meeting and they have indicated their willingness to continue in office.

A resolution to re-appoint Arthur Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board
B. Summers
Director and Secretary

Birmingham
16 June 1988

AUDITORS' REPORT

To the Members of Birmingham International Airport plc

We have audited the accounts on pages 25 to 32 in accordance with approved auditing standards

In our opinion, the accounts, which have been prepared under the historical cost convention modified to include the revaluation of fixed assets, give a true and fair view of the state of affairs of the company at 31 March 1988 and of the profit and source and application of funds of the company for the period then ended and comply with the Companies Act 1985

Arthur Young
Chartered Accountants

Birmingham
10 June 1988

PROFIT AND LOSS ACCOUNT

For the period ended 31 March 1988	Notes	1988 £000
Turnover	2	24,862
Operating costs		21,889
Net operating profit	3	2,973
Interest receivable		248
Interest payable	6	(331)
Profit on ordinary activities before taxation		2,890
Taxation	7	950
Profit for the year		1,940
Dividends	8	647
		1,293
Appropriation to capital development reserve	18	250
Retained profit carried forward		**1,043**

The notes on pages 28 to 32
form part of these accounts

BALANCE SHEET

At 31 March 1988		Notes	£000	1988 £000
Net Assets Employed	**Fixed assets:**			
	Tangible assets	9		82,831
	Current assets:			
	Stocks		268	
	Debtors	10	4,441	
	Amounts on short term deposits		5,200	
	Cash at bank and in hand		560	
			10,469	
	Accrued income:			
	Deferred taxation asset	11	116	
			10,585	
	Creditors: amounts falling due within one year	12	5,967	
	Net current assets			4,618
	Total assets less current liabilities			87,449
	Creditors: amounts falling due after more than one year	13	4,860	
	Provision for liabilities and charges:			
	Land Compensation Act claims	14	979	
				5,839
				81,610
Capital and Reserves	**Capital and reserves:**			
	Share capital	15		7,925
	Share premium	16		46,834
	Capital reserve	17		25,558
	Capital development reserve	18		250
	Profit and loss account			1,043
				81,610

Chris Kirk

B Summers

C.J. KIRK, Director and Chairman
B. SUMMERS, Director

Birmingham
16 June 1988

The notes on pages 28 to 32
form part of these accounts

SOURCE AND APPLICATION OF FUNDS

For the period ended 31 March 1988	Notes	£000	1988 £000
Source of funds:			
Profit on ordinary activities before taxation			2,890
Adjustment for items not involving the movement of funds:			
Depreciation		6,493	
Provision for Land Compensation Act payments		200	
			6,693
Total generated from operations			9,583
Funds from other sources:			
Proceeds of share issue		54,759	
Capital reserve arising on acquisition		25,558	
New loans		1,600	
Proceeds of disposal of fixed assets		14	
			81,931
			91,514
Application of funds:			
Acquisition of assets of Birmingham International Airport	17	80,317	
Amounts on short term deposits		5,200	
Purchase of fixed assets		3,608	
Land Compensation Act payments		796	
Transfer to current instalments of lease loans		891	
			90,812
Absorbed in working capital			702
Components of movement in working capital:			
Stock			37
Debtors			4,441
Creditors			(3,486)
			992
Movement in net liquid funds:			
Cash at bank			(290)
			702

The notes on pages 28 to 32
form part of these accounts

NOTES TO THE ACCOUNTS

At 31 March 1988

1 Accounting policies

The accounts are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

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

Buildings	between 10 and 40 years
Other works	between 10 and 30 years
Runways and aprons	between 5 and 20 years
Plant and equipment	between 4 and 16 years
Motor vehicles	between 5 and 10 years

Grants
Government grants on capital expenditure are deducted from the cost of the related assets. Other grants are released to revenue over the life of the project to which they relate.

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

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

Leasing commitments
Assets obtained under finance lease contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease or their useful lives. The interest element of such contracts is charged to the profit and loss account over the period of the lease in proportion to the outstanding balance of repayments.

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

2 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

	1988 £000
Traffic	17,502
Commercial	7,360
	24,862

3 Operating profit

The operating profit for the year is stated after charging:–	£000
Auditors' remuneration	13
Depreciation:	
Owned assets	5,991
Assets held under finance leases	502
Operating lease rentals:	
Plant and equipment	107
And crediting:–	
Rents	736
Concessions	5,428

NOTES TO THE ACCOUNTS

			1988 £000
4	**Directors' emoluments**	Emoluments (including pension contributions)	106
		The emoluments of the Chairman, were	£NIL
		The emoluments of the highest paid director, excluding pension contributions, were	£40,740
		The emoluments of other directors, excluding pension contributions, were as follows:	Number
		£NIL	14
		£25,000 — £30,000	1
		£30,000 — £35,000	1
		No senior employee of the company received remuneration in excess of £30,000	

			£000
5	**Staff costs**	Wages and salaries	4,687
		Social security costs	362
		Other pension costs	608
			5,657
		The average weekly number of employees during the period was made up as follows:	Number
		Operations and security	208
		Engineering	70
		Terminal Services	96
		Support Services	72
			446

			£000
6	**Interest payable**	Charges under finance leases	241
		Land Compensation Act claims	90
			331

			£000
7	**Taxation**	Based on profit for the period:	
		Corporation tax at 35%	850
		Deferred taxation	100
			950

If full provision had been made for deferred tax for the period, the tax charge would have been increased by £815,000.

			£000
8	**Dividends**	Ordinary — Proposed at 11p per share	291
		Preference — Proposed	356
			647

NOTES TO THE ACCOUNTS

9 Tangible fixed assets

	Land and buildings				
	Freehold	Long Leasehold	Other Works	Plant and Equipment	Total
	£000	£000	£000	£000	£000
Cost:					
Acquired 1 April 1987	70,132	300	18,251	30,077	118,760
Additions	2,295	—	152	1,161	3,608
Disposals	—	—	—	(28)	(28)
At 31 March 1988	72,427	300	18,403	31,210	122,340
Depreciation:					
Acquired 1 April 1987	17,382	—	7,054	8,594	33,030
Provided during the year	2,512	—	1,201	2,780	6,493
Disposals	—	—	—	(14)	(14)
At 31 March 1988	19,894	—	8,255	11,360	39,509
Net book value:					
31 March 1988	52,533	300	10,148	19,850	82,831
Included in net book value are the following amounts for assets acquired under finance leases:	1,153	—	—	3,046	4,199

The additions of £3,608,000 include capital work in progress of £1,948,000 on which no depreciation has been charged.

At 1 April 1987, land was valued by the District Valuer and all other tangible assets by the W.T. Partnership, Quantity Surveyors and Construction Cost Consultants, for the purpose of determining the cost of the assets to the company at a fair value.

10 Debtors

	1988
	£000
Trade debtors	2,831
Prepayments and accrued income	1,537
Other debtors	73
	4,441

11 Deferred taxation

	Provided	Unprovided
	£000	£000
Capital allowances in advance of depreciation	260	815
Other timing differences	(160)	—
	100	815
ACT recoverable	(216)	—
	(116)	**815**

NOTES TO THE ACCOUNTS

12 Creditors

Amounts falling due within one year

	1988 £000
Trade creditors	573
Accruals	2,729
Current instalments due on finance leases	453
Corporation tax	1,066
Other taxes and social security costs	121
Proposed dividends	647
Deferred income	378
	5,967

13 Creditors

Amounts falling due after more than one year

	£000
Due under finance leases	3,260
Bank loan — wholly repayable within 5 years (unsecured)	1,600
	4,860

The bank loan matches the allocation granted by the Department of Transport for capital expenditure in 1987/88.

14 Land Compensation Act

The company is required to pay in relation to major developments, compensation to property owners under the terms of the Land Compensation Act 1973. Persons claiming must apply by 3 April 1991.

	1988 £000
Liability assumed at 1 April 1987	1,587
Provided during the period	200
Payments during the period	(808)
At 31 March 1988	**979**

15 Share capital

	Authorised Number	Allotted, called up and fully paid 1988 £
Ordinary shares of £1 each	2,641,800	2,641,800
6¾% Cumulative preference shares of £1 each	5,283,600	5,283,600
	7,925,400	**7,925,400**

During the period two £1 Ordinary subscriber shares were issued fully paid for cash. These were surrendered when the entire authorised share capital was issued on 1 April 1987 in order to finance the acquisition of the operation and net assets of Birmingham International Airport. The total consideration for the shares was £54,759,000 including £850,000 cash.

16 Share premium account

	£000
On issue of shares during the period	**46,834**

NOTES TO THE ACCOUNTS

17 Capital reserve

	£000 1987
Amount arising on the acquisition of the Airport, being the difference between the consideration and the fair value of the net assets acquired.	
Assets acquired	
Fixed assets	55,730
Stocks	231
Land Compensation Act provision	(1,575)
Lease finance	(3,154)
Capital creditor	(762)
Cash	850
	60,317
Consideration	58,759
Capital reserve arising	25,565

The consideration figure was calculated in accordance with the transfer scheme rules laid down by the Department of Transport, and was based upon the District Valuer's valuation less the benefit of capital grants received by previous owning authorities.

18 Capital development reserve

	£000
Appropriation during period	250

The company considers it appropriate to retain reserves within the business to provide funds for the replacement of its essential assets in a highly capital intensive business.

19 Capital commitments

	£000
Amounts contracted but not provided for in the accounts	870
Amounts authorised by the directors but not contracted	4,138

20 Lease commitments

	£000
(a) Finance lease commitments	
Amounts payable:	
Within one year	453
In the second to fifth years inclusive	1,749
After five years	1,511
	3,713
(b) Non-cancellable operating leases	
Commitments under leases which expire in the second to fifth years inclusive	115

21 Contingent liabilities

The company operates noise insulation grant schemes for domestic dwellings within defined areas around the airport. Persons claiming under the current schemes must complete the insulation work before 10 August 1990. The company estimates that the future contingent liability under the scheme amounts to approximately £300,000.

22 Pension commitments

The company operates a contributory pension scheme for permanent employees. The scheme is the West Midlands Metropolitan Authorities Superannuation Fund and is administered by Wolverhampton MBC. The scheme is operated in accordance with the regulations of the Local Government Superannuation Scheme under the Local Government Superannuation Act 1972. The company is in the process of finalising legal agreements for admission to the scheme.

Crown Way Cardiff CF14 3UZ
www.companieshouse.gov.uk

NOTICE OF ILLEGIBLE DOCUMENTS

Companies House regrets that documents in this company's microfiche record have pages which are illegible.

This has been noted but unfortunately steps taken to rectify this were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.