

# Report & Accounts 2006/2007



# 2006/07



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# Chairman's statement

John Hudson Chairman

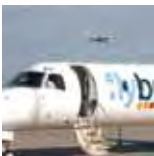


This year's report is tinged with great sadness as I have to open with reference to the sudden and tragic death of our Managing Director, Richard Heard, on 18 January 2007. I first met Richard when he joined the Airport Company as Development Projects Manager in 1998. From the start, he was a great contributor to the team and well received by all who met him. In 2000, Richard was appointed as Operations Director and following the retirement of Brian Summers in 2003, Richard became Managing Director. Throughout these roles, he proved to be an excellent leader and will be greatly missed by everyone who knew him.

In the difficult circumstances that followed, the Board believed it to be vitally important that the business had someone in position as soon as possible to lead it through the challenging times facing the industry. In support of this the Board was pleased to announce that Joe Kelly, Finance Director, was appointed to the position of Acting Managing Director. Joe has taken on this role with great dignity and professionalism and with the support of colleagues has helped to move the business forward and build upon Richard's legacy, the greatest tribute we could pay to him.

Against this already difficult backdrop, the year closed with a decline in our passenger numbers. Whilst we welcomed several new carriers and destinations we experienced a 3.3% downturn in passenger traffic, handling a total of 9.1 million passengers during the twelve months. This reduction is attributable partly to MyTravelLite which ceased operating its dedicated fleet at Birmingham and a reduction in charter traffic partially offset by gains across a number of airlines including bmi baby, Monarch Scheduled and Emirates.

Of particular note during the year was the acquisition, in March 2007, of BA Connect by flybe with the combined business being fully integrated under the flybe brand. flybe has a long and successful association with Birmingham International Airport and through its strong brand and low fares model has significantly developed its route network and passenger numbers over the last few years. We continue to work with flybe and our many other business partners in order that they, and others, grow their business here at Birmingham.



The charter traffic reduction of 3.2% reflects the general decline in the charter market as a result of the growth of the low cost airlines. In addition, recent announcements of significant mergers across the industry indicate that more change is likely. Confidence in Birmingham however remains strong with new destinations already operating for summer 2007.



Looking at the results for the year, turnover was 1.8% lower with the 3.3% activity reduction being partially mitigated by a strong commercial income performance. Operating costs increased by £10.6m (14%) including £3.5m reorganisation costs driven mainly by the outsourcing of the airfield security function and a £3.4m increase in depreciation, reflecting both the asset revaluation effective 31 March 2006 and the recent increased capital expenditure levels. Other significant increases in expenditure include energy costs, additional security, property rates and air traffic control costs. Reflecting these increases, operating profit fell by £12.6m to £22.9m and profit after tax by £7.4m to £12.1m. Dividends paid amounted to £11.0m leaving retained profits at £1.1m.



Although the financial performance of the Group was down year on year, investment remained high, with in excess of £22.0m being invested in new facilities, both to increase future capacity and enhance the retail portfolio. Sixteen new concession outlets opened in the year, together with new catering areas in both Terminals. Operational improvements included 6 new aircraft stands, additional check-in and baggage handling capacity and the opening of a new runway exit.

Last year I expressed my pleasure at the publication of the Draft Master Plan for the Airport "Towards 2030: Planning a Sustainable Future for Air Transport in the Midlands". The document set out a framework for how the Airport could continue to support the Midlands region as its principal international gateway airport, directly supporting some 27,000 jobs and underpinning the region's wider economic growth and prosperity.

# Chairman's statement *continued*

John Hudson Chairman



Following a full and comprehensive consultation process, our final Master Plan will be published in 2007. This will include our long-term development plans, which we believe will take the Airport forward in a sustainable manner, with careful consideration of the environment, our neighbours and the potential impacts of our operation.

Looking at our corporate structure, two of our shareholders, Macquarie Airports Group and Dublin Airport Authority (Aer Rianta International) announced towards the end of 2006, their intention to explore the potential sale of their combined 48.25% shareholding in the Group. Since that time a preferred bidder has been announced and the share sale transaction is progressing. We look forward to working with both new and existing shareholders in taking the Airport forward in a successful manner.

Finally, I would like to extend the Board's thanks to the many people who work at the Airport. In difficult circumstances, the support given by colleagues at all levels has been unstinting and I have been moved by the continued dedication and commitment shown by the team. The Board's thanks go to you all.

John Hudson Chairman

# A year in which we lost a man who has contributed enormously to the future of Birmingham International Airport

## A tribute to the legacy of Richard Heard



The first thing you remember about Richard were his many personal qualities; the support he provided to his colleagues and friends, the way in which he was always ready to help, his easy going and unassuming nature yet innate ability to get things done being just a few of them.

Whether you knew him over some years or for a relatively short period of time, he always had a way of making you feel welcome, listened to you and ultimately helped wherever he could, despite a very busy work schedule. These attributes are what made Richard the respected and highly regarded man he was, the person who was sadly taken from us and the person whose legacy will be the ongoing successful development of the Airport. Something he would have wanted.

When Richard became Managing Director of the Airport in 2003 he quickly made his mark as an authoritative envoy for the Airport and the key strategic role he saw it playing in the West Midlands. Never anything but passionate about this vision, his experience and expertise were invaluable and he became a driving force behind the business, moving it forward especially during difficult times. We owe it to Richard to now drive the business in the same manner.

Richard was deeply committed to the Airport and of course also to his family. He made a lasting contribution to the many people whose lives he touched. We will all treasure those memories and build on that legacy.

# Managing Director's review

Joe Kelly Acting Managing Director







The circumstances which lead me to writing this review, the sad and sudden death of Richard Heard still challenge us all. Richard was Managing Director for most of the year on which we are reporting and since his appointment he played a vital and full part in taking the Airport forward, at a time characterised by increasing challenges, both for Birmingham and the industry as a whole.

Richard's outstanding ability to manage the business effectively and involve all those around him gained him support from all levels. Leadership is needed within any organisation and he displayed a talent and ability to work with people, both inside and outside the organisation, in a direct but sensitive manner resulting in a very effective management style. The tribute in this document touches on the many attributes of a remarkable man who will be sadly missed and whom I am honoured to have had the pleasure of working with.

Moving on to look at the year, the reduction in passenger activity as reported by the Chairman, John Hudson, has highlighted the additional challenges we have faced during the last 12 months. Despite difficult market conditions, I am confident that the Airport will return to growth and that our extensive network of routes and airlines will continue to expand and serve the wider region well.

# Managing Director's review *continued*

Joe Kelly Acting Managing Director



During the year, in excess of 60 scheduled and charter airlines operating to over 100 destinations enabled 9.1 million passengers to fly from Birmingham. The acquisition of BA Connect by flybe brings to an end an era which has seen British Airways (and its predecessors) operating at Birmingham for over 50 years. flybe's acquisition and the basing of a significant aircraft fleet at Birmingham is, however, a clear demonstration of the confidence they have in both the Airport and its surrounding market potential. flybe is not alone. Our operators in the low cost sector continue to go from strength to strength as we have welcomed additional based capacity from both Monarch Scheduled and bmibaby. By September 2007, bmibaby will have a total of eight aircraft based at Birmingham operating to over 15 routes.





Other new carriers have also come to Birmingham, including the start of services with low cost carriers Norwegian Air shuttle, Flyglobespan, Whoosh and the return of Aer Arann. The long haul sector continues to expand with significant growth from Air India and Emirates, although the full service scheduled and charter sectors continue to be affected by the growing low cost market.

The mergers in the charter sector referred to by the Chairman will bring about yet more change, which we shall respond to. We continue to align the business to cater for the future demands of our passengers and to retain and build on our position as the Airport of choice for passengers in the Midlands. As an Airport we cannot do this alone and we will continue to work with our many business partners to provide an Airport that serves its community and brings real economic and social benefits to the region, whilst recognising the local impacts that have to be managed.



# Managing Director's review *continued*

Joe Kelly Acting Managing Director



Working with our local communities is not new of course and each year we have an active programme that continues to support initiatives that help our neighbours. The Airport Company remains committed to working in this way and in total, more than half a million pounds has been invested in our neighbouring communities this year. Both the Sound Insulation and Vortex Protection Schemes continue to provide householders with protection from the impact of airport operations. Likewise, the learning environment for pupils at Ridpool Primary School in Kitts Green has been enhanced by the provision of a £100,000 grant to fund replacement windows under the Schools Environment Improvement Scheme.

Our Community Trust Fund remains an important source of funding for small community projects in the vicinity of the Airport and this year more than £48,000 was awarded to 25 groups, bringing our total investment to in excess of £800,000 since the Fund's inception in 1998. This is something we are rightly proud of and it is a further demonstration of the Airport adding real value back into the neighbourhood.

The ability to be flexible within our business is key to our future success and reviewing our cost base and operating methods is a vital and an ongoing process. The Chairman identified a significant increase in our cost base during the year with some of the increases being one-off in nature, whilst others reflect increases in excess of inflation.

In the current competitive market place, passing on any inflationary increases is difficult if not impossible. We therefore continue to focus on increasing our efficiency by developing our capability to process more passengers through the same cost base.

In terms of cost increases, like many other businesses, we have recently incurred significant energy cost inflation and currently have a project team focussed on reducing our energy consumption, with the associated environmental benefits. We are also evaluating more energy efficient buildings for future developments. Pension costs are also a concern for the future although action has been taken to limit the future exposure with the closure of the defined benefit pension scheme to new members during the year. Security is another area of increasing cost but also an area which cannot be compromised. The year saw the outsourcing of the airfield security operation with an associated restructuring cost of £3.2m but Terminal and Passenger security remains in-house and under the direct control of the Airport Company.

During the year we established a new company, BHX Fire & Rescue Limited, with Serco to manage the provision of crash, rescue and fire fighting services at the Airport. The Airport's fire fighting team transferred to the new Company under an arrangement which provides an excellent way for us to build upon their expertise and commitment, whilst bringing in some additional skills and broader industry experience to further develop the unit. This is the first time such a model has been undertaken at a UK passenger airport and we are very pleased with the initial results.



# Managing Director's review *continued*

Joe Kelly Acting Managing Director



Looking to the future, following a period of consultation with stakeholders and interested parties, work is underway to finalise our Master Plan. Views, comments and opinions were received from a wide range of people and organisations and these have been carefully considered. The final Master Plan will be published later this year and will set out the Airport Company's long-term vision as we continue to provide for the air transport needs of the Midlands with quality facilities and services at the Airport. The Master Plan will set out a programme of sustainable development, which balances the economic importance of the Airport to the region with, of course, the need for environmental controls and mitigation.

As we move ahead with these plans which will require us to work with both new and existing business partners, we can look forward to an exciting future. It will no doubt bring with it yet more challenges but I am confident that with our long term plans, our committed employees and our business partners, Birmingham Airport and indeed the region, will go from strength to strength.



A major part of the success of the Airport is attributable to the people who keep the Airport going, day after day, night after night. I am proud of these people, both employees and partners for all that they achieve. It is a clear acknowledgement of the efforts by everyone that the Airport has recently been awarded the Airports Council International award for Best Airport in Europe in the 5-10 million passenger category. Although the Airport achieved the award for its overall excellence, the judges made particular reference to Birmingham Airport's entry with regards to its active community and environment work, saying it is a 'classic example of an airport that has made outstanding efforts to actively sustain relationships with the local community and gain support for the airport expansion while minimising its environmental impacts'.

Finally, during my time as Acting Managing Director I have been shown a great deal of loyalty and support from all the people I have worked with. It has been a team effort and I thank everyone for the commitment shown both to me and the Airport as a whole.



Joe Kelly Acting Managing Director



# Business review

The key operating objectives of the Group can be summarised as follows:-

**'The safe and secure processing of passengers and aircraft through the provision of quality facilities and infrastructure in a sustainable and efficient manner. We aim to provide a value-for-money service, recognising the efforts of our employees and our partners, which will generate a profitable future for the Group. We also recognise the wider impacts of our business and aim to mitigate the impacts of our operation on the local community, whilst assisting the region to develop and grow through improved connectivity.'**

The performance of the business over the last 12 months is reviewed below.



## Market

Birmingham International Airport is the 6th largest passenger airport in the United Kingdom and the 2nd largest outside London. During calendar year 2006, 34 scheduled airlines served 69 destinations and 29 charter airlines, through over 150 tour operators, served 70 charter destinations. The 9.1 million passengers represent 3.9% of the UK market for air travel.

The year proved to be challenging for the Airport with a number of factors resulting in the slight decline in passenger numbers. Whilst the Airport welcomed several new airlines and destinations during the year, growth was affected by consolidation on high volume 'sun' routes such as Palma, Malaga and Alicante.

During 2006 the Airport served 36% of its 1-hour catchment area, with major competitors being East Midlands (14%), Heathrow (13%) and Manchester (11%). The Company views the 64% not currently served as an opportunity for growth, by both the opening of new routes and the offer of increased choice on existing ones.

The year ahead already promises more change, with significant mergers and acquisitions between key customers such as BA Connect/flybe, Thomas Cook/MyTravel and TUI/First Choice. Despite this market volatility, the Airport Company is confident that its core attributes; a strong local catchment area, central location and easy access, excellent facilities and reliable operational performance will ensure that it retains and builds on its position as the airport of choice for passengers in the Midlands.

The Airport continues to welcome new airlines with 2007 seeing the commencement of services with another low cost carrier – Norwegian Air Shuttle, as well as the return of Aer Arann, the introduction of flights with Flyglobespan and Whoosh and additional based capacity from bmibaby, Monarch Scheduled and flybe.





## Activity

	2007 '000s	2006 '000s	% Change Over 2006
Passengers	9,147	9,464	(3.3%)
Aircraft movements	109	114	(4.4%)

In the 12 months to 31 March 2007, the Airport handled over 9.1 million passengers, a decrease of 3.3% on the previous year. The decrease includes the loss of 0.7 million passengers as a result of Mytravellite, Germanwings, Alitalia, CSA and Aer Arran ceasing their operations from Birmingham. flybe reduced passenger traffic (0.3 million) following their decision to stop their 'sun route' operations and BA Connect traffic was also reduced (0.1million) as they wound down their operation at Birmingham leading up to their acquisition by flybe. These reductions were partially offset by increased passengers for bmibaby (0.2 million) and Monarch Scheduled (0.3 million), together with new operations for Hapag Lloyd, Adria Airways and Sky Europe.

With the decrease in passenger numbers, there was an associated 4.4% reduction in the number of aircraft movements. This resulted in the passengers per aircraft increasing by 1.1% from 83 to 84 demonstrating an increase in both airline efficiency and also the efficient use of Airport critical infrastructure (e.g. runway slots).

Looking forward into 2007/08, bmibaby and Monarch Scheduled have announced increases to their based aircraft at Birmingham from 5 to 8 and from 2 to 3 respectively, resulting in new destinations and increased frequencies. These additional aircraft, along with other airlines, enhance Birmingham's already attractive portfolio of destinations, including new services to Dundee, Rome, Hamilton (Toronto), Lisbon, Marseille, Montego-Bay, Warsaw and Waterford.

# Business review *continued*



## Income

	2007 £m	2006 £m	% Change Over 2006
Aeronautical income	61.0	62.9	(3.0%)
Commercial income	48.1	48.2	(0.2%)
Total revenue	109.1	111.1	(1.8%)

The Airport has two key elements of income; aeronautical income, which are charges levied to the airlines, for the use of facilities by both the aircraft and passengers and commercial income, which relates to commercial activities on the Airport site, including car parking, catering, retailing and office/property rental.

The effect of the decrease in both passengers and aircraft movements was a reduction in aeronautical income of £1.9m or 3%, however the yield (income per passenger) increased from £6.64 to £6.67.

Commercial income is derived from two key areas; concession income and property. The Airport does not operate any concessions itself; instead it allows high street operators to carry out their operation under concessions agreements with the Airport. Concession income has reduced by £0.5m, reflecting the decrease in passengers and strong localised competition by offsite parking organisations. The concessionaires trading has also been affected by new security restrictions, which limit the content and quantity of liquids to be carried into secure areas, this came into effect from August 2006 following increased terrorism threats. Birmingham continues to offer attractive branded products to passengers including a re-launched Alpha Duty Free store in Terminal Two, along with new outlets which commenced trading in the year, including Frankie and Benny's, La Senza, Austin Reed, WH Smith Stationery store and Yates, along with additional outlets for JD Wetherspoons and Costa Coffee.

Property income is generated from office and operational space rental, along with associated operating costs, to airlines and other companies operating on the Airport site. This income has increased by £0.4m, mainly reflecting the pass-through of higher energy prices to tenants.



## Costs

	2007 £m	2006 £m	% Change Over 2006
Employee costs	27.4	22.4	22.3%
Running costs	38.8	36.5	6.3%
Depreciation, write offs & other charges	20.0	16.7	19.8%
<b>Total operating costs</b>	<b>86.2</b>	<b>75.6</b>	<b>14.0%</b>

Operating costs increased by £10.6m in the year. Within this, employee costs increased by £5m, including a £3.5m restructuring charge. This included £3.2m relating to the transfer of the in-house airfield security operation to a third party contractor. This affected 90 people who either took up other jobs within the Airport, elected for a TUPE transfer or for a voluntary redundancy package. In addition, operating costs increased following the introduction of new security regulations from August 2006, including additional staffing resources to minimise the disruption to passengers. To support this, the Airport also brought forward future capital expenditure plans to expand the passenger security search areas ensuring capacity is maintained and the passengers' experience is safe and comfortable. This was carried out during the winter with the build completed for the start of the summer season 2007.

Running costs increased by £2.3m, including market increases in the price of energy and a year-on-year increase in business rates reflecting inflationary increases and increased infrastructure.

Depreciation, write-offs and other charges increased by £3.3m with depreciation increasing by £3.4m as a result of the revaluation of both buildings and infrastructure at March 2006 and an increased infrastructure base.



## Employees and Partners

The Airport recognises both its employees and Partner Companies across the site as key elements of a successful operation. The Airport Company directly employs 626 staff and there are in excess of 7,000 employees on the Airport site. The employees and partners of the Airport take pride in the facilities and are valuable contributors to ensure a safe and secure Airport, which strives to achieve high standards.

The Group has a range of employment policies to ensure that no employee or potential employee is discriminated against and to ensure that everyone has an equal opportunity. For employees, a broad range of training and development opportunities are offered by the Group, from specific job related regulatory training to more general training, including developmental training such as Skills for Life (a Government initiative), sign language, disability awareness, and computer based skills. This enables the Group to develop a sustainable approach to employment with a commitment to its staff to provide a quality working environment in a successful and growing business.

Partner Companies provide many of the passenger facing elements of the service provided at the Airport. These include the airlines, retail and catering concessionaires, baggage handling and check-in staff. In addition, partner companies employ many 'behind the scenes' staff, including fuel and in-flight catering provision, baggage sortation, cleaning etc. It is by developing a cohesive and unified approach with these Partners, including the Skills for Life programme across the site that the Airport can continue to offer a quality service for all its customers.

During the year, the Group established a new Company with Serco to operate the Airport's Fire and Rescue Facility. After consultation with those employees affected, agreement was reached that they would transfer to the new Company, to be managed by Serco. The Airport believes that Serco's experience in managing such facilities will allow both the Airport and the employees to benefit from the new structure, including training and development opportunities for the firefighters involved within the Serco organisation.





## Facilities & Infrastructure

The Group continues to develop additional facilities and infrastructure to meet increased demand. Building on a sound base of previous investment, new developments have been implemented to add further capacity and capability. These investments have continued the theme of high quality environments to enhance the passenger experience and to add new capacity where needed.



The rapidly changing shape of the airline business has increased the need for more flexibility and an ability to extract maximum efficiency from the Airport's infrastructure.



A wide range of development projects were undertaken during the year. Adjacent to Terminal 2, the completion of six new remote aircraft stands provided additional aircraft parking capacity, and inside the building, additional baggage handling and baggage reclaim capacity has been developed. In Terminal 1, a major project to construct the second phase of the airside lounge and commercial development was completed. This now provides a high quality retailing and catering environment enhancing the offer to passengers and increasing the income from the commercial estate. Elsewhere in Terminal 1, the catering concourse was redeveloped and further additional retailing units were opened. During the winter the passenger search security areas in both terminals were extended to allow throughput to be maintained following the introduction of new security regulations. Expenditure in the year was £22.0m, a reduction of £8.6m on the previous year. This brings the total investment in Airport facilities to £156m since the year 2000.





## Safety & Security

The Airport's focus on safety and security issues continues to be one of the highest priorities. Improvement in safety performance is an ongoing challenge for the Airport, with targets for reduction in both incidents and accidents, taking into account the 9.1 million passengers using the Airport and the high levels of development work and construction activity. There is a high emphasis on proactive safety management as a key element in our business culture with requirements for continuous risk reduction, clarity in reporting and rigorous investigation of potential incidents and accidents. The Airport's investment in the management of safety continues with the dedicated team of Health and Safety professionals, who provide advice and an audit function to all departments within the Airport, and to other businesses on the Airport Site.

## Safety Performance

The Airport has continued its focus on safety training and awareness through a programme of continuous improvement and the launch of a training initiative to allow staff members to gain a qualification through the British Safety Council. As in previous years, key performance indicators are used to monitor safety issues through detailed reporting and reviews. Safety audits of internal departments and external airport companies are carried out on a regular basis to assess the level of awareness and compliance with safety management procedures.

The number of accidents to passengers decreased by 17% compared to the previous year, with 21 fewer incidents during the period. Reportable accidents involving passengers also reduced. All of the accidents were of a minor nature. There were 93 employee accidents during the year, including nine reportable incidents. This is an increase on the previous year and is the same as the results in 2004. Again, the majority of accidents were of a minor nature. The new intensity of security search activities has caused an increase in the number of injuries to security staff members. The Company remains committed to improving safety wherever possible and preventing all accidents however they arise.



## Fire Safety

This year has seen the introduction of new Fire Safety legislation in the form of the Regulatory Reform Order. This places increased onus on employers and operators to manage their own fire safety on a risk assessment basis within a defined framework. High levels of construction activity have continued throughout this year creating a high workload for fire safety resources with over 1,300 hot work permits being issued. There were 27 terminal evacuations during the year and 61 fire alarm activations. This is similar to the activity reported in 2005 and is a reflection of the scale of ongoing development works. Only one small actual fire was recorded.

## Airside Safety

The safe operation of the airfield infrastructure is a core business priority. There has been continuing development of safety management systems and a particular emphasis on improved safety awareness and culture. The Airfield Services Unit was reviewed during the year, with a new focus on performance management and communication. A new company, BHX Fire and Rescue, was established using management services from Serco. This core function has developed additional resilience and will benefit from the wide range of expertise available from Serco. The Airport continues to work closely with the Safety Regulation Group at the CAA to review operational capability and performance.

This year saw a very significant reduction in the number of airside incidents and accidents. The number of reported incidents reduced by 60% to 29 in the year, the lowest total since 2000. There was also a further reduction in the number of accidents involving damage to aircraft.



## Aviation Security

The aviation security environment was dramatically increased following the move to a critical threat level during the summer. New screening regimes and the introduction of controls on liquids have reduced the capacity of security facilities and have increased the demands on security resources. As a result additional facilities have been provided in the passenger terminals to accommodate additional search requirements. More staff have been recruited to supplement existing staff and a third party security contractor was introduced to provide access control functions and other duties away from passenger operations. The threat level continues at 'severe' and is unlikely to reduce. The Airport continues to manage the Multi Agency Threats and Risk Assessment (MATRA) process to improve communication and integration of all Control Authority resources.



## Sustainability and Environmental Mitigation

At the Airport, we continue to recognise the importance of sustainability in operating and developing the Airport. The Airport's approach to sustainability is set out in the Sustainability Policy Framework document where the vision has been set out as: 'Bringing direct economic and social benefits to the Central England Region and playing our part as a responsible and proactive citizen, whilst minimising the impact of our operations and activities on the environment.'

The Airport Company considers environmental impact and mitigation as vital in operating and developing the Airport. The Airport policy is to find local environmental solutions which take account of the interests of the local communities that are served, whilst also taking into account the global and national context. The Airport hosts and attends the Airport Consultative Committee, which is convened by Solihull Metropolitan Council. It meets quarterly and includes representatives of the local community as well as users of the Airport.

The Airport continues to seek and promote environmental improvement through the continuous development of its environmental management systems. These include one of the most restrictive night flying policies of any airport in the UK, the fining of noisy aircraft, regular programmes to monitor air quality and measures to meet water quality consent levels, investment in on-site schemes, a new waste management centre, together with regular programmes of surveys to monitor ongoing environmental impacts.





## Community Investment

The Airport's environmental management programmes are well established and subject to continual improvement. The objective is to understand what matters to local people and, where possible, design solutions that are practical and relevant. The Airport Company invests significant sums of money each year in a sound insulation scheme and an aircraft wake vortex protection scheme for local residents. In addition to the night flying restrictions, aircraft are subject to noise preferential routes, which are closely monitored. The Airport continues to engage in an active and open dialogue with local communities.

Under the Schools Environment Improvement Scheme, which aims to improve the noise climate in schools that lie close to the Airport flight paths, £100,000 has been invested this year. This award has funded the replacement of windows at Ridpool Primary School in Kitts Green and will have substantial benefits for the learning environment for children within the school buildings.

The Airport Company made a contribution of £50,000 to the charitable Community Trust Fund established to support good causes in the neighbouring area. During the year the independent Trustees awarded grants to 28 projects totaling £48,174. Over the last 9 years, the fund has provided £811,000 to support local 'good causes'.



## Surface Access

The Airport first produced a Surface Access Strategy in 2000, covering access to the Airport by bus, coach, rail and car as well as the development of 'Green Travel' plans and policies to encourage the use of public transport and investment in cycling. A review of the strategy has been undertaken and a new Airport Surface Access Strategy, with a plan period to 2012, will be published later in 2007.

During the year the Airport has continued to contribute towards the funding of bus services accessing the Airport as part of the Airport Bus Network and towards rail and bus season tickets for employees to encourage the use of public transport. This ongoing support of public transport has resulted in an increase in the proportion of people accessing the Airport by public transport to 20.2% (2006: 19.1%). Airport surface access guides and leaflets are provided and regularly updated to assist passengers and customer service.



## Master Plan

In 2005, the Airport published a new Draft Master Plan for public consultation. The draft Master Plan had a plan period to 2030 and an extensive consultation process was undertaken through to 31 March 2006. The Airport has analysed the consultation responses received, but publication of the new Master Plan has been delayed, initially pending the progress report by Government on the 'Future of Air Transport' White Paper, and subsequently the decision on the appeal by Coventry Airport concerning their planning application for a new passenger terminal, which was subject to a public inquiry in 2006.

Publication of the new Airport Master Plan is anticipated later in the year, together with the new Airport Surface Access Strategy.

## Financial Performance

Operating profit at £22.9m (2006: £35.5m) is £12.6m below the previous year, reflecting the lower income, driven by passenger activity and cost increases experienced during the year (including depreciation associated with the asset revaluation). The Group's net interest charge for the year (before capitalised interest) was £6.3m (2006: £7.1m) with profit before tax being £17.1m (2006: £29.2m).

The tax charge for the year at £5.0m (2006: £9.7m) includes a deferred tax charge of £0.9m (2006: £1.4m) producing a combined effective rate of tax of 29.3% (2006: 33.3%). The lower rate reflects £1.7m of consortium tax relief received from Macquarie Airports (UK) along with an adjustment relating to prior periods. Profit after tax of £12.1m (2006: 19.5m) funded ordinary distributions to shareholders of £11.0m (2006: £11.5m) leaving retained profits at £1.1m (2006: £8.0m).

Cash generated from operating activities amounted to £48.7m (2006: £51.9m), a reduction of 6% over the previous year primarily as a result of the lower operating performance. Overall there was a net cash inflow of £5.0m (2006: £5.2m outflow) in the year, including capital expenditure payments of £22.0m (2006: £30.6m). The £18.5m subordinated loan stock was repaid to the West Midlands District Councils in March 2007. Net debt reduced by £4.2m to £71.5m (2006: £75.7m) and cash/short term deposits reduced by £13.8m to £52.4m (2006: £66.2m).

During the year, the Airport Company closed the Defined Benefit Pension Scheme to new members following a consultation with staff, in order to safeguard the scheme for existing members and reduce the financial risk to the business. There are, however, a number of existing employees who retain the right to join the scheme in the future.



## Opportunities and Risks

The Airport's most significant opportunity is linked to its relatively low (36%) market share of the 1-hour catchment area. Although some of this is served by competitor airports either within or close to the 1-hour area, a significant proportion of the traffic is accounted for by passengers travelling longer distances to other airports for either a destination not served by Birmingham, or for an airline offering better pricing, flight times and promotions.

The Airport's longer-term strategy is, therefore, to 'claw-back' some of this lost traffic by increasing the number of destinations available from Birmingham and also by increasing the range of airlines operating. The opening of new, longer haul destinations may require an extension to the runway and this is currently being evaluated. This potential gain in traffic is in addition to the general growth forecast for the aviation market as a whole, of which Birmingham should be able to take its share.

There are a number of risks which also have the potential to affect the business. Many of these are similar to those identified in last year's report, including the increasing environmental lobby, higher aircraft fuel prices and increased Government taxation on air travel. All of these have the potential to limit the longer term growth prospects and reduce the propensity for individuals to travel as the cost increases. The Airport takes environmental concerns seriously and believes that aviation should bear its fair share of environmental costs. It does, however, believe that there should be an equitable balance with other sectors of travel which receive significant Government funding via the provision of infrastructure (roads) or financial support (rail). Airports currently receive no such support and are unlikely to do so in future.



The increased competition from other airports offering incentives to attract business is a risk to aeronautical yields in the short term. The Airport does however believe that its location, facilities and potential market will enable it to realise a premium compared to other competing airports.

'One-off' events continue to pose a risk either through health scares such as SARS and avian flu or terrorist type activities. Whilst it is not possible to forecast such events, the Airport does keep such factors under careful consideration when developing medium and long term plans and commitments. The increased security threat also generates risks for the Airport through both the cost of implementing security measures (both capital and revenue costs), the potential impact on commercial revenue streams and also the potential for passengers to decide not to travel. In the current competitive market place, recovery of security associated costs is difficult, although it is an issue the industry will have to address.

Pension schemes remain a risk item for most companies with a defined benefit pension scheme. The Group has moved to limit this risk by closing the defined benefit pension scheme to new employees during the year. Risks will however remain in the scheme linked to such factors as longevity, investments returns and interest rates. Work is ongoing as part of the triennial actuarial valuation to agree a new funding programme to eliminate the current £14.6m after tax deficit as shown in the accounts. This is likely to require increased contributions from the Group in the short to medium term.

## Financial Risk Management

The Group's operations and funding structure expose it to a variety of financial risks, including interest rate risk, liquidity risk, price risk and credit risk. To manage this, the Group has a number of policies in place along with a risk management programme, which are reported to the Management Board and Audit Committee. Where actions are necessary and not covered by the policies in place, approval is sought from the relevant Board meeting.

### Interest Rate Risk

It is the Group's long term policy to maintain an appropriate mix of credit facilities that provide fixed and floating rates of interest within Board approved parameters. The current interest cost however is fixed, due to there being no draw down on the Group's £40m variable rate syndicated banking facility, which compares to the £105m corporate bond at a fixed rate. The Group has considered the current position and is satisfied with the current debt structure.

The Group's significant cash holding is invested under strict Board approved parameters. This prohibits investments in equities or for fixed periods in excess of nine months. It also places a cap on the maximum amount that can be invested in a single product/institution. In general, the cash is invested on the money markets or in money funds which, whilst exposing the Group to interest rate risk on the receivable side, does maintain liquidity and access to funds.

Within the last year, there have been a number of interest rate increases. The Airport's current debt structure has enabled gains to be made with increased interest being received on cash deposits whilst interest payable has remained fixed.

### Liquidity Risk

To ensure that liquidity is maintained, it is the Group's policy to maintain sufficient committed facilities to meet anticipated funding requirements, whilst ensuring that the Group is not exposed to excessive refinancing in any one year. The maturity profile of debt outstanding at 31 March 2007 is set out in note 18 to the accounts. The available resources, including £52.4m of cash and £40m of committed undrawn facilities, together with the expected future cashflows, are considered sufficient to meet the Group's future funding requirements.

### Covenant Risk

The Group's covenants are monitored on an ongoing basis with formal testing of financial covenants being reported to the Audit Committee. The Group continues to comply with all borrowing obligations and financial covenants, specifically those relating to net worth, gearing and interest cover.

## Price Risk

The Group is not exposed to any single significant element of price risk. The largest single risk is wage inflation on which the Group does have some influence through negotiation with its employees. A wage review was carried out this year, following the end of a three year pay deal. This process was particularly difficult as we experienced record levels of inflation with the peak being at the time of the negotiations. Agreement was eventually reached on a further three year pay deal. Other exposures relate to energy costs and building costs during periods of significant capital expenditure. The Group has reviewed and changed its energy procurement methodology and continues to review energy efficiency programmes. With regards to building costs, the Group utilises fixed price contracts for large projects. Price risk is therefore eliminated at the commencement of each such project.

## Credit Risk

Credit limits for all large customers are reviewed annually and approved by the Board. Such limits are reviewed more frequently if information becomes available to suggest increased risk with any particular customer, in which event credit facilities may be reduced or withdrawn. The Airport also has powers under the Civil Aviation Act to detain aircraft where aeronautical debts have not been paid.

## Accounting standards and policies

This annual report complies with all accounting standards issued by the Accounting Standards Board as applicable to the financial statements at 31 March 2007. The accounting policies are consistent with previous years and are set out on pages 46 and 47.

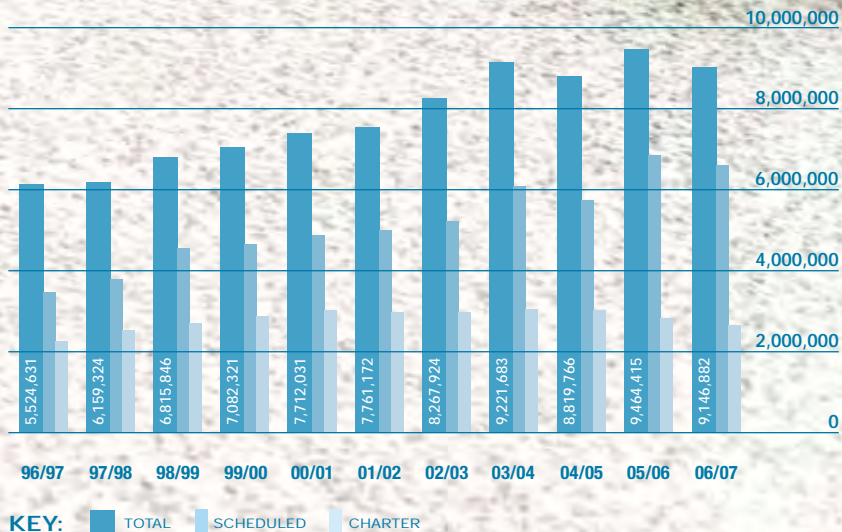
The Group does not have to adopt International Financial Reporting Standards (IFRS), as stated in previous years, but does continue to monitor the position with regards to voluntary adoption by groups of equivalent standing. The Group acknowledges the fact that UK GAAP is likely to continue to align itself with IFRS and, therefore, decided that it would not make any commitment to move to an IFRS reporting basis at this time. It does however recognise that in the medium term, there is likely to be an expectation from the financial markets and analysts of a general move to IFRS by all large Corporates. It was therefore agreed to keep any decision to adopt IFRS under review.



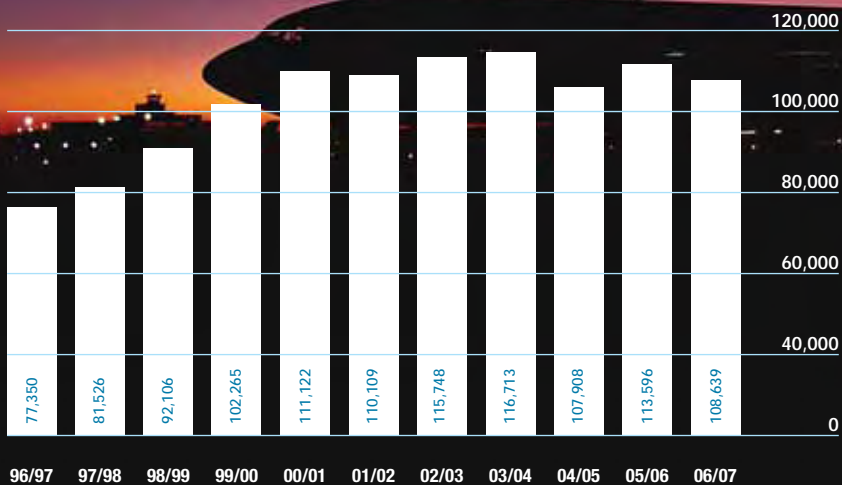
# Passengers and Air Transport Movements

(ATM's)

### Total Passengers



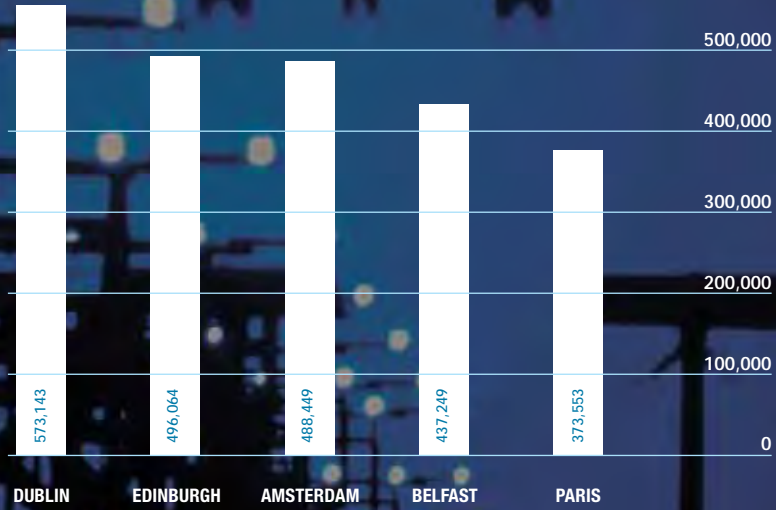
### Total ATM's



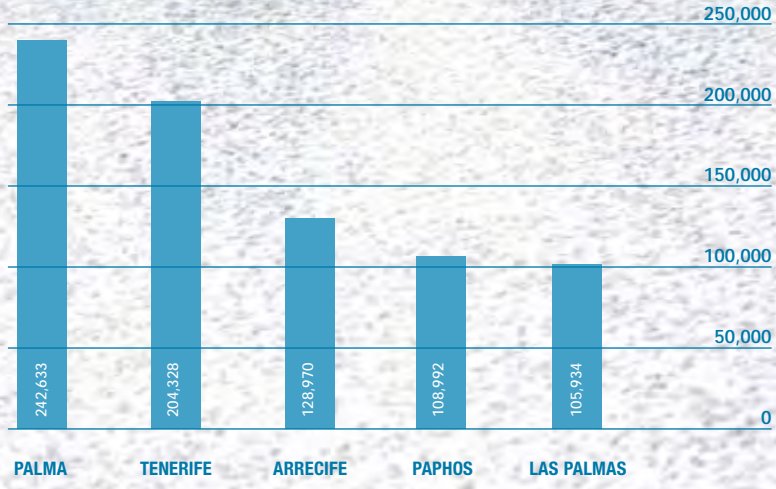




Top 5 Scheduled Routes (Passengers)



Top 5 Charter Routes (Passengers)



# Corporate Governance Statement

2006/07 Accounts

## Combined Code

The Group is committed to high standards of Corporate Governance. This statement describes how the Group has complied with the Principles of Good Governance and Code of Best Practice issued by the Financial Reporting Council in July 2003 (the Code). Although the Group has no obligation to comply with the Code, the Board supports the principles and standards required by the Code and the main provisions have been applied during the year, having regard to the size and best interests of the Group.

## The Board

The Main Board is responsible to the Shareholders for the proper management of the Group, meeting quarterly to formulate, review and approve the Group's strategy, policies, budgets, risk management programme and trading performance. The Board comprises 21 Non-Executive Directors representing the balance of shareholders' interests, including the Chairman, plus two Executive Directors, with senior executives in attendance as required. The Chairman and Non-Executive Directors are considered independent by the Board and the roles of Chairman and Managing Director are separate and clearly defined.

The Board has established a number of committees having specific delegated authority. The main committees and their responsibilities are set out below.

## Board Committees

- **Management Board** - The Management Board is responsible to the Main Board for the proper management of the Group, meeting monthly to review trading performance, capital expenditure proposals, strategy execution, funding performance and policy proposals. The Board comprises the Chairman plus six Non-Executive Directors, two Executive Directors with senior executives in attendance as required.
- **Audit Committee** - The Audit Committee is responsible for reviewing a wide range of financial matters and the monitoring of internal controls, which are in force to ensure the integrity of the financial information reported to the Shareholders. The Committee also monitors the work of the internal and external auditors, the system of reporting and control covering risk management, health and safety systems and the internal control systems. The Committee comprises up to six Non-Executive Directors, with the Managing Director, Finance Director, Operations Director, Internal Audit Manager and external auditors in attendance and met quarterly in 2006/07.
- **Remuneration Committee** - The Remuneration Committee is responsible for the ongoing determination of contract terms, remuneration and other benefits, including the design and operation of performance-related bonus schemes supporting the achievement of the Group's objectives. The Committee is chaired by the Chairman and includes six Non-Executive Directors with the Managing Director, Finance Director and Head of Personnel in attendance as required.
- **Board and senior appointments** - Senior appointments, including executive Board positions are proposed by a nominated panel of shareholder representatives according to the terms of the Shareholders' Agreement.

## Internal Audit

Internal Audit independently reviews the effective operation of the Group's main systems of internal control. A risk-based approach has been adopted which is linked to the Group's risk management programme. The internal audit work plan is approved by the Audit Committee annually and the progress on the plan is reviewed at each quarterly meeting. Internal Audit reports its findings to both management and to the Audit Committee.

## Internal Control

The Directors have overall responsibility for the Group's system of internal control which is introduced to meet the needs of the business. This system has been designed to manage rather than eliminate the risk of failure to achieve business objectives and provides reasonable, but not absolute, assurance against material mis-statement or loss.

## Control Environment

The key elements of the internal control environment are as follows:

- Clearly defined organisational structures, scheme of delegation and lines of authority;
- Regular board meetings with a formal schedule of matters reserved to the Board for decision;
- Board approval of key business objectives, long term strategies, annual budgets and revised forecasts during the year;
- Monitoring performance on a monthly basis against budget and key performance indicators, with remedial action being taken where appropriate;
- Regular monitoring of performance against business plans;
- Established procedures for planning, approval and monitoring capital projects;
- An internal audit function; and
- The operation of policies, procedures and standards covering the main business and operational activities, including capital projects, financial reporting, health and safety and human resources.

## Operational Control

To ensure that the Airport conducts its business in a safe and secure operating environment and complies with all relevant legislation regular audits are carried out by health and safety, fire risk management, security and operational staff. The procedures of both our own staff and those of 3rd parties operating on the Airport site are monitored to ensure proper compliance. Any deficiencies that are discovered are reported to management and followed up to ensure safe working conditions are maintained at all times.

## Risk Management

The Board have the ultimate responsibility for the management of the Group's business and operational risks. There is an established process for the ongoing review of all the Group's significant risks comprising identification, evaluation and management. The responsibility for individual risks is clearly defined and the principal risks are formally documented, with regular reports to management and the Audit Committee.

## Going Concern

The Directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future and have, therefore, adopted the going concern basis for the preparation of the financial statements for the year ended 31 March 2007.



On behalf of the Board  
J L Hudson Chairman



# Report & Accounts 2006/2007

Birmingham Airport Holdings Ltd 31 March 2007



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# Company Information

**Registered Number** 3312673

**Directors**

**J L Hudson**

Chairman

**Councillor G E Richards** Solihull MBC

Deputy Chairman

**Councillor T Ali** Birmingham City Council

**Councillor D M Caunt** Dudley MBC

**S S B Cheung** Macquarie Airports (UK) No. 2 Limited

**O Cussen** Aer Rianta International cpt

**Councillor L R Gregory** Birmingham City Council

**R J Hilliard** Aer Rianta International cpt

**Councillor M S Jaspal** Wolverhampton City Council

**M J Kelly** Executive

**Councillor T A Khan** Birmingham City Council

**K Mather** Macquarie Airports (UK) No. 2 Limited

**S P G Morris** Macquarie Airports (UK) No. 2 Limited

**Councillor J.G. O'Hare** Walsall MBC

**J J Stent** Macquarie Airports (UK) No. 2 Limited

**Councillor K. Taylor** Coventry City Council

**Councillor W.H. Thomas** Sandwell MBC

**M Upton** Aer Rianta International cpt

**M Zeman** Macquarie Airports (UK) No. 2 Limited

**Company Secretary**

**M J Kelly**

**Executive Management Group**

**Michael Joseph Kelly** Acting Managing Director

**Mark Hattersley** Acting Finance Director

**William Heynes** Operations Director

**Peter Vella** Business Development Director

**Elaine Clarke** Head of Human Resources

**John Morris** Head of Corporate Affairs

**Michael Upton** Aer Rianta International cpt

**Independent Auditors**

**PricewaterhouseCoopers LLP** Chartered accountants and registered auditors

Corwall Court, 19 Cornwall Street,

Birmingham B3 2DT

**Bankers**

**National Westminster Bank Plc** 2 St Philips Place, Birmingham B3 3RB

**Solicitors**

**Eversheds LLP** 115 Colmore Row, Birmingham B3 3AL

**Registered Office**

Diamond House

Birmingham International Airport

Birmingham

West Midlands

B26 3QJ

# Directors' Report

For the year ended 31 March 2007

The Directors present their report and group accounts for the year ended 31 March 2007.

## Results and Dividends

The Group profit for the year after taxation amounted to £12.070 million (2006: £19.458 million). Ordinary Share dividends paid during the year totalled £10.991 million (2006: £11.456 million) resulting in a retained profit for the year of £1.079 million (2006: £8.002 million).

## Principal Activity

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

## Review of the Business

A detailed review of the business is given on pages 15 to 30 of this document. It covers the Group's operating objective, market position, financial performance, facilities, infrastructure and capital expenditure. The section also covers opportunities and risks the business is facing, details of financial risk management, key performance indicators and the Group's current position with regards to International Accounting Standards. Further information includes the Group's approach to environmental mitigation, sustainability, social and community involvement, accessibility and the Group's regional role.

## Future Developments

The Company will continue to operate Birmingham International Airport, providing additional facilities and infrastructure as required to maintain the successful operation of the Airport.

## Directors and their interests


The directors during the year were as follows (Appointed/Resigned/Deceased):-

<b>T Ali</b>	(Appointed 07/06/06)
<b>T G Ansell</b>	(Appointed 13/10/06, Resigned 06/06/07)
<b>M C Balmforth</b>	(Resigned 21/07/06)
<b>D M Caunt</b>	
<b>S S B Cheung</b>	(Appointed 24/04/07)
<b>R J H Collins</b>	(Deceased 22/08/06)
<b>F V Coyne</b>	(Resigned 07/06/06)
<b>O Cussen</b>	
<b>L R Gregory</b>	
<b>K G Hardeman</b>	(Deceased 17/07/07)
<b>R J Heard</b>	(Deceased 18/01/07)
<b>R J Hilliard</b>	
<b>J L Hudson</b>	
<b>M S Jaspal</b>	
<b>M J Kelly</b>	
<b>T A Khan</b>	(Appointed 07/06/06)
<b>K Mather</b>	
<b>S P G Morris</b>	
<b>J G O'Hare</b>	(Appointed 06/06/07)
<b>G E Richards</b>	
<b>H N M de Run</b>	(Resigned 29/01/07)
<b>J J Stent</b>	
<b>K Taylor</b>	
<b>W H Thomas</b>	
<b>M Upton</b>	
<b>I Ward</b>	(Resigned 07/06/06)
<b>M Zeman</b>	(Appointed 24/04/07)

# Directors' Report (continued)

The Group operates an All Employee Share Ownership Plan (AESOP) whereby all employees can subscribe for shares subject to Inland Revenue and Scheme limits. The Group also gifts shares to employees in proportion to those subscribed for, although conditions are attached which enables the shares to be recovered under certain circumstances. The shares subscribed for and gifted through the AESOP scheme are purchased from the share holding of the Employee Share Ownership Plan Trust (ESOP) which, prior to the introduction of the Scheme, held 8,909,700 1p ordinary shares of the Company equating to 2.75% of the ordinary shares in issue.

## **Equal Opportunities and Employment of Disabled Persons**

The Company is committed to ensuring that all members of the community have the opportunity to apply for vacancies as they arise within the Company; also, to ensure that applications receive fair treatment. We continue to meet the Two Ticks Positive about Disabled People Standard  and all applications for employment from disabled people are considered within this framework.

## **Employee Contribution**

Employee contribution to our business is key to our success. The Company commits to meet the Investors in People Standard, ensuring the skills and knowledge of all our employees are updated to meet changes in our industry. This year we have developed a new Management Competencies framework and Personal Performance and Development Reviews for all our employees. The high level of employee take up of the All Employee Share Ownership Plan has continued this year enabling all employees to have the opportunity to share in the success of the Company.

## **Supplier Payment Policy**

Although the Group does not publish a formal code on payment practice, it remains the Group'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 Company itself does not have any significant trade creditors.

## **Political and Charitable Contributions**

During the year the Company made various charitable contributions, primarily to the Birmingham International Airport Community Trust Fund, totalling £54,640. Political contributions were made as follows: Labour Party £196, Conservative Party £1,953, Liberal Democrat Party £259, others £235.



# 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 and of the Group at 31 March 2007 and of the profit of the Group 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;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group 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 Group and enable them to ensure that the accounts comply with the Companies Act 1985.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of Disclosure of Information to Auditors**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and the directors have taken all the steps that ought to have been taken as a director, in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

PricewaterhouseCoopers LLP have confirmed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the forthcoming Annual General Meeting.

### **BY ORDER OF THE BOARD**

**M J Kelly**

Director

18 July 2007

# Independent Auditors' Report

## To the Members of Birmingham Airport Holdings Limited

We have audited the group and parent company financial statements of Birmingham Airport Holdings Limited for the year ended 31 March 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profit and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2007 and of the group's profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

### **PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
Birmingham

18 July 2007

# Group Profit and Loss Account

For the year ended 31 March 2007

	Notes	2007 £000	2006 £000
<b>Turnover</b>	2	<b>109,129</b>	111,109
Operating Costs		<b>(86,222)</b>	(75,632)
<b>Operating Profit</b>	3	<b>22,907</b>	35,477
Interest receivable		<b>3,623</b>	3,596
Interest payable	6	<b>(9,462)</b>	(9,885)
<b>Profit on Ordinary Activities Before Taxation</b>		<b>17,068</b>	29,188
Tax charge on profit on ordinary activities	7	<b>(4,998)</b>	(9,730)
<b>Profit on Ordinary Activities After Taxation</b>		<b>12,070</b>	19,458
Dividends on equity shares	9	<b>(10,991)</b>	(11,456)
<b>Retained Profit for the Year</b>	22	<b>1,079</b>	8,002

All results are derived from continuing operations

## Group Statement of Total Recognised Gains and Losses

		2007 £000	2006 £000
Profit on ordinary activities after taxation		<b>12,070</b>	19,458
Asset revaluation (restatement)/Gain		<b>(931)</b>	60,578
Actuarial (losses)/gain on pension scheme	22	<b>(189)</b>	2,877
Movement on deferred tax relating to pension scheme actuarial gain/(loss)		<b>56</b>	(863)
<b>Total Recognised Gains and Losses for the Year</b>		<b>11,006</b>	82,050

## Note of Historical Cost Profits and Losses

		2007 £000	2006 £000
Reported profit on ordinary activities before taxation		<b>17,068</b>	29,188
Excess depreciation on revalued assets		<b>3,755</b>	2,600
<b>Historical Cost Profit on Ordinary Activities Before Taxation</b>		<b>20,823</b>	31,788
<b>Historical Cost Profit for the Year Retained After Taxation and Dividends</b>		<b>4,834</b>	10,602

# Group Balance Sheet At 31 March 2007

	Notes	2007 £000	2006 £000
<b>Fixed Assets</b>			
Tangible assets	10	391,861	393,334
<b>Current Assets</b>			
Stocks and development land	12	1,003	1,102
Debtors	13	14,744	14,007
Cash at bank and in hand		52,412	66,240
		68,159	81,349
<b>Creditors: amounts falling due within one year</b>	15	(37,032)	(52,912)
<b>Net Current Assets</b>		31,127	28,437
<b>Total Assets less Current Liabilities</b>		422,988	421,771
<b>Creditors: amounts falling due after more than one year</b>	16	(130,244)	(130,002)
<b>Provisions for Liabilities and Charges</b>	20	(23,749)	(22,823)
<b>Net Assets excluding Pension Liability</b>		268,995	268,946
<b>Pension Liability</b>	25	(14,561)	(14,546)
<b>Net Assets including Pension Liability</b>		254,434	254,400
<b>Capital and Reserves</b>			
Called up share capital	21	3,240	3,240
Share premium account	22	43,644	43,644
Merger reserve	22	25,588	25,588
Revaluation reserve	22	122,307	126,993
Profit and loss account	22	59,655	54,935
<b>Total Equity Shareholders' Funds</b>	22	254,434	254,400

The financial statements on pages 42 to 64 were approved by the Board of Directors on 18 July 2007 and were signed on its behalf by:

<b>J L Hudson</b>	<b>M J Kelly</b>
Chairman	Director

# Company Balance Sheet At 31 March 2007

	Notes	2007 £000	2006 £000
<b>Fixed Assets</b>			
Investments	11	232,988	232,208
<b>Current Assets</b>			
Debtors	13	774	676
Cash at bank and in hand		50,358	67,148
		51,132	67,824
<b>Creditors</b> amounts falling due within one year	15	(1,125)	(20,015)
<b>Net Current Assets</b>		50,007	47,809
<b>Total Assets less Current Liabilities</b>		282,995	280,017
<b>Creditors</b> Amounts falling due after more than one year	16	(154,438)	(155,310)
<b>Net Assets</b>		128,557	124,707
<b>Capital and Reserves</b>			
Called up share capital	21	3,240	3,240
Share premium account	22	43,644	43,644
Merger reserve	22	51,380	51,380
Profit and loss account	22	30,293	26,443
<b>Total Equity Shareholders' Funds</b>	22	128,557	124,707

The financial statements on pages 42 to 64 were approved by the Board of Directors on 18 July 2007 and were signed on its behalf by:

<b>J L Hudson</b>	<b>M J Kelly</b>
Chairman	Director

# Group Cash Flow Statement For the year ended 31 March 2007

	Notes	2007 £000	2006 £000
<b>Net Cash Inflow from Operating Activities</b>	3b	<b>48,739</b>	51,857
<b>Returns on Investment and Servicing of Finance</b>			
Interest paid		(9,572)	(9,419)
Interest received		3,527	3,720
Interest element of finance lease rental payments		(18)	(22)
<b>Net Cash Outflow from Returns on Investments and Servicing of Finance</b>		<b>(6,063)</b>	(5,721)
<b>Taxation</b>			
UK Corporation Tax paid		(4,662)	(9,233)
<b>Capital Expenditure and Financial Investment</b>			
Payments to acquire tangible fixed assets		(22,037)	(30,607)
Receipts from sales of fixed assets		14	8
<b>Net Cash Outflow from Capital Expenditure</b>		<b>(22,023)</b>	(30,599)
<b>Equity Dividends Paid</b>		<b>(10,991)</b>	(11,456)
<b>Cash Inflow/(Outflow) before management of Liquid Resources and Financing</b>		<b>5,000</b>	(5,152)
<b>Management of Liquid Resources</b>			
Decrease in short term deposits		16,702	3,056
<b>Financing</b>			
Decrease in long term borrowings	14	(18,500)	-
Capital element of finance lease rental payments	14	(47)	(43)
Lease and leaseback premium	14	(300)	(200)
Net sale of own shares from share trust		19	178
<b>Net Cash Outflow from Financing</b>		<b>(18,828)</b>	(65)
<b>Increase/(Decrease) in Cash</b>	14	<b>2,874</b>	(2,161)

# Notes to the Accounts For the year ended 31 March 2007

## 1. Accounting Policies

### Accounting Convention

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

### Basis of Preparation

These accounts have been prepared to give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2007 and of the profit or loss of the Group for the year then ended. The accounts have consequently been prepared to comply with all accounting standards and Schedule 4 of the Companies Act 1985.

### Basis of Consolidation

The Group accounts consolidate the accounts of Birmingham Airport Holdings Limited and its subsidiary undertakings drawn up to 31 March 2007. No profit and loss account is presented for Birmingham Airport Holdings Limited as permitted by section 230 of the Companies Act 1985.

### Goodwill

Goodwill arising on acquisitions prior to 31 March 1998 was set off directly against reserves. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS 10.

### Pensions

The Group operates a defined benefit pension scheme that requires contributions to be made to a separately administered fund. The accounting for the pension scheme is in accordance with Financial Reporting Standard 17 ('FRS 17'), 'Retirement Benefits' which was published on 30 November 2000. For the year ending March 2007, it requires any pension surplus or deficit to be fully accounted for on the balance sheet of the entity. The Group has complied with the requirements of this FRS and consolidated the pension deficit into its accounts.

### European Regional Development Fund, Trans European Networks and Local Transport Plan Grants

European Regional Development Fund (ERDF) grants, Trans European Networks (TENS) grants and Local Transport Plan (LTP) 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.

### Tangible Fixed Assets and 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. In addition, the carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The principal useful lives are as follows:

Buildings	between 5 & 50 years
Runways, taxiways and infrastructure	between 10 & 50 years
Plant and equipment	between 4 & 30 years
Motor vehicles	between 4 & 15 years

Freehold land and buildings (primarily off-site residential properties) belonging to certain subsidiary companies are held as investment properties and are accounted for in accordance with SSAP 19. Consequently their open market value is reviewed internally on an annual basis, with an external valuation every five years performed by an appropriately qualified valuer. If any identified deficit is expected to be permanent it is recognised in the profit and loss account for the year. Depreciation has not been provided as the directors believe this is necessary in order for the accounts to give a true and fair view. If it had been provided, it would not be material. Depreciation is one of the many factors reflected in the annual valuation.

The Group revalues land, buildings and infrastructure of a further subsidiary in accordance with Financial Reporting Standard 15 ('FRS 15') 'Tangible Fixed Assets', with Independent valuations being undertaken every five years. An Independent Valuation was undertaken in 2006 (Note 10).

# Notes to the Accounts (continued)

## 1. Accounting Policies (continued)

### Capitalised Interest

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

### Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated at the balance sheet date, but not reversed except for the following:

- Deferred tax assets are only recognised where, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which they can be recovered.
- In respect of fixed asset revaluations, deferred tax is not provided unless there is a binding agreement to sell the asset at the balance sheet date. However, no provision is made if any gain is to be rolled over into replacement assets.

The Group has elected not to discount the deferred tax assets and liabilities. Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Stocks and Development Land

Stores of consumable items and development land held within stock are valued at the lower of purchase cost and estimated net realisable value.

### 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.

### 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. The effect of the time value of money is not material and therefore the provisions are not discounted.

### Accounting For Leases

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 Group, are capitalised in the balance sheet and are depreciated over the shorter of the lease term or their useful lives. An exception to this is an on-site office block where a subsidiary company has a call option on the lease (Note 24). The asset is therefore being depreciated over its useful life. 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 and operating leases are charged to the profit and loss account as incurred.

Rentals receivable under operating leases are included in turnover on an accruals basis.



## 2. Turnover

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

- Aeronautical income: sales relating to aeronautical activities net of rebates, incentives and value added tax.
- Concession and property income: concession rentals net of value added tax relating to retail activities on the site and revenues relating to property lettings, service charges, utility recharges and usage charges for operational systems.

	2007 £000	2006 £000
Aeronautical income	61,003	62,863
Concession and property income and recharges	48,126	48,246
	<b>109,129</b>	111,109

## 3. Operating Profit

	2007 £000	2006 £000
<b>a) This is stated after charging / (crediting):</b>		
Auditors' remuneration		
Audit services	67	65
Other audit services	13	24
Depreciation		
Owned assets	19,527	16,260
Assets held under finance leases	337	252
Amortisation		
European Regional Development Fund grants	(38)	(38)
Trans European Networks grants	(46)	(46)
Local Transport Plan grant	(104)	(104)
Operating lease rentals		
Plant and equipment	133	128
Other	447	447
Reorganisation charges (note 5)	3,505	-
Rents	(6,237)	(6,258)
Concessions	(34,991)	(35,529)
Loss on disposal of fixed assets	111	251
<b>b) Reconciliation of operating profit to net cash inflow from operating activities.</b>		
	<b>2007</b>	2006
	<b>£000</b>	<b>£000</b>
<b>Operating profit</b>	<b>22,907</b>	35,477
Depreciation	19,864	16,512
Loss on disposals of fixed assets	111	251
Amortisation of deferred income and grants	(188)	(188)
Difference between pension charge and cash contribution	(180)	(1,326)
Decrease/(Increase) in stocks	99	(20)
(Increase)/decrease in debtors and prepayments	(507)	168
Increase in creditors and accruals	6,587	966
Increase/(decrease) in provisions	46	17
<b>Net cash inflow from operating activities</b>	<b>48,739</b>	51,857

# Notes to the Accounts (continued)

## 4. Directors' Emoluments

	2007	2006
	£000	£000
Emoluments (excluding pension contributions)	337	345

Retirement benefits are accruing to 1 Director (2006: 2) under a defined benefit pension scheme.

Emoluments in respect of the highest paid director are:

	2007	2006
	£000	£000
Total emoluments (excluding pension contributions)	160	177
The amount of accrued pension for the defined benefit pension scheme	-	20
The amount of accrued lump sum for the defined benefit pension scheme	-	60

Following the death of the Managing Director, Richard Heard, £0.750 million was received under a Personal Accident Insurance Policy which has been passed on for the benefit of Mr Heard's family. This has not been classed as an Emolument for the note above.

## 5. Staff Costs

	2007	2006
	£000	£000
Wages and salaries	20,818	17,960
Social security costs	1,536	1,457
Other pension costs	5,050	2,982
	<b>27,404</b>	<b>22,399</b>

The above includes £3.505m (2006: Nil) for reorganisation costs of which £3.171m relates to the restructuring of airfield security (£1.690m for pension deficiency provision)

The average monthly number of employees during the year comprised:

	2007	2006
	Number	Number
Engineering	72	73
Operations and security	369	392
Support services	119	115
Terminal services	66	65
	<b>626</b>	<b>645</b>

## 6. Interest Payable

	2007	2006
	£000	£000
Bank loans and overdrafts	79	239
Preference share dividend	971	971
Corporate bond	6,663	6,663
Loan stock interest	1,587	1,613
Other interest	600	550
Finance lease	20	24
FRS 17 finance expenses	12	643
Capitalised	(470)	(818)
	<b>9,462</b>	<b>9,885</b>

## 7. Tax on Profit on Ordinary Activities

	2007 £000	2006 £000
UK Corporation Tax – current year	5,741	9,021
UK Corporation Tax – adjustment in respect of prior years	(1,674)	(668)
UK Corporation Tax	4,067	8,353
Deferred tax – current year	523	1,333
Deferred tax – adjustment in respect of prior years	358	(161)
Deferred tax – on pension deficit movement	50	205
Tax on profit on ordinary activities	4,998	9,730
Deferred tax charged to Statement of Total Recognised Gains and Losses	(56)	863
Total tax charged in financial statements	4,942	10,593

	2007 £000	2006 £000
<b>Deferred tax credited to provisions for liabilities and charges</b> (Note 20)		
Deferred tax – current year	523	1,333
Deferred tax – adjustment in respect of prior years	358	(161)
	881	1,172
<b>Deferred tax credited to pension liability</b> (Note 25)		
Deferred tax on pension deficit movement charged in the profit and loss account	50	205
Deferred tax charged to Statement of Total Recognised Gains and Losses	(56)	863
	(6)	1,068

The deferred tax charge arises in respect of the origination and reversal of timing differences.

### Factors affecting the tax charge for the year

Tax assessed on the profit on ordinary activities for the year is lower (2006: higher) than the ordinary rate of Corporation Tax in the UK of 30% (2006: 30%). The differences are reconciled below:

	2007 £000	2006 £000
Profit on ordinary activities before tax	17,068	29,188
Profit on ordinary activities at the standard rate of tax of 30% (2006:30%)	5,120	8,756
Effects of:		
Disallowed expenses	2,094	1,804
Capital allowances in advance of depreciation	(880)	(801)
Short term timing differences	359	(736)
Movement on pension liability	(50)	-
Small companies rate relief	(2)	(2)
Consortium Relief	(900)	-
Adjustments in respect of prior year periods - consortium relief	(833)	(406)
Adjustments in respect of prior year periods	(841)	(262)
Current tax charge for year	4,067	8,353

The disallowable expenses include £1.865 million (2006: £1.555 million) relating to non qualifying depreciation.

# Notes to the Accounts (continued)

## 8. Profit attributable to members of the parent undertaking

The profit dealt with in the accounts of the parent undertaking was £14.822 million (2006: £14.516 million).

## 9. Dividends

	2007 £000	2006 £000
2006 final dividend paid at 1.73p per share (2005: 1.87p)	5,542	5,980
2007 interim dividend paid at 1.70p per share (2006: 1.71p)	5,449	5,476
	<b>10,991</b>	11,456

The ESOP Trust waived its right to the payment of a dividend in the year on the 3,158,841 ordinary shares that it owns (Note 22).

A dividend of 1.70p per share will be proposed at the Annual General Meeting to be paid in July 2007.

## 10. Tangible Fixed Assets - Group

Tangible fixed assets (excluding assets in the course of construction, plant and equipment, short leasehold land and investment properties held by a subsidiary company, First Castle Developments Limited) were valued as at 31 March 2006 by Atisreal Limited, Chartered Surveyors. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors and with Financial Reporting Standard 15 (Tangible Fixed Assets) issued by the Accounting Standards Board. Due to the specialist nature of the Airport's assets, the depreciated replacement cost methodology was used for operational assets. For other assets/land, the open market value methodology was used. The valuation of £320.780 million identified a £60.578 million increase in value. This revaluation was revisited during 2007 (note 22)

In addition, the investment properties held by the subsidiary company, First Castle Developments Limited, were valued at their open market value in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors on 31 March 2004 by Chesterton Ltd. The valuation of £5.575 million identified impairments of £54,260 and gains of £1,014,816 giving a net gain of £960,556.

Both valuations have been reviewed internally during the year and the Directors feel the carrying values brought forward are still appropriate.

	Land & Buildings		Runways, Taxiways, Infrastructure £000	Plant and Equipment £000	Assets in Course of Construction £000	Total £000
	Freehold £000	Leasehold £000				
<b>Cost or Valuation</b>						
At 1 April 2006	248,499	200	87,771	91,508	21,507	449,485
Additions	-	-	931	-	18,046	18,977
Capitalised Interest	-	-	-	-	470	470
Transfer	12,456	-	11,913	6,944	(31,313)	-
Disposals	(128)	-	-	-	-	(128)
Asset revaluation	-	-	(931)	-	-	(931)
<b>At 31 March 2007</b>	<b>260,827</b>	<b>200</b>	<b>99,684</b>	<b>98,452</b>	<b>8,710</b>	<b>467,873</b>

## 10. Tangible Fixed Assets - Group (continued)

	Land & Buildings		Runways, Taxiways, Infrastructure	Plant and Equipment	Assets in Course of Construction	Total
	Freehold £000	Leasehold £000				
<b>Depreciation</b>						
At 1 April 2006	131	-	-	56,020	-	56,151
Provided in the Year	8,515	-	4,975	6,374	-	19,864
Disposals	(3)	-	-	-	-	(3)
<b>At 31 March 2007</b>	<b>8,643</b>	<b>-</b>	<b>4,975</b>	<b>62,394</b>	<b>-</b>	<b>76,012</b>
<b>Net Book Value</b>						
<b>At 31 March 2007</b>	<b>252,184</b>	<b>200</b>	<b>94,709</b>	<b>36,058</b>	<b>8,710</b>	<b>391,861</b>
At 31 March 2006	248,368	200	87,771	35,488	21,507	393,334

A cumulative amount of £7.357 million (2006: £6.887 million) relating to capitalised interest is included within the cost of fixed assets. Interest capitalised during the year amounted to £0.470 million (2006: £0.818 million) at a capitalisation rate of 6.5% (2006: 6.5%)

Included in land and buildings is land at a value of £38.076 million (2006: £38.076 million) and investment properties at a value of £5.190 million (2006: £5.190 million) which are not depreciated (Note 1). The net book value includes the following for assets held under finance leases and hire purchase contracts.

	<b>2007</b>	2006
Net Book Value	<b>£000</b>	£000
Land and Buildings	<b>9,497</b>	9,834

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

	Land & Buildings		Runways, Taxiways, Infrastructure	Plant and Equipment	Assets in Course of Construction	Total
	Freehold £000	Leasehold £000				
<b>At 31 March 2007</b>						
Cost	203,833	202	124,822	98,451	8,710	<b>436,018</b>
Depreciation	(52,459)	-	(51,724)	(62,394)	-	<b>(166,577)</b>
<b>Net Book Value</b>	<b>151,374</b>	<b>202</b>	<b>73,098</b>	<b>36,057</b>	<b>8,710</b>	<b>269,441</b>
<b>At 31 March 2006</b>						
Cost	191,831	202	111,979	91,508	21,507	<b>417,027</b>
Depreciation	(46,746)	-	(48,031)	(56,020)	-	<b>(150,797)</b>
<b>Net Book Value</b>	<b>145,085</b>	<b>202</b>	<b>63,948</b>	<b>35,488</b>	<b>21,507</b>	<b>266,230</b>

### Tangible Fixed Assets - Company

Birmingham Airport Holdings Limited has no tangible fixed assets.

# Notes to the Accounts (continued)

## 11. Investments - Group and Company: Subsidiary Undertakings

Name of Company	Country of Incorporation and Operation	Holding	Proportion Held	Year End	Nature of Business
Birmingham International Airport Limited	England	Ordinary Shares	100%	31 March	Airport Terminal Management & Operation
Euro-Hub (Birmingham) Limited	England	Ordinary Shares	100% (a)	31 March	Non Trading
		Preference Shares	100% (b)		
Birmingham Airport (Finance) PLC	England	Ordinary Shares	100%	31 March	Financing
First Castle Developments Limited	England	Ordinary Shares	100% (c)	31 March	Property Holding Company
Birmingham Airport Developments Limited	England	Ordinary Shares	100% (c)	05 April	Site Development
BHX Fire and Rescue Limited	England	Ordinary Shares	90% (c)	31 March	Airport Rescue and Fire Fighting Services

(a) 25% held by a subsidiary undertaking (b) 30% held by a subsidiary undertaking (c) held by a subsidiary undertaking  
All other investments held by the company.

Company	Subsidiary Undertakings £000
Shares	143,745
Loans	88,463
At 1 April 2006	232,208
Movement during year	
Additional loans	780
<b>Investment at 31 March 2007</b>	<b>232,988</b>
Comprising	
Shares	<b>143,745</b>
Loans	<b>89,243</b>
<b>Net Book Value at 31 March 2007</b>	<b>232,988</b>

The loans of £89.243 million are 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.

## 12. Stocks and Development Land

	Group	
	2007 £000	2006 £000
Consumables	303	402
Development land	700	700
	<b>1,003</b>	<b>1,102</b>

### 13. Debtors

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade debtors	7,769	7,083	-	-
Other debtors	237	1,064	-	-
Prepayments and accrued income	6,738	5,860	774	676
	<b>14,744</b>	<b>14,007</b>	<b>774</b>	<b>676</b>

There are no debtors falling due after more than one year (2006: £nil).

### 14. Reconciliation of Net Cashflow to movement in Net Debt & Analysis of changes in Net Debt

	2007 £000	2006 £000
<b>Increase/(Decrease) in cash in year</b>	<b>2,874</b>	<b>(2,161)</b>
Movement in short term deposits	(16,702)	(3,056)
Net movement in long term borrowings	18,500	-
Capital element of finance lease rental payments	47	43
Lease and leaseback premium	300	200
Change in net debt resulting from cashflows	5,019	(4,974)
Lease and leaseback - accrued interest	(700)	(549)
Movement in corporate bond – non cash	(100)	(101)
<b>Movement in Net Debt in the year</b>	<b>4,219</b>	<b>(5,624)</b>
<b>Opening Net Debt</b>	<b>(75,685)</b>	<b>(70,061)</b>
<b>Closing Net Debt at 31 March</b>	<b>(71,466)</b>	<b>(75,685)</b>

	1 April 2006 £000	Cashflow £000	Non-cash Movements £000	31 March 2007 £000
Cash at bank and in hand	(810)	2,874	-	2,064
Short term deposits	67,050	(16,702)	-	50,348
Finance lease obligations	(197)	47	-	(150)
Lease and leaseback premium	(4,332)	300	(700)	(4,732)
Corporate bond	(103,512)	-	(100)	(103,612)
Redeemable Preference Shares	(15,384)	-	-	(15,384)
Loan stock	(18,500)	18,500	-	-
<b>Net Debt</b>	<b>(75,685)</b>	<b>5,019</b>	<b>(800)</b>	<b>(71,466)</b>

Short term deposits are included within cash at bank and in hand in the balance sheet. The amounts included for finance leases are net of prepayments.

# Notes to the Accounts (continued)

## 15. Creditors: amounts falling due within one year

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Obligations under finance leases	52	47	-	-
Trade creditors	1,396	1,260	-	-
Corporation Tax	4,291	4,886	-	-
Other taxes and social security costs	420	503	-	-
Deferred income	4,910	4,870	-	-
ERDF, LTP and TENS grants	182	188	-	-
Loan stock	-	18,500	-	18,500
Accruals	25,781	22,658	1,125	1,515
	<b>37,032</b>	<b>52,912</b>	<b>1,125</b>	<b>20,015</b>

## 16. Creditors: amounts falling due after more than one year

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Preference shares	15,384	15,384	15,384	15,384
Obligations under finance leases	98	150	-	-
Amounts owed to group undertakings	-	-	139,054	139,926
Net premium arising on lease and leaseback (Note 26)	4,732	4,332	-	-
Deferred income	720	744	-	-
Corporate bond (Note 17)	103,612	103,512	-	-
ERDF, LTP and TENS grants	5,698	5,880	-	-
	<b>130,244</b>	<b>130,002</b>	<b>154,438</b>	<b>155,310</b>

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.

## 17. Loans

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Loans falling due in one year or less	-	18,500	-	18,500
Loans falling due in two to five years	-	-	139,054	139,926
Loans falling due in over five years	105,000	105,000	-	-
	<b>105,000</b>	<b>123,500</b>	<b>139,054</b>	<b>158,426</b>
Less un-amortised issue costs and discount	(1,388)	(1,488)	-	-
	<b>103,612</b>	<b>122,012</b>	<b>139,054</b>	<b>158,426</b>

### Loans not wholly repayable within 5 years

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Bonds repayable on 22 February 2021	105,000	105,000	-	-
Less un-amortised issue costs and discount	(1,388)	(1,488)	-	-
	<b>103,612</b>	<b>103,512</b>	<b>-</b>	<b>-</b>



## 17. Loans (continued)

The corporate 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.

## 18. Derivatives and other Financial Instruments

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

### Funding

The Group's funding is provided by its £105 million bond issue, £40 million syndicated loan facility, £1 million overdraft facility and £52.4 million cash reserves.

### Interest rate risk

The Group's borrowings are a combination of fixed and floating rate liabilities. The bond is at a fixed interest rate of 6.25 per cent equating to a rate of 6.349 per cent if the launch discount of 1.102 per cent is amortised back into the cashflow. The syndicated facility is based upon LIBOR (fixed at each draw-down) and a defined mark up.

### Currency exposures

The Group has no overseas investments and all invoicing is carried out in sterling. Currency exposure relates to ongoing operating costs when materials and services are sourced from overseas. These are not considered to be a significant part of the Group's business.

### Borrowing facilities

The Group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2007 £000	2006 £000
Expiring in one year or less	1,000	1,000
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years	40,000	40,000
	<b>41,000</b>	<b>41,000</b>

### Non-equity shares

The Company has in issue £15,383,600 of cumulative redeemable preference shares with a fixed coupon rate of 6.31% and no voting rights. They are redeemable at par after 26 March 2012.

### Interest rate risk and profile of financial assets

The interest rate profile of the financial assets of the Group as at 31 March were as follows:

	Floating Rate £000	No Interest Is Earned £000	Total £000
2007 Sterling	53,173	103	53,276
2006 Sterling	69,839	139	69,978

Floating rate financial assets comprise surplus cash balances deposited on the overnight and short term money markets. The interest rate is based upon prevailing market rates and is set upon deposit. The financial assets on which no interest is earned comprise surplus cash balances and uncleared transactions. The £53.173 million above includes £0.864 million (2006: £3.738 million) of funds held on overnight deposits to cover uncleared payments.

# Notes to the Accounts (continued)

## 18. Derivatives and other Financial Instruments (continued)

### Interest rate risk and profile of financial liabilities

	Financial Liabilities			Total £000	Fixed Rate Liabilities Weighted Average	
	Fixed Rate £000	Floating Rate £000	No Rate £000		Interest Rate %	Fixed Period Years
2007 Sterling	125,266	-	5,348	130,614	6.57%	15
2006 Sterling	143,413	-	5,133	148,546	6.83%	16

The above financial liabilities do not include a deduction for the un-amortised issues costs and discount of £1.388 million (2006: £1.488 million).

### Maturity profile of the Group's financial liabilities

	2007 £000	2006 £000
In one year or less, or on demand	52	18,747
In more than one year but not more than two years	98	52
In more than two years but not more than five years	5,348	5,031
In more than five years	125,116	124,716
	<b>130,614</b>	<b>148,546</b>

### Fair value of financial assets and financial liabilities

Set out below is a comparison of book value and fair value of all the Group's financial assets and financial liabilities as at 31 March 2007.

	Book Value 2007 £000	Fair Value 2007 £000	Book Value 2006 £000	Fair Value 2006 £000
Cash (including short term deposits)	52,412	52,412	66,240	66,240
Loan stock	-	-	(18,500)	(19,185)
Bonds	(103,612)	(108,153)	(103,512)	(113,791)
Non-equity shares	(15,384)	(15,488)	(15,384)	(15,505)
Finance leases	(150)	(153)	(197)	(208)
Retirement provisions	-	-	(171)	(171)
Development provisions	(5,348)	(5,348)	(5,133)	(5,133)
Pension scheme liability	(14,561)	(14,561)	(14,546)	(14,546)

Market value has been used to determine the fair value of the bonds and discounted cashflows for the fair value of the loan stock, non-equity shares and finance leases. A fair value for the lease and leaseback liability cannot be determined due to the nature of the transaction (Note 26) and its predominantly non financial nature.

<b>19. Obligations under Lease Contracts (Group)</b>		<b>2007</b>	2006
		<b>£000</b>	£000
<b>a)</b>	Finance lease obligations: amounts payable		
	Within one year	<b>52</b>	47
	In the second to fifth year inclusive	<b>98</b>	150
	After five years	-	-
		<b>150</b>	197
		<b>Land &amp; Buildings</b>	<b>Other</b>
		<b>2007</b>	2006
		<b>£000</b>	£000
<b>b)</b>	Non-cancellable operating leases		
	Annual commitments under leases which expire:		
	Within one year	-	-
	In the second to fifth year inclusive	-	-
	After five years	447	447
		<b>447</b>	447
		<b>99</b>	115

## 20. Provisions for Liabilities and Charges (Group)

	<b>Development Related £000</b>	<b>Retirement Benefits £000</b>	<b>Deferred Tax £000</b>	<b>Total £000</b>
At 1 April 2006	5,133	170	17,520	22,823
Provided during the year	243	(170)	881	954
Utilised during the year	(28)	-	-	(28)
<b>At 31 March 2007</b>	<b>5,348</b>	<b>-</b>	<b>18,401</b>	<b>23,749</b>

### Development Related Provisions

The Group is fully committed to a positive environmental policy including the provision of a defined noise insulation scheme, financial penalties to support night flying restrictions and provisions for payments under the Land Compensation Act 1973. Provisions are made in line with foreseen liabilities. An element of the development related provision relates to potential claims which, by their nature are uncertain, arising under the Land Compensation Act as a result of certain developments being undertaken at the Airport. The timing for the transfer of the related economic benefits are therefore not expected to be significant within the next 12 months. With regards to the Noise Insulation scheme, the future liability for the next twelve months for the Noise Insulation scheme is estimated at £200,000 (2006: £200,000).

### Retirement Benefits

The provision for pension benefit enhancements which was held at 31/3/06 has been released as the claim was agreed, and is now included within the FRS 17 pension valuation.

### Deferred taxation provided

	<b>2007</b>	2006
	<b>£000</b>	£000
Capital allowances in advance of depreciation	<b>19,871</b>	18,617
Other timing differences	<b>(1,470)</b>	(1,097)
	<b>18,401</b>	17,520

Deferred tax has not been provided on the revaluation surplus as there is no present intention to dispose of any of the revalued fixed assets. The above does not include deferred tax assets disclosed in Note 25.

# Notes to the Accounts (continued)

## 21. Share Capital

Authorised, allotted, called up and fully paid	Group & Company		Group & Company	
	2007 Number	2006 Number	2007 £000	2006 £000
'A' ordinary shares of 1p each	315,082,900	315,082,900	3,151	3,151
'B' ordinary shares of 1p each	8,909,700	8,909,700	89	89
1 special (non-participating) voting share of £1	1	1	-	-
	<b>323,992,601</b>	<b>323,992,601</b>	<b>3,240</b>	<b>3,240</b>
6.31% cumulative redeemable preference shares of 1p each	<b>1,538,360,000</b>	<b>1,538,360,000</b>	<b>15,384</b>	<b>15,384</b>

The 'B' ordinary shares carry the same rights as the 'A' ordinary shares except they have no voting rights. The preference shares are redeemable at par after 26 March 2012 and carry no voting rights. On a winding up of the company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, 1p per share plus any accrued dividend. The holder of the special voting share is not entitled to participate in any dividend or any other distribution of income declared, made or paid by the Company. On a winding up, the holder of the special voting share has a right to receive the nominal value following payments to preference and ordinary shareholders.

## 22. Reconciliation of Shareholders' Funds and Movement on Reserves

Group	Share		Merger Reserve	Revaluation Reserve	Profit & Loss Account	Total Shareholders Funds
	Share Capital	Premium Account				
	£000	£000				
<b>At 1 April 2005</b>	<b>3,240</b>	<b>43,644</b>	<b>25,588</b>	<b>69,015</b>	<b>42,141</b>	<b>183,628</b>
Retained Profit for the year	-	-	-	-	8,002	8,002
Actuarial gain on pension scheme	-	-	-	-	2,877	2,877
Movement on deferred tax on pension scheme	-	-	-	-	(863)	(863)
Transfer of excess depreciation on asset revaluation	-	-	-	(2,600)	2,600	-
Gain on asset Revaluation	-	-	-	60,578	-	60,578
Net sales of own shares from share trust	-	-	-	-	178	178
<b>At 31 March 2006</b>	<b>3,240</b>	<b>43,644</b>	<b>25,588</b>	<b>126,993</b>	<b>54,935</b>	<b>254,400</b>
Retained Profit for the year	-	-	-	-	1,079	1,079
Actuarial loss on pension scheme	-	-	-	-	(189)	(189)
Movement on deferred tax on pension scheme	-	-	-	-	56	56
Transfer of excess depreciation on asset revaluation	-	-	-	(3,755)	3,755	-
Revaluation reserve restatement	-	-	-	(931)	-	(931)
Net sales of own shares from share trust	-	-	-	-	19	19
<b>At 31 March 2007</b>	<b>3,240</b>	<b>43,644</b>	<b>25,588</b>	<b>122,307</b>	<b>59,655</b>	<b>254,434</b>

The cumulative amount of Goodwill charged to the Merger Reserve is £25.792 million (2006: £25.792 million).

During the year a final quantum of capital costs relating to certain assets revalued in 2006 were assessed resulting in a reduction in the revaluation reserve of £0.931m

## 22. Reconciliation of Shareholders' Funds and Movement on Reserves (continued)

Company	Share	Share	Merger Reserve	Profit & Loss Account	Total Shareholders Funds
	Capital	Premium			
	£000	£000			
<b>At 1 April 2005</b>	<b>3,240</b>	<b>43,644</b>	<b>51,380</b>	<b>23,206</b>	<b>121,470</b>
Retained Profit for the year	-	-	-	3,059	3,059
Net sales of own shares from share trust	-	-	-	178	178
<b>At 31 March 2006</b>	<b>3,240</b>	<b>43,644</b>	<b>51,380</b>	<b>26,443</b>	<b>124,707</b>
Retained Profit for the year	-	-	-	3,831	3,831
Net sales of own shares from share trust	-	-	-	19	19
<b>At 31 March 2007</b>	<b>3,240</b>	<b>43,644</b>	<b>51,380</b>	<b>30,293</b>	<b>128,557</b>

Birmingham Airport Holdings Limited is the sponsoring company of an ESOP Trust. 'B' ordinary shares to the value of £2.750 million were issued on 26 March 1997 by Birmingham Airport Holdings Limited and they were financed by the ESOP Trust by way of a loan from the Group's syndicated facility. The loan is guaranteed by Birmingham Airport Holdings Limited and its subsidiary companies.

The shares and funding liabilities of the Trust are recognised on the Company's balance sheet because the Company is deemed to have de facto control until such time as the shares held by the Trust vest unconditionally with the employees. A scheme has been agreed with the Inland Revenue under the All Employee Share Ownership Plan (AESOP) legislation with the first shares being bought by and gifted to employees in September 2001. The Trust bears its own expenses and has waived its right to the payment of a dividend in the year.

ESOP Shares	Own Shares	Own Shares
	Number	£000
Investment at 1 April 2006	3,633,368	1,121
Shares vested in employees	(892,579)	(275)
Shares purchased from employees	418,052	256
<b>Investment at 31 March 2007</b>	<b>3,158,841</b>	<b>1,102</b>

## 23. Capital Commitments

Group	2007	2006
	£000	£000
Amounts contracted but not provided for in the accounts	<b>10,153</b>	7,561

There are no capital commitments in the Company.

## 24. Contingent Liabilities

On 15 March 2000, a subsidiary Company entered into an arms-length lease arrangement with Birmingham International Airport Limited Pension Scheme to develop an office block. As part of the arrangements, another subsidiary Company has a call option over the office block property and there is a put option granting Birmingham International Airport Limited Pension Scheme the right to put the lease. The potential liability if the option had been exercised at 31 March 2007 would have been £149,615 (2006: £196,728). This reduces to £1,000 over the 10 year lease agreement such that the compound return to the pension scheme at any point in time is 10%.

On 13 February 2001 guarantees were provided by Birmingham Airport Holdings Limited, Birmingham International Airport Limited and Euro-Hub (Birmingham) Limited in support of a £105 million Corporate Bond issued by Birmingham Airport (Finance) PLC. The bond is for a period of 20 years maturing on the 22 February 2021 and carries a fixed interest rate of 6.25% per annum.

On 16 December 2005, Birmingham Airport Holdings Limited, Birmingham International Airport Limited and Euro-Hub (Birmingham) Limited provided Guarantees to The Royal Bank of Scotland plc and Lloyds TSB Bank plc in support of a £40 million banking facility made available to Birmingham Airport Holdings Limited. At the date of signing these accounts, the total amount outstanding under the facility was £nil.

# Notes to the Accounts (continued)

## 25. Pension Commitments

A subsidiary undertaking of the Group operates a defined benefit 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 full actuarial valuation at 31 October 2003 identified a total funding requirement of 30.0%. For the period to 31 March 2007, the Group has contributed at a rate of 24.5% with the employees contributing 5.5%. This contribution rate is expected to fund the deficit identified within the scheme over the remaining lives of the employees. The principal methods and assumptions used and the results of the valuation are shown below:

	Valuation (31 October 2003)
Valuation method	Projected Unit
Employer's regular pension cost	12.9%
Investment rate of return:	7.0%
- prior to retirement	5.0%
- after retirement	3.8%
Future increases in salaries	2.8%
Increases in pensions (bulk of membership)	£34.8m
Market value of assets	68%
Level of funding (actuarial value of assets as a percentage of accrued service liabilities)	

Financial Reporting Standard 17 (FRS 17), 'Retirement Benefits' was published on 30 November 2000. The following sets out the additional information required by FRS 17.

A qualified independent actuary has updated the Actuarial Valuation of 31 October 2003. The main financial assumptions used are as follows:

	2007	2006	2005
Rate of inflation	<b>3.10%</b>	3.00%	3.00%
Rate of increase of salaries	<b>4.10%</b>	4.00%	4.00%
Rate of increase in actual pensions	<b>3.05%</b>	2.95%	2.80%
Rate of increase in deferred pensions	<b>3.10%</b>	3.00%	3.00%
Discount rate	<b>5.20%</b>	5.00%	5.40%

The assets and liabilities of the scheme and the expected return on the schemes assets are shown below:

	2007 %	2007 £000	2006 %	2006 £000	2005 %	2005 £000
Equities	<b>7.50%</b>	<b>47,944</b>	7.25%	44,985	7.25%	33,141
Corporate Bonds	<b>5.00%</b>	<b>14,600</b>	5.00%	13,384	5.40%	10,681
Cash	<b>4.75%</b>	<b>2,766</b>	4.25%	420	4.50%	440
Other Investments	<b>10.0%</b>	<b>146</b>	10.0%	196	10.0%	238
Market value of scheme's assets		<b>65,456</b>		58,985		44,500
Actuarial value of scheme's liabilities		<b>(86,257)</b>		(79,765)		(68,840)
Deficit in scheme		<b>(20,801)</b>		(20,780)		(24,340)
Related deferred tax asset		<b>6,240</b>		6,234		7,302
<b>Net Pension Liability</b>		<b>(14,561)</b>		(14,546)		(17,038)

## 25. Pension Commitments (continued)

The FRS 17 liability has increased during the year as set out below.

Movement in deficit during the year:-

	2007 £000	2006 £000
Liability at the beginning of the year	20,780	24,340
Current service cost	2,768	2,395
Contributions	(3,626)	(4,281)
Past service cost	831	290
Impact of settlements and curtailments	(153)	270
Interest cost/(net return on assets)	12	643
Actuarial loss/(gain)	189	(2,877)
Liability at the end of the year	20,801	20,780

Analysis of the amount charged to operating profit:

	2007 £000	2006 £000
Current service cost	2,768	2,395
Past service cost	831	290
Curtailment and settlements	(153)	270
Total charged to operating profit	3,446	2,955
Expected return on pension scheme assets	4,052	3,133
Interest on pension scheme liabilities	(4,064)	(3,776)
Amount charged to other financial charges	(12)	(643)

In addition, the following amounts have been recognised in the Statement of Total Recognised Gains and Losses.

	2007 £000	2006 £000
Actual return less expected return on pension scheme assets	(125)	8,048
Experience gains and losses arising on the scheme liabilities	2,049	(217)
Changes in assumptions underlying the present value of the scheme liabilities	(2,113)	(4,954)
Actuarial (loss)/gain recognised in the Statement of Total Recognised Gains and Losses	(189)	2,877

History of experience gains and losses:

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Difference between expected and actual return on scheme assets:					
	(125)	8,048	1,451	5,411	(13,868)
-percentage of scheme assets	-0.2%	13.6%	3.3%	14.7%	-50.4%
Experience gains and losses on scheme liabilities:	2,049	(217)	(168)	(1,349)	-
-percentage of scheme liabilities	2.4%	-0.3%	-0.2%	-2.2%	-
Amount recognised in the Statement of Total Recognised Gains and Losses:					
	(189)	2,877	339	(2,297)	(17,892)
-percentage of scheme liabilities	-0.2%	3.6%	0.5%	-3.7%	-36.3%

## 26. Transactions with Related Parties

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 Group. With regards to other related parties, all the existing shareholders except the ESOP Trust have rights to appoint Directors and have done so. They have therefore been considered as related parties under FRS 8 and any transactions between them and the Birmingham Airport Holdings Limited Group during the year ended 31 March 2007 are disclosed below.

# Notes to the Accounts (continued)

## 26. Transactions with Related Parties (continued)

### Aer Rianta International cpt

Birmingham International Airport Limited has a contract with Aer Rianta International cpt (a shareholder of the Company) 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 £248,597 in the year (2006: £240,928). The amount outstanding at the balance sheet date was £62,646 (2006: £nil).

### Macquarie Airports (UK) No.2 Limited (MAUK2)

Birmingham International Airport Limited has an agreement with Macquarie Airports (UK) No.2 Limited (a shareholder of the company) for the Airport to claim consortium relief on tax losses surrendered to the Company by MAUK2. The tax benefit is claimed in arrears and shared between the Airport and MAUK2 on a 50:50 basis (2004/05: 40:60). The year included £1,733k relating to the Airport's share (2006: £406k). Payments to MAUK2 during the year have been nil (2006: £585k). At the balance sheet date, amounts outstanding are £1.75m (2006: nil).

### 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 City Council ("The Districts") are shareholders. The dividends paid to The Districts in the year amounted to £6.416 million (2006: £6.654 million).

In 1995 Birmingham International Airport Limited entered into arms-length lease arrangements with Solihull Metropolitan Borough Council on behalf of the West Midlands District Councils, all of which 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 Birmingham International Airport Limited a 150 year lease over the same property for a total fair value premium of £96.500 million.

In accordance with 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 Group and is disclosed at Note 16.

Under the lease arrangement the Group 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 year. The total amount paid in 2006/07 was £300,000 (2006: £200,000), the cash payment includes a payment in advance for 2007/08. The amount at the end of the year was £4.732 million (2006: £4.332 million), all of which is due after more than one year.

In February 2002 the Group completed a 150 year lease agreement with Birmingham City Council for land adjacent to the airport site. A lease premium of £200,000 was paid with a peppercorn rent for the remaining lease term along with costs of £2,000. In accordance with SSAP21 "Accounting for leases and hire purchase contracts", the lease payments have been treated as a finance lease in the accounts of the Group. The amount due at the end of the year was £nil.

### Birmingham City Council

On 26 March 1997, as part of the Group restructuring, the Company issued £18.5 million of subordinated loan stock. The loan stock carried an interest rate of 8.72% for the first 10 years after which it could be redeemed at the holders' discretion. The holders redeemed the loan stock on 26 March 2007. Gross interest payments made to Birmingham City Council acting in its capacity of Trustee amounted to £1.587 million in the year (2006: £1.613 million).



### **Solihull Metropolitan Borough Council**

Solihull Metropolitan Borough Council provided a grant during 2002/03 of £5.237 million from the West Midlands Local Transport Plan fund towards the cost of building a Multi Modal Interchange. The building has been capitalised in the Company's accounts and the grant will be released to income on a straight line basis over the life of the asset. At the 31 March 2007, £4.809 million was held within deferred income (2006: £4.914 million).

Solihull Metropolitan Borough Council is the local authority for the airport and transacts with the Company in a number of areas including business rates, planning applications and building control services. All of these transactions are carried out on an arms length basis at a full commercial rate.

### **Birmingham International Airport Limited Pension Scheme**

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

In accordance with SSAP21 "Accounting for leases and hire purchase contracts", the lease payments have been treated as a finance lease in the accounts of the Group and are disclosed in Notes 15 and 16. The amount due at the end of the year was £149,615 (2006: £196,728).

































2006/07



# Scheduled Airlines & Destinations

Summer 2007 – Frequencies per day



	<b>ADRIA AIRWAYS</b> Ljubljana	1 weekly		<b>flybe</b> Aberdeen	3
	<b>AER ARANN</b> Waterford	6 weekly		Belfast City	7
	<b>AER LINGUS</b> Dublin Cork	3 4 weekly		Bergerac	5 weekly
	<b>AIR FRANCE</b> Paris <sup>1</sup> Lyon <sup>2</sup>	6 2		Brest	4 weekly
	<b>AIR INDIA</b> Delhi/Amritsar/Toronto	5 weekly		Dubrovnik	3 weekly
	<b>AIR MALTA</b> Malta	2 weekly		Dusseldorf	4
	<b>AIR SLOVAKIA</b> Bratislava (onward Amritsar)	1 weekly		Edinburgh	8
	<b>AIR TRANSAT</b> Toronto	2 weekly		Galway	3 weekly
	<b>BMIBABY</b> Aberdeen	2		Glasgow	8
	Alicante	1		Guernsey	2
	Amsterdam	2		Hamburg	1
	Barcelona	1		Hanover	1
	Belfast International	3		Isle of Man	1
	Bordeaux	1		Jersey	2
	Cork	1		La Rochelle	4 weekly
	Edinburgh	4		Milan	2
	Faro	3 weekly		Paris	4
	Glasgow	3		Split	1 weekly
	Jersey	1		Stuttgart	5
	Knock	1		Toulouse	5 weekly
	Lisbon	4 weekly		<b>FLYGLOBEPSAN</b> Hamilton	1 weekly
	Malaga	8 weekly		<b>KTHY</b> Dalaman	1 weekly
	Marseille	4 weekly		<b>KLM</b> Amsterdam	6
	Murcia	5 weekly		<b>LUFTHANSA</b> <sup>4</sup> Dusseldorf <sup>5</sup> Frankfurt Munich <sup>5</sup>	4 4 3
	Nice	1		<b>MONARCH SCHEDULED</b> Alicante	1
	Palma	1		Almeria	3 weekly
	Prague	1		Arrecife	1 weekly
	Rome	1		Faro	1
	<b>BRUSSELS AIRLINES</b> Brussels <sup>7</sup>	6		Ibiza	5 weekly
	<b>CITY AIRLINE</b> Gothenburg <sup>3</sup>	2		Mahon	4 weekly
	<b>CONTINENTAL AIRLINES</b> New York - Newark	1		Malaga	1
	<b>CYPRUS AIRWAYS</b> Paphos/Larnaca	2 weekly		Murcia	1
	<b>EASTERN AIRWAYS</b> Inverness Isle of Man Newcastle	2 3 4		Palma	1
	<b>EMIRATES</b> Dubai	2		Tenerife	4 weekly
				<b>NORWEGIAN</b> Warsaw	4 weekly
				<b>PAKISTAN INT. AIRLINES</b> Islamabad	5 weekly
				<b>RYANAIR</b> Dublin	2
				<b>SAS</b> Copenhagen <sup>6</sup>	2
				<b>SKYEurope</b> Krakow	2 weekly
				<b>SWISS INT. AIRLINES</b> Zurich	3
				<b>TUIfly</b> Cologne	5 weekly
				<b>TURKMENISTAN AIRLINES</b> Ashkhabad (Onward Delhi /Amritsar)	4 weekly
				<b>WHOOOSH</b> Dundee <sup>9</sup>	2

1 operated by CityJet under a franchise agreement with Air France

2 operated by Brit Air under a franchise agreement with Air France - starts Sep 07

3 operated by City Airline in codeshare with SAS

4 operated by LH in a codeshare with bmi

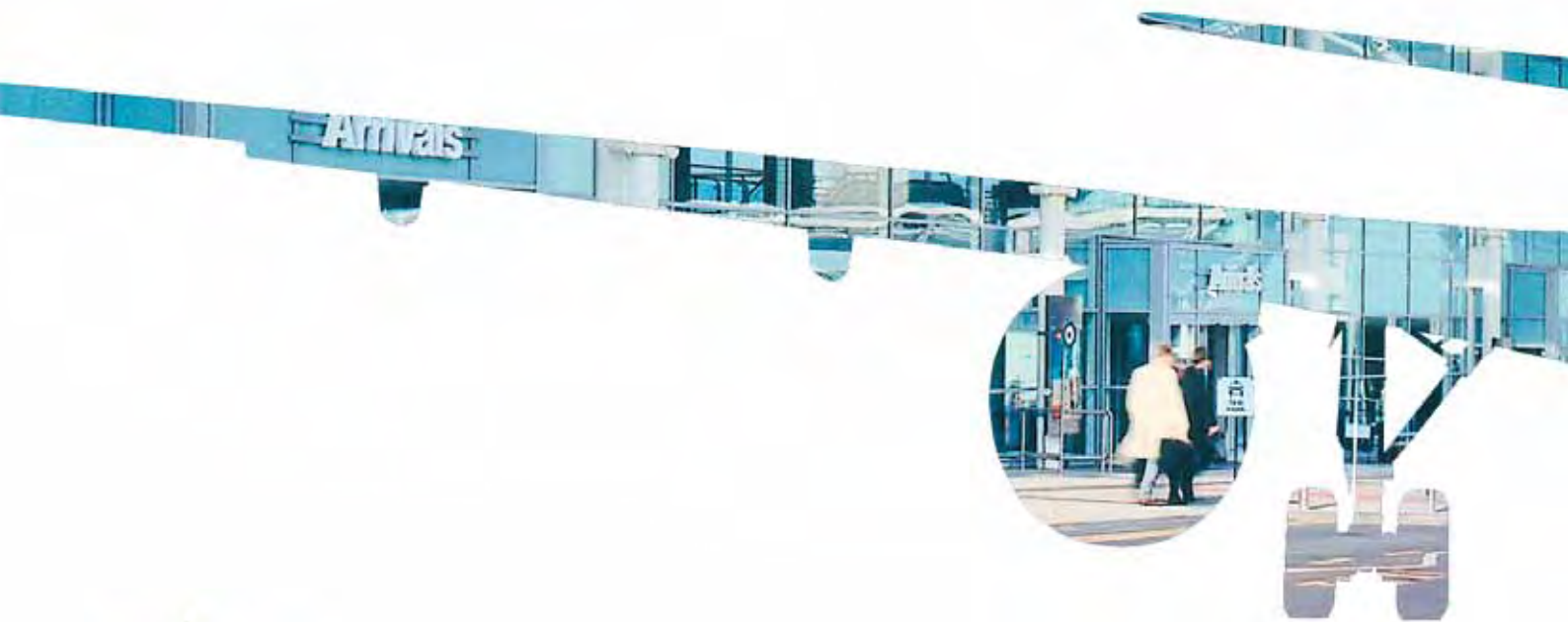
5 operated by Lufthansa Regional

6 operated by SK in a codeshare with bmi

7 operated by SN Brussels in a codeshare with British Airways

8 operated by SUN-AIR under a franchise agreement with British Airways

9 operated by White Eagle Aviation



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