

REPORT AND ACCOUNTS
Birmingham Airport (Finance) PLC

31 MARCH 2002



Birmingham Airport (Finance) PLC

REGISTERED NUMBER: 4061664

DIRECTORS

J L Hudson
G E Richards
M Sweeney
B Summers

ALTERNATES

M J Kelly
M Upton
M Wells

SECRETARY

C J C Westwood

AUDITORS

Ernst & Young LLP
One Colmore Row
Birmingham
B3 2DB

BANKERS

National Westminster Bank plc
PO Box 4641
103 Colmore Row
Birmingham
B3 3NR

SOLICITORS

Eversheds
115 Colmore Row
Birmingham
B3 3AL

REGISTERED OFFICE

Diamond House
Birmingham International Airport
Birmingham
West Midlands
B26 3QJ

Birmingham Airport (Finance) PLC

DIRECTORS' REPORT

The directors present their report and audited accounts for the year ending 31 March 2002.

INCORPORATION AND PERIOD OF PREPARATION

The Company was incorporated on 30 August 2000 as a public limited company and changed its name from Hackplimco (No. Ninety-Three) plc to Birmingham Airport (Finance) PLC on the 18 January 2001. The Company commenced trading on the 1 February 2001. These accounts have been prepared for the year 1 April 2001 to 31 March 2002 and the prior period comparatives for the period 30 August 2000 to 31 March 2001.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £200,000 (2001: £18,000). No dividends have been paid or accrued in the year (2001: nil) resulting in a retained profit for the year of £200,000.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

From the commencement of trading on the 1 February 2001, the principal activity of the Company has been the provision of financing facilities to Birmingham Airport Holdings Limited (the ultimate holding company of Birmingham Airport (Finance) PLC). During the previous year, the Company issued a 20 year, £105 million corporate bond, the net proceeds of which have been lent to Birmingham Airport Holdings Limited at a commercial rate of interest.

DIRECTORS AND THEIR INTERESTS

J L Hudson, Chairman
F S Hunt (Resigned 5 June 2002)
G E Richards (Appointed 5 June 2002)
M Sweeney
B Summers

Alternates


M J Kelly	(Alternate to B Summers)
G E Richards (Resigned 5 June 2002)	(Alternate to F S Hunt)
M Upton	(Alternate to M Sweeney)
M Wells (Appointed 5 June 2002)	(Alternate to G E Richards)

The Directors do not have any beneficial interest in the shares of the Company. Directors who are also Directors of the parent undertaking have any interest in shares in that Company disclosed in those accounts.

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the board


C J C Westwood
Secretary

17 July 2002

Birmingham Airport (Finance) PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial period which 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 those 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIRMINGHAM AIRPORT (FINANCE) PLC

We have audited the Company's financial statements for the year ended 31 March 2002 which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Birmingham

17 July 2002

Birmingham Airport (Finance) PLC

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2002

	Note	12 Months Ended 31 March 2002 £000	7 Months Ended 31 March 2001 £000
TURNOVER		-	-
Operating costs		(10)	(6)
OPERATING LOSS	3	(10)	(6)
Interest receivable	4	6,962	763
Interest payable	5	(6,663)	(735)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		289	22
Tax on profit on ordinary activities	7	(89)	(4)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	200	18

There are no other recognised gains and losses other than the profit for the year ended 31 March 2002 and the period ended 31 March 2001 as set out above.

Birmingham Airport (Finance) PLC

BALANCE SHEET

At 31 March 2002

	Note	2002		2001	
		£000	£000	£000	£000
CURRENT ASSETS					
Debtors	8	104,122		103,986	
Cash at bank and in hand		-		14	
		<u>104,122</u>		<u>104,000</u>	
CREDITORS:					
Amounts falling due within one year	9	<u>744</u>		<u>882</u>	
NET CURRENT ASSETS			103,378		103,118
CREDITORS:					
Amounts falling due after more than one year	10		103,110		103,050
			<u>268</u>		<u>68</u>
CAPITAL AND RESERVES					
Called up share capital	13		50		50
Profit and loss account	14		218		18
SHAREHOLDERS' FUNDS	14		<u>268</u>		<u>68</u>

J L Hudson
(Chairman)

B Summers
(Director)

17 July 2002

Birmingham Airport (Finance) PLC

NOTES TO THE ACCOUNTS

At 31 March 2002

1. ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention 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 requirement to provide a statement of cashflows within its accounts.

Debt Issue Costs

Debt issue costs are initially deducted from the carrying value of the related debt instrument and are subsequently charged to the profit and loss account over the term of the instrument at a constant rate on the carrying amount.

2. TURNOVER AND SEGMENTAL ANALYSIS

The Company has a single activity, that being the provision of financing facilities to Birmingham Airport Holdings Limited (ultimate parent undertaking). All activity is undertaken within the United Kingdom.

3. OPERATING LOSS

This is stated after charging:

	12 Months Ended 31 March 2002 £000	7 Months Ended 31 March 2001 £000
Auditors remuneration - audit services	5	5

4. INTEREST RECEIVABLE

All interest receivable in the year ended 31 March 2002 and the period ended 31 March 2001 was from the ultimate parent undertaking.

5. INTEREST PAYABLE

	12 Months Ended 31 March 2002 £000	7 Months Ended 31 March 2001 £000
Corporate Bond	6,663	735

Interest payable includes the amortisation of the debt issue costs and launch discount over the life of the debt.

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

No emoluments were paid to any directors of the Company (2001: nil). There are no employees of the Company (2001: nil).

Birmingham Airport (Finance) PLC

NOTES TO THE ACCOUNTS

At 31 March 2002

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	12 Months Ended 31 March 2002 £000	7 Months Ended 31 March 2001 £000
Corporation Tax – current year	87	4
Corporation Tax – adjustment in respect of previous period	2	-
	<u>89</u>	<u>4</u>

Factors affecting the tax charge for the period

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of Corporation Tax. The differences are explained below:

	12 Months Ended 31 March 2002 £000	7 Months Ended 31 March 2001 £000
Profit on ordinary activities before tax	289	22
Profit on ordinary activities at the standard rate of tax	87	6
Effect of:-		
Small companies rate relief	-	(2)
Adjustment in respect of previous period	2	-
	<u>89</u>	<u>4</u>

8. DEBTORS:

	2002 £000	2001 £000
Amounts owed by group undertakings	<u>104,122</u>	<u>103,986</u>

The inter-company loan is unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. However, in practice this balance represents a long term advance and is unlikely to be repaid within one year. The interest receivable is based on a rate composed of current interest rate payable plus 0.5 per cent.

9. CREDITORS: amounts falling due within one year

	2002 £000	2001 £000
Corporation Tax	51	4
Other creditors	693	878
	<u>744</u>	<u>882</u>

Birmingham Airport (Finance) PLC

NOTES TO THE ACCOUNTS

At 31 March 2002

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

	2002 £000	2001 £000
Loans (Note 11)	103,110	103,050

11. LOANS: amounts due at 31 March are as follows:

Amounts falling due:	2002 £000	2001 £000
In more than five years	105,000	105,000
Less: issue costs and discount	(1,890)	(1,950)
	103,110	103,050
Less: included in creditors- Amounts falling due within one year	-	-
Amount falling due after more than one year	103,110	103,050

Details of loans not wholly repayable within five years are as follows:

	2002 £000	2001 £000
Bonds repayable 2021 – original principal (1)	105,000	105,000
Less: issue costs and discount	(1,890)	(1,950)
	103,110	103,050

- (1) The bonds will mature, unless previously redeemed or purchased or cancelled, on 22 February 2021. Interest on the bonds is payable annually on 22 February at a fixed rate of 6.25 per cent on the par value. The bonds are listed on the London Stock Exchange. The bonds were issued at a discount of 1.102 per cent, which, if amortised into the cashflow, gives an interest rate of 6.349 per cent.

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise bonds, cash and intra-company loans. The main purpose of these financial instruments is to raise and provide finance for the parent's operations. The Company does not enter into any form of derivative financial instruments. As permitted by FRS 13 'Derivatives and Other Financial Instruments', the following information excludes all of the Company's short term debtors and creditors.

Funding

The Company's funding is provided by its £105,000,000, 6.25 per cent, guaranteed bond issue, due for redemption on 22 February 2021. This funding is used to provide financing to the parent undertaking via interest bearing inter-company loans. The Company has no other funding facilities.

Interest rate risk

The Company's borrowing is at a fixed interest rate of 6.25 per cent through its £105,000,000 sterling bond issue. This equates to a rate of 6.349 per cent if the launch discount of 1.102 per cent is amortised back into the cashflow. The Company charges an interest rate of 6.75 per cent on the surplus funds which it lends to its parent undertaking (Birmingham Airport Holdings Limited) via an inter-company loan account.

Birmingham Airport (Finance) PLC

NOTES TO THE ACCOUNTS

At 31 March 2002

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk profile of financial liabilities

Financial Liabilities	Fixed Rate £000	Floating Rate £000	Total £000
2002			
Sterling	105,000	0	105,000
2001			
Sterling	105,000	0	105,000

The above financial liabilities do not include a deduction for the un-amortised issues costs and discount of £1.890 million (2001: £1.950 million).

Fixed Rate Financial Liabilities

	Interest Rate %	Fixed Rate Period Years
2002		
Sterling	6.25%	19
2001		
Sterling	6.25%	20

Note 11 gives an aged analysis of financial liabilities.

Interest rate risk and profile of financial assets

	Floating Rate Financial Assets £000	Financial Assets On Which No Interest Is Earned £000	Total £000
2002			
Sterling	104,122	0	104,122
2001			
Sterling	103,986	14	104,000

Floating rate financial assets comprise cash lent to the parent undertaking (Birmingham Airport Holdings Limited) via an inter-company loan. The interest rate is set annually to cover the interest and other costs of the Company, and is currently 6.75 per cent. The financial assets on which no interest is earned comprise surplus cash balances and uncleared transactions.

Birmingham Airport (Finance) PLC

NOTES TO THE ACCOUNTS

At 31 March 2002

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial assets and financial liabilities

Set out below is a comparison of the book value and fair value of all the Company's financial assets and financial liabilities as at 31 March 2002.

	Book Value 2002 £000	Fair Value 2002 £000	Book Value 2001 £000	Fair Value 2001 £000
Inter-company loans	104,122	104,122	103,986	103,986
Cash	0	0	14	14
Bonds	(103,110)	(100,265)	(103,050)	(102,942)

Market value has been used to determine the fair value of the bonds.

13. SHARE CAPITAL

	2002 £000	2001 £000
Authorised:		
50,000 ordinary shares of £1 each	50	50
Allotted, called up and fully paid:		
50,000 ordinary shares of £1 each	50	50

14. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share Capital £000	Profit and Loss £000	Total £000
At 30 August 2000 (day of incorporation)	-	-	-
Share capital issued in period	50	-	50
Retained profit for the period	-	18	18
At 31 March 2001	50	18	68
Retained profit for year	-	200	200
At 31 March 2002	50	218	268

15. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Birmingham Airport Holdings Limited, a company registered in England & Wales. It has included the Company in its group accounts, copies of which are available from its registered office: Diamond House, Birmingham International Airport, Birmingham, West Midlands B26 3QJ.

16. 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.