

REPORT AND ACCOUNTS
Birmingham Airport (Finance) PLC

31 MARCH 2001



Birmingham Airport (Finance) PLC

Registered No. 4061664

DIRECTORS

J L Hudson
F S Hunt
M Sweeney
B Summers

ALTERNATES

M J Kelly
G E Richards
M Upton

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 period ending 31 March 2001.

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 period 30 August 2000 to 31 March 2001.

SHARE CAPITAL

Of the 50,000 shares authorised, two £1 ordinary shares were issued at par on incorporation. On the 30 January 2001, a further 49,998 ordinary £1 shares were issued at par, with payment having been made in two instalments of £0.25 and £0.75 in cash prior to the period end.

RESULTS AND DIVIDENDS

The profit for the period after taxation amounted to £18,000. No dividends have been paid or accrued in the period resulting in a retained profit for the period of £18,000.

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 this period, the company has 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.

FUTURE DEVELOPMENTS

The company will continue to act as a finance company for Birmingham Airport Holdings Limited.

Birmingham Airport (Finance) PLC

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows:

Hackwood Directors Limited	(Appointed First Director 30 August 2000, resigned 1 February 2001)
Hackwood Secretaries Limited	(Appointed First Director 30 August 2000, resigned 1 February 2001)
Hackwood Secretaries Limited	(Appointed First Secretary 30 August 2000, resigned 1 February 2001)
J L Hudson, Chairman	(Appointed Director 1 February 2001)
F S Hunt	(Appointed Director 1 February 2001)
M Sweeney	(Appointed Director 1 February 2001)
B Summers	(Appointed Director 1 February 2001)
C Westwood	(Appointed Secretary 1 February 2001)

Alternates

M J Kelly	(Alternate to B Summers, appointed 2 February 2001)
G E Richards	(Alternate to F S Hunt, appointed 2 February 2001)
M Upton	(Alternate to M Sweeney, appointed 2 February 2001)

No director held or holds any interest in the share capital of the Company.

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

Birmingham Airport (Finance) PLC

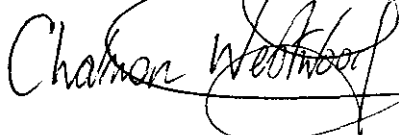
DIRECTORS' REPORT

AUDITORS

Ernst & Young have expressed their willingness to act as auditors and were appointed by a Board resolution approved on the 1 February, 2001.

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'Channon Westwood', is written over a horizontal line. The signature is stylized and cursive.

C J C Westwood
Secretary

18 July 2001

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.

Birmingham Airport (Finance) PLC

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

We have audited the accounts on pages 7 to 16, which have been prepared under the historical cost convention and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 5 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 AUDIT OPINION

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

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 March 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


ERNST & YOUNG LLP
REGISTERED AUDITOR
BIRMINGHAM

18 July 2001

Birmingham Airport (Finance) PLC

PROFIT AND LOSS ACCOUNT

For the period ended 31 March 2001

	<i>Note</i>	2001 £000
TURNOVER		-
Operating costs		(6)
NET OPERATING LOSS	3	(6)
Interest receivable	4	763
Interest payable	5	(735)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		22
Tax on profit on ordinary activities	7	(4)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		18
DIVIDENDS & APPROPRIATIONS	8	-
RETAINED PROFIT FOR THE PERIOD		18

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

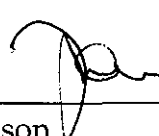
There are no other recognised gains and losses other than the profit for the period ended 31 March 2001 as set out above.

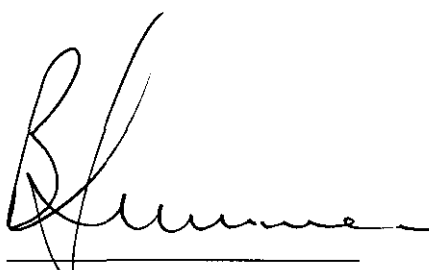
Birmingham Airport (Finance) PLC

BALANCE SHEET

At 31 March 2001

	<i>Note</i>	2001 £000	£000
CURRENT ASSETS:			
Debtors	9	103,986	
Cash at bank and in hand		14	
		<u>104,000</u>	
CREDITORS:			
Amounts falling due within one year	10	882	
		<u></u>	
NET CURRENT ASSETS			103,118
CREDITORS:			
Amounts falling due after more than one year	11		103,050
			<u></u>
NET ASSETS			68
CAPITAL AND RESERVES			
Called up share capital	14		50
Profit and loss account	15		18
			<u></u>
SHAREHOLDERS' FUNDS	15		68


J L Hudson
(Chairman)


B Summers
(Director)

18 July 2001

The notes on pages 9 to 16 form part of these accounts

Birmingham Airport (Finance) PLC

NOTES TO THE ACCOUNTS

At 31 March 2001

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 debt.

2. TURNOVER AND SEGMENTAL ANALYSIS

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

3. OPERATING LOSS

The operating loss for the period is stated after charging:

	2001 £000
Auditors' remuneration	
Audit services	5

4. INTEREST RECEIVABLE

All interest receivable in the period was from the parent company (Birmingham Airport Holdings Limited).

Birmingham Airport (Finance) PLC

NOTES TO THE ACCOUNTS

At 31 March 2001

5. INTEREST PAYABLE

	2001 £000
Loans	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.

There are no employees of the Company.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £000
Corporation Tax	4

8. DIVIDENDS & APPROPRIATIONS

No dividends have been paid or proposed in the period.

Birmingham Airport (Finance) PLC

NOTES TO THE ACCOUNTS

At 31 March 2001

9. DEBTORS:

	2001 £000
Inter-Company Loan	103,986
	<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.

10. CREDITORS: amounts falling due within one year

	2001 £000
Corporation Tax	4
Accruals	878
	<u>882</u>

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

	2001 £000
Loans (note 12)	103,050

Birmingham Airport (Finance) PLC

NOTES TO THE ACCOUNTS

At 31 March 2001

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

	2001 £000
Amounts falling due:	
In more than five years	105,000
Less: issue costs and discount	(1,950)
	103,050
Less: included in creditors	
Amounts falling due within one year	0
	103,050

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

	2001 £000
Bonds repayable 2021 - original principal (1)	105,000
Less: issue costs and discount	(1,950)
	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.

Birmingham Airport (Finance) PLC

NOTES TO THE ACCOUNTS

At 31 March 2001

13. 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 company 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 the parent (Birmingham Airport Holdings Limited) via an inter-company loan account.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the company as at 31 March 2001 were as follows:-

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

	Fixed Rate Financial Liabilities Interest Rate %	Period For Which Rate is Fixed Years
Sterling	6.25%	20

Note 12 gives an aged analysis of financial liabilities.

Birmingham Airport (Finance) PLC

NOTES TO THE ACCOUNTS

At 31 March 2001

Interest rate risk and profile of financial assets

The interest rate profile of the financial assets of the company as at 31 March 2001 were as follows:-

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

Floating rate financial assets comprise cash lent to the parent company (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.

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 2001.

	Book Value £000	Fair Value £000
Inter-company loans	103,986	103,986
Cash	14	14
Bonds	(103,050)	(102,942)

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

Birmingham Airport (Finance) PLC

NOTES TO THE ACCOUNTS

At 31 March 2001

14. SHARE CAPITAL

Authorised:

2001
£000

50,000 Ordinary shares of £1.00 each

50

50

Allotted, called up and fully paid:

2001
£000

50,000 Ordinary shares of £1.00 each

50

50

On incorporation on 30 August 2000 as a public limited company, two ordinary shares were issued at £1 each and on 30 January 2001, a further 49,998 ordinary shares were issued at £1 each, with payment having been made in cash in full.

Birmingham Airport (Finance) PLC

NOTES TO THE ACCOUNTS

At 31 March 2001

15. 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

16. ULTIMATE PARENT COMPANY

The ultimate parent company 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.

17. 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.