

REPORT AND ACCOUNTS
Birmingham International Airport Limited

31 MARCH 2000



BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS

as at 20 July 2000

DIRECTORS

J L Hudson
Chairman

A R Burgess
E Foley
N Hanlon
F S Hunt
M J Kelly
G E Richards
B Summers
M Wells

NOMINEES

S Wood
J Burke
A S Lewis
J Polychronakis
D Hepburn

EXECUTIVE MANAGEMENT TEAM

Brian Summers
Managing Director
Michael Joseph Kelly
Finance Director
Robert Hilliard
Operations Director
Peter Vella
Director of Business Development
Richard Lambert
Head of Planning and Development
Elaine Clarke
Head of Personnel
Richard Holt
Head of Strategy
David Hepburn
Aer Rianta cpt
Michael Upton
Aer Rianta International

AUDITORS

Ernst & Young
One Colmore Row,
Birmingham B3 2DB

BANKERS

National Westminster Bank Plc
103 Colmore Row, Birmingham B3 3NR

SOLICITORS

Eversheds
115 Colmore Row, Birmingham B3 3AL

Registered No 2078273

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2000.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £17.328 million. This enabled a dividend on the Ordinary Shares to be paid during the year of £12.946 million resulting in a retained profit for the year of £4.382 million. However after taking account of retained profits brought forward of £2.220 million retained profit carried forward totalled £6.602 million.

PRINCIPAL ACTIVITY

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

POST BALANCE SHEET EVENTS

On 19 April 2000, the Company increased its share holding in First Castle Developments Limited from 501,000 shares (100% of issued share capital) to 1,151,000 shares (100% of issued share capital). The additional 650,000 shares of £1 each were allotted to the Company at par, the consideration for which was the application of £650,000 owing by First Castle Developments Limited to the Company.

FUTURE DEVELOPMENTS

Following the granting of Outline Planning Consent on 4 July 1996, the Company has applied for detailed Planning Consents to enable the phases of development to take place, including Terminal Buildings, extension of aprons and taxiways, the provision of an improved road and public transport infrastructure and major environmental works, including an earth noise barrier and a major drainage scheme.

The Terminal development works began in September 1997 with the first package of works, which was substantially completed at the end of May 1998. The second package of works commenced in September 1998 and was completed in March 2000. Construction of an additional 1,800 space multi-storey car park began in March 2000 to serve parking demand from summer 2001. Initial studies are beginning into the next phase of Terminal works, to begin in 2001 as the Third Package of works.

YEAR 2000

As is well known, many computer and digital storage systems only express dates using the last two digits of the year. As a result, many systems required modification or replacement prior to 31 December 1999 to accommodate the Year 2000 and beyond, in order to avoid malfunctions and resulting widespread commercial disruption.

Now that the key date has passed, we have experienced no noticeable effects on our systems to date. We will continue to closely monitor the situation allowing us to act on any occurrences in the most timely manner possible.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows

A R Burgess
E Foley (Appointed 21 July 1999)
N Hanlon
J L Hudson
F S Hunt
M P Corser (Resigned 7 June 2000)
M J Kelly
G E Richards (Appointed 7 June 2000)
B Summers
M Wells

Nominees

K Allport (Ceased as Nominee 16 December 1999)
J Burke
D Hepburn (Appointed Nominee 21 July 1999)
A S Lewis
J Polychronakis
M Upton (Ceased as Nominee 21 July 1999)
S Wood (Appointed Nominee 26 January 2000)

J L Hudson, the Chairman holds 1 special (non-participating) voting share in Birmingham Airport Holdings Limited.

No other director holds any interest in the share capital of the Company or any of its subsidiaries or Birmingham Airport Holdings Limited.

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PERSONS

The Company continues to review its recruitment, selection and development and promotion policies to provide equal opportunities irrespective of gender, race, age or marital status. It is also the Company's policy to give full and fair consideration to applications for employment made by disabled persons. As holders of the ✓✓ disability symbol the Group has demonstrated its commitment both in recruitment and retention of disabled people. If existing employees become disabled every effort is made to ensure their continued employment.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

DIRECTORS' REPORT

EMPLOYEE CONTRIBUTION

A key performance measure of the Company's effectiveness in achieving its business objectives is the contribution to be made by its employees. The Company seeks to harness the skills and expertise of its entire workforce through the development and involvement of all employees in the continuous improvement of service standards and operating efficiency.

In July 1999, the Company was awarded Investors In People in recognition of the commitment to employee development.

The Company also commissioned an all Employee Opinion Survey that was carried out by an independent market research company in December 1999. The results of the survey highlighted high levels of employee satisfaction in the organisation.

SUPPLIER PAYMENT POLICY

Although the Company does not publish a formal code on payment practice, it remains the Company's policy to agree terms of payment with suppliers in advance to ensure that they are made fully aware of our payment procedure. All payments are made under the agreed terms wherever possible.

The average Creditor Days in the year was 11 days.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the Company made charitable contributions totalling £70,477. No contributions have been made for political purposes.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and an elective resolution in accordance with Section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually was passed on 24 September 1997 and accordingly Ernst & Young shall be deemed re-appointed as auditors.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'C.J.C. Westwood', is written over a circular stamp. The signature is fluid and cursive.

C.J.C. WESTWOOD
Company Secretary

20 July 2000

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

These accounts have been prepared to give a true and fair view of the state of affairs of the Company at 31 March 2000 and of the profit of the Company for the year then ended in accordance with Company Law.

In preparing these accounts the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

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

We have audited the accounts on pages 7 to 25, which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 9 and 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 6 the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and other information and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

BASIS OF OPINIONS

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

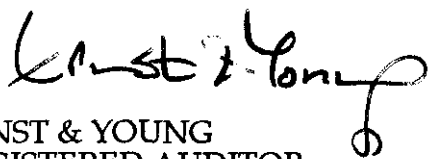
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

OPINION ON THE ACCOUNTS

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

OTHER OPINION

In our opinion, the Economic Regulation Statement (page 26) presents fairly the information set forth thereon and is in accordance with the requirements of the Accounts Conditions issued by the Civil Aviation Authority under Section 41 (i) of the Airports Act 1986.



ERNST & YOUNG
REGISTERED AUDITOR
BIRMINGHAM

20 July 2000

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2000

| | Notes | 2000 £000 | 1999 £000 |
|--|-------|----------------|---------------|
| TURNOVER | 2 | 75,907 | 74,557 |
| Operating costs | | 54,174 | 52,133 |
| OPERATING PROFIT | 3 | 21,733 | 22,424 |
| Dividend receivable | | 904 | 1,067 |
| Interest receivable | | 596 | 467 |
| Interest payable | 6 | (1,705) | (749) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 21,528 | 23,209 |
| Tax on profit on ordinary activities | 7 | 4,200 | 6,516 |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 17,328 | 16,693 |
| Dividends on equity shares | 8 | 12,946 | 16,081 |
| RETAINED PROFIT FOR THE YEAR | 20 | 4,382 | 612 |
| PROFIT & LOSS ACCOUNT BALANCE AT 1 APRIL | | 2,220 | 1,608 |
| PROFIT & LOSS ACCOUNT BALANCE AT 31 MARCH | | 6,602 | 2,220 |
| | | ===== | ===== |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no other recognised gains and losses other than the profit for the years ended 31 March 2000 and 31 March 1999 as set out above.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

BALANCE SHEET At 31 March 2000

| | Notes | 2000 £000 | 1999 £000 |
|---|-------|----------------|----------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 172,339 | 138,300 |
| Investments | 10 | 10,917 | 10,819 |
| CURRENT ASSETS | | | |
| Stocks | 11 | 432 | 447 |
| Short term assets | 12 | 24 | 48 |
| Debtors | 13 | 16,737 | 12,589 |
| Cash at bank and in hand | | 2,046 | 3,224 |
| | | 19,239 | 16,308 |
| CREDITORS | | | |
| Amounts falling due within one year | 14 | 26,560 | 20,435 |
| NET CURRENT LIABILITIES | | (7,321) | (4,127) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 175,935 | 144,992 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 15 | 71,648 | 45,494 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 17 | 4,633 | 4,226 |
| | | 99,654 | 95,272 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 37,337 | 37,337 |
| Special reserve | 20 | 27,522 | 27,522 |
| Capital reserve | 20 | 28,193 | 28,193 |
| Profit and loss account | 20 | 6,602 | 2,220 |
| SHAREHOLDERS FUNDS - Equity | 18 | 99,654 | 95,272 |

B Summers
Director

J L Hudson
Chairman

20 July 2000

The notes on page 11 to 26 form part of these accounts

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS **At 31 March 2000**

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention, as modified to include the revaluation of fixed assets, and in accordance with applicable accounting standards.

BASIS OF PREPARATION

The company has exercised its right as a subsidiary undertaking of Birmingham Airport Holdings Limited to exemption from the obligation to provide a consolidated profit and loss account dealing with the profit and loss of Birmingham International Airport Limited and its subsidiary and associated undertakings, a consolidated Balance Sheet and a statement of cashflows within its accounts under section 228 of the Company's Act. The financial statements therefore present information about the Company as an individual undertaking and not its group.

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. The principal useful lives are as follows:

| | |
|---------------------|-------------------------|
| Buildings | between 5 and 60 years |
| Runways and aprons | between 10 and 60 years |
| Plant and equipment | between 2 and 25 years |
| Motor vehicles | between 4 and 10 years |

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.

CAPITALISATION OF INTEREST

Interest on loans obtained to finance capital projects is capitalised subject to valuation exceeding cost. Once projects have been commissioned no further interest is capitalised.

EUROPEAN REGIONAL DEVELOPMENT FUND GRANTS

European Regional Development Fund grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2000

STOCKS

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

DEFERRED TAXATION

The requirement for a provision for deferred taxation is assessed, using the liability method, on all timing differences to the extent that they are expected to reverse in the foreseeable future, calculated at the rate at which it is estimated that tax will be payable.

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.

LEASING COMMITMENTS

Assets obtained under finance lease contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet and are depreciated over the shorter of the primary lease period or their useful lives. The interest element of such contracts is charged to the profit and loss account over the period of the lease in proportion to the outstanding balance of repayments.

Rentals paid under operating leases are charged to income on a straight line basis over the lease period.

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

PENSIONS

The Company operates a defined benefit pension scheme which requires contributions to be made to a separately administered fund. Contributions to the fund are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Company.

Variations in pension costs arising from mandatory changes in terms of employment from those normally applying are amortised over the expected remaining service lives of the members affected.

Additional pension supplements arising in respect of employees taking early retirement are charged in the year in which they retire. The resulting provision will be utilised over the remaining pensionable lives.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2000

2. TURNOVER

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

| | 2000 £000 | 1999 £000 |
|--|---------------|---------------|
| Gross aeronautical income | 55,061 | 49,729 |
| Less: collected on behalf of Euro-Hub (Birmingham) Limited | 6,408 | 6,160 |
| Net aeronautical income | 48,653 | 43,569 |
| Commercial income and recharges | 27,254 | 30,988 |
| | <u>75,907</u> | <u>74,557</u> |

3. OPERATING PROFIT

| | 2000 £000 | 1999 £000 |
|--|--------------|--------------|
| The operating profit for the period is stated after charging/(crediting) | | |
| Auditors' remuneration | | |
| Audit services | 34 | 34 |
| Non-audit services | 106 | 59 |
| Depreciation | | |
| Owned assets | 8,192 | 6,793 |
| Assets held under finance leases | 112 | 262 |
| European Regional Development Fund grants | (88) | (88) |
| Operating lease rentals | | |
| Plant and equipment | 160 | 163 |
| Rents | (3,209) | (3,111) |
| Concessions | (15,312) | (19,233) |
| Loss on disposal of fixed assets | 1,113 | 1,878 |

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2000

4. DIRECTORS' EMOLUMENTS

2000

£000

1999

£000

Emoluments (excluding pension contributions)

219

211

Retirement benefits are accruing to 2 Directors (31/3/99: 2) under a defined benefit pension scheme.

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

Total emoluments (excluding pension contributions)

116

115

The amount of accrued pension for defined benefit pension scheme

57

52

The Managing Director has in excess of thirty seven years qualifying service in the defined benefit scheme.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2000

| 5. STAFF COSTS | 2000 £000 | 1999 £000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 16,222 | 15,344 |
| Social security costs | 1,119 | 1,064 |
| Other pension costs | 1,732 | 1,139 |
| | <u>19,073</u> | <u>17,547</u> |

Other pension costs include a net charge of £456,000 (31/3/99: £159,000) comprising of additional pension supplements arising in respect of employees taking early retirement and the impact of the latest Pension Scheme update.

The average weekly number of employees during the period comprised.

| | 2000 Number | 1999 Number |
|-------------------------|----------------|----------------|
| Operations and security | 315 | 300 |
| Engineering | 77 | 77 |
| Terminal services | 130 | 107 |
| Support services | 145 | 146 |
| | <u>667</u> | <u>630</u> |

| 6. INTEREST PAYABLE | 2000 £000 | 1999 £000 |
|---------------------------|--------------|--------------|
| Bank loans and overdrafts | - | 1 |
| Other interest | 355 | 337 |
| Finance lease interest | 107 | 22 |
| Inter-group | 2,937 | 1,327 |
| Capitalised Interest | (1,694) | (938) |
| | <u>1,705</u> | <u>749</u> |

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2000

| 7. TAX ON PROFIT ON ORDINARY ACTIVITIES | 2000 £000 | 1999 £000 |
|--|--------------|--------------|
| Corporation Tax | 5,328 | 6,180 |
| Group relief (receivable)/ payable | (728) | 736 |
| | 4,600 | 6,916 |
| Less corporation tax over provided in previous years | (400) | (400) |
| | 4,200 | 6,516 |
| | ===== | ===== |

The Company is a member of a Group and as such has taken account of available relief for which full payment is made.

| 8. DIVIDENDS | 2000 £000 | 1999 £000 |
|---|--------------|--------------|
| Equity- Interim paid at 22.93p per share (1999:25.4p per share) | 8,564 | 9,489 |
| - Dividend 1 accrued at 11.74p per share (1999:16.0p per share) | 4,382 | 5,979 |
| - Dividend 2 paid at 0p per share (1999:1.64p per share) | - | 613 |
| | 12,946 | 16,081 |
| | ===== | ===== |

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2000

9. TANGIBLE FIXED ASSETS

| | Land and Buildings Freehold £000 | Long Leasehold £000 | Plant and Equipment £000 | Assets in the Course of Construction £000 | Total £000 |
|--------------------------|--|---------------------------|--------------------------------|--|----------------|
| COST OR VALUATION | | | | | |
| At 1 April 1999 | 133,584 | 300 | 36,352 | 33,869 | 204,105 |
| Interest Capitalised | - | - | - | 1,694 | 1,694 |
| Additions | 6,864 | - | 3,056 | 31,844 | 41,764 |
| WIP Capitalised | 19,349 | - | 6,212 | (25,561) | - |
| Disposals | (1,479) | - | (1,084) | - | (2,563) |
| At 31 March 2000 | 158,318 | 300 | 44,536 | 41,846 | 245,000 |
| DEPRECIATION | | | | | |
| At 1 April 1999 | 42,428 | 159 | 23,218 | - | 65,805 |
| Provided during the year | 4,589 | 32 | 3,683 | - | 8,304 |
| Disposals | (410) | - | (1,038) | - | (1,448) |
| At 31 March 2000 | 46,607 | 191 | 25,863 | - | 72,661 |
| NET BOOK VALUE | | | | | |
| At 31 March 2000 | 111,711 | 109 | 18,673 | 41,846 | 172,339 |
| At 31 March 1999 | 91,156 | 141 | 13,134 | 33,869 | 138,300 |

A cumulative amount of £2.988 million (31/3/99: £1.294 million) relating to capitalised interest is included within the cost of fixed assets. Interest capitalised during the year amounted to £1.694 million (31/3/99: £0.938 million) at a capitalisation rate between 5.95% and 6.76% (31/3/99: 7.84%).

Included within total disposals at cost of £2.563 million (31/3/99: £5.255 million) is £2.284 million (31/3/99: £5.255 million) relating to assets demolished in the course of upgrading terminal facilities in the year. It is the Company's policy that where a tangible fixed asset is to be demolished, the disposals charge for that asset will be calculated using a remaining useful life based on the period between the date of the decision of the Company to demolish and the forecast date when demolition will take place.

Included in land and buildings is land at a cost of £20.756 million (31/3/99: £20.756 million) which is not depreciated.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2000

9. TANGIBLE FIXED ASSETS (CONTINUED)

The gross value of assets held under finance leases was £12.668 million (31/3/99: £4.139 million) of which £7.654 million (31/3/99: NIL) relates to buildings, £1.373 million (31/3/99: £1.373 million) relates to taxiways and £3.641 million (31/3/99: £2.766 million) relates to plant and equipment. The accumulated depreciation was £3.712 million (31/3/99: £3.472 million) of which £0.879 million (31/3/99: £0.824 million) relates to taxiways and £2.833 million (31/3/99: £2.648 million) relates to plant and equipment. The buildings element of the above was held in WIP at year end and no depreciation was provided.

Certain land and buildings were revalued on 31 October 1996 based on a Director's valuation after taking advice from Richard Ellis, Commercial Property Consultants. The basis of valuation was depreciated replacement cost, this being considered the most appropriate basis for the Company's assets.

On the historical basis, revalued buildings would have been included as follows:

| | 31/3/00 £000 | 31/3/99 £000 |
|---------------------------------------|-----------------|-----------------|
| Cost | 51,719 | 53,103 |
| Cumulative depreciation based on cost | (33,614) | (33,814) |
| Historic net book value | 18,105 ===== | 19,289 ===== |

The net book value of land and buildings comprises:

| | 31/3/00 £000 | 31/3/99 £000 |
|--------------------------------|------------------|-----------------|
| At valuation (revalued assets) | 20,690 | 23,432 |
| At cost (non-revalued assets) | 91,130 | 67,718 |
| | 111,820 ===== | 91,150 ===== |

In accordance with FRS15, the company intends to revalue certain classes of assets on an ongoing basis. The next external valuation will be undertaken in the year to 31 March 2001.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2000

10. INVESTMENTS

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

All held by the Company.

| Name Of Company | Country of Incorporation | Holding | Proportion Held | Year End | Nature of Business |
|--|--------------------------|-----------------|-----------------|----------|-------------------------------------|
| SUBSIDIARY UNDERTAKINGS | | | | | |
| First Castle Developments Limited. | England | Ordinary Shares | 100% | 31/3/00 | Investment Property Holding Company |
| Birmingham Airport Developments Limited. | England | Ordinary Shares | 100% | 5/4/00 | Site Development |

ASSOCIATED UNDERTAKINGS

| | | | | | |
|---|---------|--------------------------------------|--------------|---------|---|
| Airline Maintenance Birmingham Limited. | England | Ordinary Shares | 50% | 31/3/00 | Consultancy for Aircraft Maintenance Facilities |
| Euro-Hub (Birmingham) Limited. | England | Ordinary Shares Preference Shares | 25% 28.5% | 31/3/00 | Terminal Building Operation |

COMPANY

| | Subsidiary Undertakings £000 | Associated Undertakings £000 | Total £000 |
|-----------------------------------|---------------------------------|---------------------------------|---------------|
| Cost | | | |
| Share capital | 819 | 6,025 | 6,844 |
| Loans | 4,255 | 5 | 4,260 |
| At 1 April 1999 | 5,074 | 6,030 | 11,104 |
| New Loans | 98 | 0 | 98 |
| At 31 March 2000 | 5,172 | 6,030 | 11,202 |
| Provisions | | | |
| At 1 April 1999 and 31 March 2000 | 281 | 4 | 285 |
| Investment at 1 April 1999 | 4,793 | 6,026 | 10,819 |
| Investment at 31 March 2000 | 4,891 | 6,026 | 10,917 |

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2000

11. STOCK

| | 2000 £000 | 1999 £000 |
|-------------|--------------|--------------|
| Consumables | 432 | 447 |

12. SHORT TERM ASSETS

Plant and equipment formerly utilised for the provision of Airport ground handling services that are held for sale in the financial year 2000/01. The diminution in value of £24,000 during the year is recognised in operating costs.

13. DEBTORS

| | 2000 £000 | 1999 £000 |
|--------------------------------|--------------|--------------|
| Trade debtors | 4,365 | 5,118 |
| Intergroup debtors | 307 | 846 |
| Other debtors | 8,201 | 712 |
| Prepayments and accrued income | 3,104 | 5,110 |
| Corporation Tax debtor | 760 | 760 |
| Dividend debtor | - | 43 |
| | 16,737 | 12,589 |

14. CREDITORS: amounts falling due within one year

| | 2000 £000 | 1999 £000 |
|--|--------------|--------------|
| Obligations under finance leases (Note 16) | 206 | 236 |
| Trade creditors | 1,330 | 1,102 |
| Corporation tax | 2,732 | 2,713 |
| Other taxes and social security costs | 366 | 370 |
| Deferred income | 1,017 | 718 |
| European Regional Development Fund grants | 121 | 121 |
| Accruals | 15,716 | 13,893 |
| Inter-group creditor | 690 | 669 |
| Accrued dividends | 4,382 | 613 |
| | 26,560 | 20,435 |

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2000

15. CREDITORS: amounts falling due after more than one year

| | 2000 £000 | 1999 £000 |
|--|---------------|---------------|
| Obligations under finance leases (Note 16) | 976 | 1,255 |
| Net premium arising on lease and leaseback (Note 26) | 2,800 | 2,645 |
| Deferred income | 888 | 912 |
| European Regional Development Fund grants | 1,065 | 793 |
| Inter-group loan | 65,919 | 39,889 |
| | <u>71,648</u> | <u>45,494</u> |

The inter-group loan is unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. However in practice this balance represents a long term advance and is unlikely to be repaid within one year. The interest payable is based on a rate composed of the current base rate plus 1%.

16. OBLIGATIONS UNDER LEASE CONTRACTS

| | 2000 £000 | 1999 £000 |
|---|--------------|--------------|
| a. Finance lease obligations | | |
| Amounts payable | | |
| Within one year | 206 | 236 |
| In the second to fifth years inclusive | 723 | 975 |
| After five years | 253 | 280 |
| | <u>1,182</u> | <u>1,491</u> |
| b. Non-cancellable operating leases (all plant and equipment) | | |
| Annual commitments under leases which expire | | |
| Within one year | 31 | 18 |
| In the second to fifth years inclusive | 67 | 78 |
| | <u>98</u> | <u>96</u> |

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2000

17. PROVISIONS FOR LIABILITIES AND CHARGES

| | Development Related £000 | Pensions £000 | Total £000 |
|--------------------------|--------------------------------|------------------|---------------|
| At 1 April 1999 | 2,798 | 1,428 | 4,226 |
| Provided during the year | 836 | 456 | 1,292 |
| Reduced during the year | (379) | - | (379) |
| Utilised during the year | (276) | (230) | (506) |
| At 31 March 2000 | 2,979 | 1,654 | 4,633 |

Development Related Provisions

The company is fully committed to a positive environmental policy. The policy includes for the provision of a defined noise insulation scheme, financial penalties to support night flying restrictions, and provisions for payments under the Land Compensation Act 1973. Provisions are made in line with foreseen liabilities. The future liability for the next twelve months for the Noise Insulation scheme is estimated at £250,000 (31/3/99: £250,000).

Pensions

The provision is related to the unfunded element of pensions to cover the variations in pension costs arising from mandatory changes in terms of employment from those normally applying and additional pension supplements arising in respect of employees taking early retirement.

It also includes a provision of £95,000 (31/3/99: NIL) as a result of the latest Pension Scheme update prior to the full actuarial valuation in October 2000. This reflects lower rates of return being used by the Actuaries in determining future funding requirements (Note 24).

Deferred Taxation

Deferred taxation not provided is as follows

| | Provided 2000 £000 | Provided 1999 £000 | Unprovided 2000 £000 | Unprovided 1999 £000 |
|---|--------------------------|--------------------------|----------------------------|----------------------------|
| Capital allowances in advance of depreciation | - | 633 | 1,424 | 2,326 |
| Other timing differences | - | (633) | - | - |
| | - | - | 1,424 | 2,326 |

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2000

18. RECONCILIATION OF SHAREHOLDERS' FUNDS

| | 2000 £000 | 1999 £000 |
|---------------------|--------------|--------------|
| At 1 April | 95,272 | 94,660 |
| Profit for the year | 17,328 | 16,693 |
| Dividends (Note 8) | (12,946) | (16,081) |
| At 31 March | 99,654 | 95,272 |

19. SHARE CAPITAL

| | 2000 £000 | 1999 £000 |
|---|--------------|--------------|
| Authorised ordinary shares of £1 each | 38,000 | 38,000 |
| Allotted, called up and fully paid ordinary shares of £1 each | 37,337 | 37,337 |

20. RESERVES

| | Capital Reserve £000 | Special Reserve £000 | Profit & Loss Account £000 |
|------------------------------|----------------------------|----------------------------|-------------------------------------|
| At 1 April 1998 | 28,193 | 27,522 | 1,608 |
| Retained profit for the year | - | - | 612 |
| At 31 March 1999 | 28,193 | 27,522 | 2,220 |
| Retained profit for the year | - | - | 4,382 |
| At 31 March 2000 | 28,193 | 27,522 | 6,602 |

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2000

21. CAPITAL COMMITMENTS

| | 2000 £000 | 1999 £000 |
|---|--------------|--------------|
| Amounts contracted but not provided for in the accounts | 3,648 | 31,339 |

22. POST BALANCE SHEET EVENTS

On 19 April 2000, the Company increased its share holding in First Castle Developments Limited from 501,000 shares (100% of issued share capital) to 1,151,000 shares (100% of issued share capital). The additional 650,000 shares of £1 each were allotted to the Company at par, the consideration for which was the application of £650,000 owing by First Castle Developments Limited to the Company.

23. CONTINGENT LIABILITIES

Under the terms of the Section 106 Agreement entered into between the Company and the planning authority, certain obligations on the Company arose upon the commencement of development works. The total cost of implementing the obligations made under the terms of the S106 agreement over the next ten years is estimated to be a maximum of £26 million, of which £1.589 million has been provided or expensed to date

On 26 March 1997 the Company, along with other group members of Birmingham Airport Holdings Limited, provided Guarantees to a syndicate of banks led by HSBC Investment Bank plc in support of a £108 million facility made available to Birmingham Airport Holdings Limited, and the trustees for the employee share scheme in Birmingham Airport Holdings Limited, Maurant & Co Trustees Limited. At the date of signing these accounts, the total amount outstanding under the facility was £66.75 million.

24. PENSION COMMITMENTS

The Company operates a defined benefit funded pension scheme for permanent employees which is funded by the payment of contributions to a separately administered trust fund.

The pension cost is determined with the advice of an independent qualified actuary on the basis of a triennial valuation using the projected unit credit method. The most recent actuarial valuation was at 31 October 1997. At the request of the directors the Scheme Actuary has performed an Annual Funding Update to 31 October 1999. The principal methods and assumptions used and the results of the valuation and update are set out overleaf:

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS At 31 March 2000

24. PENSION COMMITMENTS (CONTINUED)

| | Valuation (31 October 1997) Projected Unit/ Attained Age | Update (31 October 1999) Projected Unit/ Attained Age |
|---|---|--|
| Valuation method | | |
| Employer's regular pension cost | 10.1% | 13.8% |
| Investment rate of return: | | |
| - prior to retirement | 7.7% | 6.6% |
| - after retirement | 6.7% | 5.1% |
| Future increases in salaries | 4.4% | 4.0% |
| Increases in pensions (bulk of membership) | 3.4% | 3.0% |
| Market value of assets | £23.1m | £33.4m |
| Level of funding (actuarial value of assets as a percentage of accrued service liabilities) | 126% | 110% |

The update identified a continuing excess of assets over liabilities supporting the continuation of Company Pension contributions at the current rate of 10.1% until the next valuation. However, in accordance with SSAP24, the Company has made a provision of £95,000 (31/3/99: NIL) in its accounts in recognition of the indicated longer term funding requirements.

25. ULTIMATE PARENT UNDERTAKING

The Company is a subsidiary of Birmingham Airport Holdings Limited, a Company incorporated in England. It has included the company in its group accounts copies of which are available from its registered office; Birmingham International Airport, Birmingham B26 3QJ. For the year ended 31 March 2000, Birmingham Airport Holdings Limited has produced group accounts.

26. TRANSACTIONS WITH RELATED PARTIES

The following entities conducted transactions with Birmingham International Airport Limited ("BIA") during the year ended 31 March 2000, and were considered related parties as defined by FRS 8, Related Party Transactions. The Company has taken advantage of the exemption in FRS 8, Related Party Transactions, from disclosing the transactions with related parties between members of the Birmingham Airports Holdings Limited group of companies.

Euro-Hub (Birmingham) Limited

BIA collect income on behalf of Euro-Hub, as disclosed in Note 2.

West Midland District Councils

Birmingham City Council, Coventry City Council, Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council, Walsall Metropolitan Borough Council and Wolverhampton Metropolitan Borough are shareholders in the Parent undertaking.

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS

At 31 March 2000

26. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

In 1995 the Company entered into arms-length lease arrangements with Solihull Metropolitan Borough Council on behalf of the West Midlands District Councils, all of whom were shareholders in the Company at that time. Under such arrangements, the Company granted a 999 year lease over land and buildings situated at Birmingham International Airport in exchange for a total fair value premium of £100 million and a peppercorn rent. At the same time the shareholders granted the Company a 150 year lease over the same property for a total fair value premium of £96.5 million.

In accordance with the terms of SSAP 21 "Accounting for leases and hire purchase contracts", the net premium arising as adjusted for associated stamp duty and legal costs has been treated as a finance lease in the accounts of the Company and is disclosed at Note 15.

Under the lease arrangement, the Company will pay a basic rent of £200,000 p.a. until 31 March 2007. Such rent shall then be increased to £600,000 p.a. and subsequently index linked for the remaining lease period. In addition, a turnover based rent is payable after 31 March 2007, calculated as 0.4% of turnover less the basic rent paid in the period.

The total amount paid in 2000 was £200,000 (31/3/99: £200,000). The amount at the end of the year was £2,800,000 (31/3/99: £2,645,000), all of which is due after more than one year.

Birmingham International Airport Limited Pension Scheme

The Company entered into an arms length agreement with Birmingham International Airport Limited Pension Scheme to develop an office block for the Pension Scheme on the Airport site and then to lease the building from the Pension Scheme.

The Company granted the Pension Scheme a sub-lease on part of the site and acted as an agent for the Pension Scheme in the building of the new office block. Payments of £8,993,021 associated with the building are reimbursable by the Pension Scheme of which £8,087,343 remained outstanding at 31 March 2000.

On 15 March 2000, the Company entered into an arms length lease agreement with the Pension Scheme to lease the new office block. Under the lease, the Pension Scheme granted the Company a 10 year lease in exchange for a lease premium of £7,244,000 and an annual payment of £67,046.

In accordance with the SSAP21 "Accounting for leases and hire purchase contracts", the lease payments have been treated as a finance lease in the accounts of the Company and are disclosed in Note 16. The amount due at the end of the year was £409,635 (31/3/99: NIL).

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

NOTES TO THE ACCOUNTS **At 31 March 2000**

26. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Aer Rianta International cpt

Birmingham International Airport Limited has a contract with Aer Rianta International cpt for the latter to supply consultancy and support services to the Company. The fee payable for such services consists of both a fixed and a performance related element and amounted to £411,140 in the year (31/3/99: £569,800). The amount outstanding at the balance sheet date was £200,000 (31/3/99: £251,700).

BIRMINGHAM INTERNATIONAL AIRPORT LIMITED

ECONOMIC REGULATION STATEMENT

The Company is subject to economic regulation under the Airports Act 1986 which requires the Airport to hold permission from the Civil Aviation Authority to levy airport charges. From 1 April 1988, the operational activities are required to be allocated between airport charges levied in connection with the landing, parking and taking-off of aircraft (including passenger related charges) and other operational income.

This statement recognises the operations of Euro-Hub (Birmingham) Limited (EHB) as well as Birmingham International Airport Limited (BIA) as operators of Birmingham International Airport.

All revenue and costs arising from non-operational activities, such as items where the income is not primarily from airport users, is required to be shown as a separate category. The following have been quantified by means of apportioning the use of the Airport's accommodation and services.

Airport operational activities

| | BIA £000 | Elimination of Recharges * £000 | EHB £000 | Total £000 |
|-----------------|-------------|---------------------------------------|-------------|---------------|
| Airport Charges | | | | |
| Revenue | 48,653 | - | 6,408 | 55,061 |
| Costs | (41,305) | - | (3,621) | (44,926) |
| | 7,348 | - | 2,787 | 10,135 |
| Other Income | | | | |
| Revenue | 27,254 | (4,112) | 7,787 | 30,929 |
| Costs | (12,869) | 4,112 | (4,402) | (13,159) |
| | 14,385 | - | 3,385 | 17,770 |

Non operational activities

The Companies have no such activities under the Act.

| | | | | |
|-------------------------------|--------|-------|-------|--------|
| Operating profit for the year | 21,733 | - | 6,172 | 27,905 |
| | ===== | ===== | ===== | ===== |

The Company received no preferential treatment or financial support from any associated person or organisation during the period.

*Birmingham International Airport Limited recharges Euro-Hub (Birmingham) Limited for costs incurred on its behalf.