

ANNUAL REPORT AND FINANCIAL STATEMENTS

Birmingham Airport Holdings Limited

FOR THE YEAR ENDED 31 MARCH 2009

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BIRMINGHAM AIRPORT HOLDINGS LIMITED

COMPANY INFORMATION

REGISTERED NUMBER	3312673	
DIRECTORS	J L Hudson Chairman	
	Councillor T Ali	Birmingham City Council
	N Boserup	Airport Group Investments Limited
	Councillor D M Caunt	Dudley MBC
	P Dransfield	Birmingham City Council
	A J Elliott	Airport Group Investments Limited
	Councillor L R Gregory	Birmingham City Council
	Councillor J G O'Hare	Walsall MBC
	P Kehoe	Chief Executive Officer
	Councillor N Patten	Wolverhampton City Council
	Councillor G E Richards	Solihull MBC
	Councillor K Taylor	Coventry City Council
	Councillor W H Thomas	Sandwell MBC
	C Thomazi	Airport Group Investments Limited
	Councillor P Tilsley	Birmingham City Council
	M Toms	Airport Group Investments Limited
COMPANY SECRETARY	M J Kelly	

BIRMINGHAM AIRPORT HOLDINGS LIMITED

COMPANY INFORMATION

EXECUTIVE BOARD

Paul Kehoe
Chief Executive Officer

Michael Joseph Kelly
Deputy Chief Executive Officer

Mark Hattersley
Finance Director

William Heynes
Operations Director

Elaine Clarke
Head of Personnel

John Morris
Head of Corporate Affairs

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered accountants and registered auditors
Cornwall 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

BIRMINGHAM AIRPORT HOLDINGS LIMITED

DIRECTORS' REPORT

For the year ended 31 March 2009

The Directors present their report and group financial statements for the year ended 31 March 2009.

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. 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 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 operations on the local community, whilst assisting the region to develop and grow through improved connectivity”

Results & Dividends

The Group profit for the year after taxation amounted to £9.889 million (2008: £22.897 million). This enabled a dividend of 1.81p per £1 share amounting to £5.792 million to be paid in July 2008 (2007: 1.70p per £1 share amounting to £5.442 million) and a further dividend of 0.84p per £1 share amounting to £2.688 million to be paid in December 2008 (2007: 1.81p per £1 share amounting to £5.795 million), resulting in a retained profit for the year of £1.409 million (2008: £11.660 million).

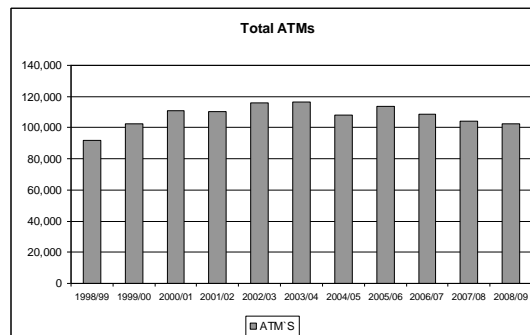
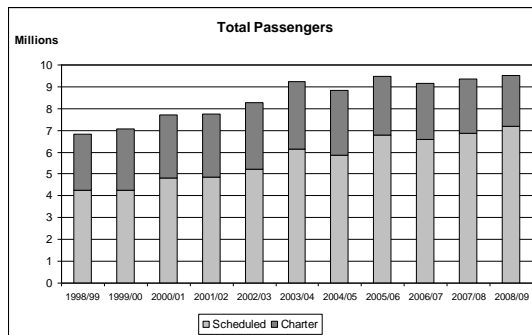
Market Position & Business Environment

This year the air travel and the aviation industry, like many other industries, have been impacted by the downturn in the global economy. With a reduction in business travel, declining disposable incomes, record high fuel prices, weak Sterling against the Euro and the Dollar and the failure of a large tour operator, passenger numbers in the UK have contracted by 5% this year.

Although Birmingham has not been immune to this impact, passenger numbers have increased by 1.9%, bolstered by the phased introduction of a Ryanair base, with 2 aircraft commencing in June 2008 and a further 2 in October 2008. The Airport increased its share of the total UK air passenger market to 4.1% (2008: 3.8%) and saw an improvement in our 1-hour catchment area market share to 39% (2008: 36%). However the later part of the year has seen a significant weakening in demand which is expected to continue into 2009/10.

During the year the Airport handled 9.5 million passengers, an increase of 1.9% on the previous year. The growth has come from within the low cost sector (11.4%) primarily from the commencement of the Ryanair base, along with increased activity from Easyjet although this growth was partially offset by the reduction in the bmibaby operation from 8 to 5 aircraft and the cessation of operations for Norwegian and Sky Europe. In the Long haul sector there was a reduction of 4.6% reflecting the cessation of Air India operations in October 2008 with some growth from Emirates and Pakistan International Airlines. Scheduled traffic decreased by 6.5% driven by the down turn in business traffic and the growth of the low cost sector although December did see the commencement of a 5 times weekly service by Turkish Airlines to Istanbul. Charter traffic decreased by 5.8% reflecting the consolidation of the larger tour operators and the failure of the XL travel group in September 2008, although there was growth from a new route to Montego Bay – Jamaica.

The year ahead already promises more challenges with the economic down turn continuing to impact the aviation industry although US Airways has commenced a new route to Philadelphia. Despite the current volatility the Airport Company is confident that its attributes of 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 of the airport of choice for passengers in the Midlands.



BIRMINGHAM AIRPORT HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

For the year ended 31 March 2009

Financial Performance

Income	2009 £m	2008 £m	% Change over 2008
Aeronautical income	54.7	57.6	(5.0%)
Commercial income	53.0	52.4	1.1%
Total revenue	107.7	110.0	(2.1%)

The Airport's income is generated from charges levied to airlines for the use of its facilities, by both the passengers and the aircraft, (aeronautical income) and from commercial activities on the Airport's site, including car parking, retail and catering and property rental.

In the year, aeronautical income reduced by 5% reflecting the changing mix of traffic and the incentives offered for growth. This has resulted in a 6.8% reduction in the yield (income per passenger) falling from £6.17 to £5.75. Commercial income increased by 1.1% of which concession income increased by 1.9% and property/recharge income reduced by 1.2%. Concession income included strong growth within car parking, the opening of two new hotels on site (Ibis and Etap) partially offset by reduced income from the foreign exchange operators. The reduction in the property/recharge income reflects lower demand for accommodation. The commercial income per passenger reduced slightly from £5.60 to £5.56.

Operating Costs	2009 £m	2008 £m	% Change over 2008
Employee costs	23.8	22.8	4.4%
Running costs	42.9	42.5	0.9%
Depreciation & other charges	19.8	20.5	(3.4%)
Total operating costs	86.5	85.8	0.8%

Total operating costs have risen by 0.8% to £86.5m in the year. Within this, employee costs increased by 4.4%, reflecting pay awards, a small increase in headcount partially offset by operational efficiencies. Running costs increased by 0.9% with the additional costs associated with higher inflation and increased snow clearing costs being mitigated through cost reduction programmes, energy efficiencies and a business rates valuation appeal refund. Depreciation, write offs and other charges reduced by 3.4% in the year.

In response to the reducing aeronautical income and the weakening future demand due to the current economic challenges, the Company announced in April 2009 a two stage restructuring programme. At the date of signing these accounts, stage one is complete with 39 posts being made redundant. Stage two is expected to commence in September 2009 and it is anticipated that this will result in up to 45 further job reductions.

Operating profit reduced to £21.2m (2008: £24.1m) as a result of the lower aeronautical income. The Group's net interest cost (before capitalised interest) increased to £6.6m (2008: £4.7m) reflecting the falling interest rates, lower cash balance and lower expected returns on pension assets under accounting standard FRS 17.

The tax charge for the year at £5.8m, included corporation tax at £5.4m (2008: £5.3m) and deferred tax of £0.4m (2008: credit of £8.5m - included a one off credit of £11.5m reflecting the removal of Industrial Buildings Allowances and a reduction in the rate of corporation tax to 28%). This produced a combined effective tax rate of 37.0% for the year (2008: (16.1%)).

Profit after tax was £9.9m (2008: £22.9m), enabling ordinary distributions to shareholders of £8.5m (2008: £11.2m) and resulted in a retained profit of £1.4m (2008:£11.7m).

Capital expenditure increased to £54.2m following the start of a number of significant projects including a replacement International Pier, an expansion to the Multi-Storey Car Park and a resurfacing project for the aircraft manoeuvring areas around the terminal buildings. The car park is scheduled for completion in June 2009 and the Pier in December 2009. These three projects accounted for £44.3m of the expenditure.

As a result of this increased capital expenditure, there was a net cash outflow of £30.3m (2008: inflow £2.1m). Short term deposits/cash reduced to £22.2m (2008: £53.7m) and net debt increased by £31.4m to £101.7m (2008: £70.3m). This is reflected with Net Current Liabilities of £1.926 million (Net Current Assets at 2008:£33.633 million). This reduction in the year relates primarily to the increased capital expenditure and utilisation of cash balances, as detailed earlier. The company has strong operating cash-flows and committed bank facilities to meet its on going liabilities as they fall due.

Safety & Security

Safety and security at the Airport remains one of the highest priorities for the Company. The successful establishment of a risk based Compliance Programme has improved the integration of third party operations, increased transparency and co-ordinated all operational audits and safety reviews through a single 'gateway'. As in previous years, key performance indicators are used to monitor safety issues through detailed reporting and reviews.

The challenges facing aviation security remain with intensive screening regimes and the ongoing restrictions on liquids. The threat level remains at 'severe' and the pressure on the Security Department to meet DfT regulations whilst also delivering a customer focused service remains intense. Security staff continue their excellent work in the detection of prohibited items. Modifications to Terminal Security areas continue, notably the addition of a 4th search lane in T2, which will enable the business to meet the peak demands within the Summer period. The Airport continues to manage the Multi Agency Threats and Risk Assessment (MATRA) process to improve communication and integration of all Control Authority resources.

Airside Safety

The safe operation of the airfield infrastructure is a core business priority. During January 2009 the Airport was subject to its bi-annual regulatory audit by the CAA and received a very positive assessment. Continual review and development of the Aerodrome Safety Management System is now firmly established along with a collaborative approach to safety with the Airport's partners working in the airside environment. The joint venture company providing fire and rescue services, BHX Fire and Rescue, continued to perform well and was highly commended during the CAA audit in January. In addition, the Airport achieved the 'Top Aerodrome' award from the International Fire Training Centre in recognition of the standards reached by fire fighters from the airport whilst training. The Airport continues to work closely with the Safety Regulation Group at the CAA on current safety priorities and initiatives and is fully engaged in the changes that are happening in the regulatory environment as we move towards a single European regulatory authority (EASA).

The number of airside accidents and incidents remained at a very low level in spite of two major projects being undertaken airside (International Pier and Taxiway Re-surfacing) that introduced significant changes to the airfield at various points through the year.

Opportunities and Risks

As detailed earlier, demand for air travel within the UK and Europe is forecast to reduce in the short term thereby increasing the competitive threat from neighbouring airports. This generates an increased short term risk of both declining passenger numbers and declining aeronautical yields although the business believes these will recover strongly in the medium term. The Airport remains confident that its location, potential market and facilities leaves it well placed to deal with this challenge. Whilst the Airports market share of the 1-hour catchment area has increased by 3% this year, there remains 61% of unsatisfied demand, which the Airport views as a significant opportunity for growth. This objective is supported in the longer term by the planning approval received in March 2009 for the extension of the runway. This will open up access to new long haul markets and enable the airport to 'claw back' traffic which is currently travelling through competitor airports.

The Airport will continue to review its market opportunities whilst at the same time taking action to align its cost base to the level of traffic and income. This is currently underway with the restructuring programme detailed earlier.

Many of the risks that could potentially affect the future level of air traffic and therefore the Airport's growth prospects are similar to those previously identified in last years report. These include the current economic environment, foreign exchange rates, increased Government taxation and the increasing environmental lobby. The Airport takes environmental issues seriously and recognises the importance of adopting a sustainable approach to the operation and future developments at the Airport, whilst mitigating the impact on local communities. The Airport commitment to improve the noise climate for local residents and schools in the flight path continues and focuses resources and policy to what matters most to the local community. During the year the Airport contributed £50,000 to the Community Trust Fund to assist organisations affected by aircraft activity.

'One off events', although not possible to forecast, continue to pose a risk, whether they are health scares such as Swine Flu, terrorist type activities or as we have seen this year severe weather events such as snow. The Airport carefully consider these factors when developing medium and long term plans.

The Group operates a Defined Benefit Pension Scheme, which has been closed to new employees although remains open for future service accrual. The increasing challenges posed by defined benefit pension schemes is well documented and the Company has committed to undertake a full review of its pension provision over the next 12 months.

BIRMINGHAM AIRPORT HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

For the year ended 31 March 2009

Financial Risk Management

The Group has a number of policies in place to manage its financial risks, along with a risk management programme which are reported to the Board and Audit Committee.

Interest Rate Risk

The Group's policy is to maintain an appropriate mix of credit facilities within Board approved parameters. Currently the interest cost is fixed as there has been no drawdown on the Group's variable rate loan facility. The Group has considered and is satisfied with the current debt structure. The Group's cash is invested under strict Board approved parameters, which places a cap on the amount which can be invested in a single institution/product. Throughout the year and currently, cash is invested in funds on the money market which, whilst exposing the Group to interest rate risk on the receivable side, does maintain liquidity and access to funds.

Liquidity Risk

It is the Group's policy to ensure continuity of funding by active management of working capital and maintaining sufficient committed facilities to meet anticipated funding requirements, whilst ensuring that the Group is not exposed to excessive refinancing in any one year. The £40m, committed un-drawn, loan facility and £22.2m cash are considered sufficient to meet the Group's funding requirements.

Credit Risk

The Group policy requires appropriate credit checks of potential customers prior to the commencement of operation and regular reviews thereafter. In addition, due to the current economic climate additional focus has been directed at day to day reviews and management of this risk. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

Price Risk

The Group has no significant exposure to any single element of price risk. The largest single risk is wage inflation and the Group has some influence through negotiation with its employees and is currently in the last year of a 3 year pay deal. Other exposures relate to general market inflation and building costs during periods of expansion.

Covenant Risk

The Group continues to comply with the financial covenants, relating to net worth, gearing and interest cover which are included in both the corporate bond and bank facility. These are monitored on an ongoing basis with formal testing certified by the Auditors and reported to the Audit Committee.

CORPORATE GOVERNANCE STATEMENT

Combined Code

The Group is committed to high standards of Corporate Governance. Although the Group has no obligation to comply with the revised Combined Code issued by the Financial Reporting Council in July 2003 (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 Board is responsible to the Shareholders for the proper management of the Group, meeting bi-monthly to formulate, review and approve the Group's strategy, policies, budgets, trading performance, capital expenditure proposals, strategy execution, funding performance and policy proposals. The Board comprises up to 21 Non-Executive Directors representing the balance of shareholders' interests, including the Chairman, plus one Executive Director, 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 Chief Executive Officer are separate and clearly defined.

Board Committees

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

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 Chief Executive Officer, Deputy Chief Executive Officer, Finance Director, Internal Audit Manager and external auditors in attendance.

Remuneration Committee

The Remuneration Committee is responsible for the ongoing determination of employment 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 Chief Executive Officer, Deputy Chief Executive Officer, Finance Director, and Head of Human Resources in attendance as required

Corporate and Social Responsibility

The Group recognises the increasing importance of effective management of corporate and social responsibility (CSR) and its link with corporate governance. The Group acknowledges its responsibilities to its stakeholders, shareholders, employees, customers and the wider communities the Airport serves and endeavours to inform them of the way it conducts its business. Corporate, social and ethical risks are identified and managed as part of the Group's risk assessment and management processes.

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 meeting. Internal Audit reports its findings to both management and to the Audit Committee.

Internal Control

The Code has extended the requirement that the Board reviews the effectiveness of the Group's system of internal financial control to cover all controls including financial, operational, compliance and risk management.

The Directors have overall responsibility for the Group's system of internal control, which aims to safeguard assets and shareholders' investment, to ensure that proper accounting records are maintained, to ensure compliance with statutory and regulatory requirements and to ensure the effectiveness and efficiency of operations. The 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 misstatement or loss.

Control Environment

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

- Clearly defined organisational structures 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; 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 with regular audits carried out by health and safety, fire safety, security and operational staff. The procedures of both the Airport's 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.

BIRMINGHAM AIRPORT HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

For the year ended 31 March 2009

Directors

On the 27 October 2008, Paul Kehoe joined the Company as Chief Executive Officer.

The statutory directors during the year and up to the date of signing the financial statements were as follows:-

T Ali		P Kehoe	(Appointed 27/10/08)
N Boserup		J G O'Hare	
D M Caunt		N Patten	(Appointed 04/06/08)
T Covassin	(Resigned 27/6/08)	G E Richards	
P Dransfield	(Appointed 15/07/08)	K Taylor	
A J Elliott		W.H. Thomas	
L R Gregory		C Thomazi	
J L Hudson		P Tilsley	(Appointed 15/07/08)
M S Jaspal	(Resigned 04/06/08)	M Toms	
T A Khan	(Resigned 15/07/08)	M Whitby	(Resigned 15/07/08)

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.

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. It is the Company policy to regularly exchange information concerning the operation with its employees and we have recently formed a new 'Talking Point' forum to engage with elected members of staff across the organisation. The continued 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.

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.

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 £50,000. Political contributions were made as follows: Labour Party £2,250, Conservative Party £2,750, Liberal Democrat Party £500, others £250.

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.

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 2009.

On behalf of the Board:
J L Hudson (Chairman)

BIRMINGHAM AIRPORT HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and group, and of the profit or loss of the company and group for that period.

In preparing these financial statements, 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors at the time when the report is approved, the following applies:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself 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 accordingly, shall be deemed re-appointed.

BY ORDER OF THE BOARD

M J Kelly
Company Secretary

15 July 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIRMINGHAM AIRPORT HOLDINGS LIMITED

We have audited the group and parent company financial statements (the “financial statements”) of Birmingham Airport Holdings Limited for the year ended 31 March 2009 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 profits 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. This other information comprises only the Directors’ Report and the Company information page. 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 2009 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

15 July 2009

BIRMINGHAM AIRPORT HOLDINGS LIMITED

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 March 2009

	Notes	2009 £000	2008 £000
TURNOVER	2	107,661	109,951
Operating costs		(86,475)	(85,889)
OPERATING PROFIT	3	21,186	24,062
Interest receivable		2,733	3,587
Interest payable	6	(8,210)	(7,932)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,709	19,717
Tax (charge)/credit on profit on ordinary activities	7	(5,820)	3,180
PROFIT FOR THE YEAR	22	9,889	22,897

All results are derived from continuing operations

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2009 £000	2008 £000
Profit on ordinary activities after taxation		9,889	22,897
Asset revaluation		482	-
Actuarial losses on pension scheme	25	(7,194)	(3,738)
Movement on deferred tax relating to pension scheme actuarial gain		2,014	1,121
Total Recognised Gains and Losses for the Year		5,191	20,280

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2009 £000	2008 £000
Reported profit on ordinary activities before taxation	15,709	19,717
Excess depreciation on revalued assets	4,381	3,673
Historical Cost Profit On Ordinary Activities Before Taxation	20,090	23,390
Historical Cost Profit For The Year Retained After Taxation And Dividends	5,790	15,333

BIRMINGHAM AIRPORT HOLDINGS LIMITED

GROUP BALANCE SHEET

As at 31 March 2009

	Notes	2009 £000	2008 £000
FIXED ASSETS			
Tangible assets	10	423,304	388,700
CURRENT ASSETS			
Stocks and development land	12	1,044	988
Debtors	13	15,988	14,892
Cash at bank and in hand		22,240	53,662
		39,272	69,542
CREDITORS: amounts falling due within one year	15	(41,198)	(35,909)
NET CURRENT (LIABILITIES)/ASSETS		(1,926)	33,633
TOTAL ASSETS LESS CURRENT LIABILITIES		421,378	422,333
CREDITORS: amounts falling due after more than one year	16	(129,955)	(130,089)
PROVISIONS FOR LIABILITIES AND CHARGES	20	(12,939)	(13,915)
NET ASSETS EXCLUDING PENSION LIABILITY		278,484	278,329
PENSION LIABILITY	25	(18,999)	(15,240)
NET ASSETS INCLUDING PENSION LIABILITY		259,485	263,089
CAPITAL AND RESERVES			
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	114,735	118,634
Profit and loss account	22	72,278	71,983
TOTAL SHAREHOLDERS' FUNDS	22	259,485	263,089

The financial statements on pages 12 to 34 were approved by the Board of Directors on 15 July 2009 and were signed on its behalf by:

J L Hudson
Chairman

P Kehoe
Chief Executive Officer

BIRMINGHAM AIRPORT HOLDINGS LIMITED

COMPANY BALANCE SHEET

As at 31 March 2009

	Notes	2009 £000	2008 £000
FIXED ASSETS			
Investments	11	269,293	228,541
CURRENT ASSETS			
Debtors	13	171	685
Cash at bank and in hand		20,013	51,760
		<u>20,184</u>	<u>52,445</u>
CREDITORS: amounts falling due within one year	15	(2,149)	(1,972)
NET CURRENT ASSETS		<u>18,035</u>	<u>50,473</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>287,328</u>	<u>279,014</u>
CREDITORS: amounts falling due after more than one year	16	(152,594)	(153,550)
NET ASSETS		<u>134,734</u>	<u>125,464</u>
CAPITAL AND RESERVES			
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	36,470	27,200
TOTAL SHAREHOLDERS' FUNDS	22	<u>134,734</u>	<u>125,464</u>

The financial statements on pages 12 to 34 were approved by the Board of Directors on 15 July 2009 and were signed on its behalf by:

J L Hudson
Chairman

Paul Kehoe
Chief Executive Officer

BIRMINGHAM AIRPORT HOLDINGS LIMITED

GROUP CASH FLOW STATEMENT

For the year ended 31 March 2009

	Notes	2009 £000	2008 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	3b	38,963	40,112
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest paid		(7,594)	(7,645)
Interest received		3,248	3,570
Interest element of finance lease rental payments		(10)	(14)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(4,356)	(4,089)
TAXATION			
UK Corporation tax paid		(5,110)	(6,584)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(51,624)	(16,399)
Receipts from sales of fixed assets		330	337
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(51,294)	(16,062)
EQUITY DIVIDENDS PAID		(8,480)	(11,237)
CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(30,277)	2,140
MANAGEMENT OF LIQUID RESOURCES			
Decrease/(Increase) in short term deposits		31,747	(1,399)
FINANCING			
Decrease in long term borrowings	14	-	-
Capital element of finance lease rental payments	14	(57)	(52)
Lease and leaseback premium	14	(773)	(450)
Net sale of own shares from share trust		(315)	(388)
NET CASH OUTFLOW FROM FINANCING		(1,145)	(890)
INCREASE /(DECREASE) IN CASH	14	325	(149)

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

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 in the United Kingdom.

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 2009 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 2009. 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. The Group has complied with the requirements of this FRS and consolidated the pension deficit into its accounts.

CHANGE IN ACCOUNTING POLICY

The Group has adopted the amendment to FRS 17, "Retirement benefits". As a result of this quoted securities held as part of scheme assets held in the defined benefits scheme are now valued at bid price rather than mid market value

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 continued applicability 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 and 50 years
Runways, taxiways and infrastructure	between 10 and 50 years
Plant and equipment	between 4 and 30 years
Motor vehicles	between 4 and 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).

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

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. Costs associated with holding the land are expensed as incurred.

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. Where the effect if the time value of money is not material, 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.

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

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 and is recognised, at the point of passenger and aircraft departure.
- 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. Concession income for car parking is recognised at the end of the parking stay and income from all other activities is recognised in the period to which it relates on an accruals basis.

	2009	2008
	£000	£000
Aeronautical income	54,718	57,602
Concession and property income and recharges	52,943	52,349
	<u>107,661</u>	<u>109,951</u>

3. OPERATING PROFIT

	2009	2008
	£000	£000
a) This is stated after charging / (crediting):		
Auditors' remuneration		
Audit services	79	77
Other audit services	17	16
Depreciation		
Owned assets	20,576	20,231
Assets held under finance leases	337	337
Amortisation		
European Regional Development Fund grants	(25)	(32)
Trans European Networks grants	(46)	(46)
Local Transport Plan grant	(104)	(104)
Operating lease rentals		
Plant and equipment	127	148
Other	447	447
Rents	(5,271)	(5,599)
Concessions	(39,196)	(38,442)
(Profit)/Loss on disposal of fixed assets	(80)	45
	<u> </u>	<u> </u>
b) Reconciliation of operating profit to net cash inflow from operating activities.	2009	2008
	£000	£000
Operating profit	21,186	24,062
Depreciation	20,913	20,568
(Profit)/Loss on disposals of fixed assets	(80)	45
Amortisation of deferred income and grants	(175)	(182)
Difference between pension charge and cash contribution	(918)	(3,264)
(Increase)/Decrease in stocks	(56)	15
Increase in debtors and prepayments	(1,503)	(658)
Increase/(Decrease) in creditors and accruals	464	(535)
(Decrease)/Increase in provisions	(868)	61
Net cash inflow from operating activities	<u>38,963</u>	<u>40,112</u>

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

4. DIRECTORS' EMOLUMENTS

	2009	2008
	£000	£000
Emoluments (excluding pension contributions)	<u>209</u>	<u>129</u>

During the year the Company recruited a Chief Executive Officer, who was appointed to the Board on 27/10/08 and the emoluments are included from this time. In the prior year, following the completion of the share sale in September 2007, a revised Board structure was introduced and the executive director of the Company resigned as at the 19/09/2007. The executive director's emoluments were included in 2008 on a pro rata basis until this time and no retirement benefits were accruing at 31/3/2008 under a defined benefit pension scheme.

Emoluments in respect of the highest paid director are:

	2009	2008
	£000	£000
Total emoluments (excluding pension contributions)	<u>169</u>	<u>89</u>
Pension contributions	<u>11</u>	<u>-</u>
Total emoluments (including pension contributions)	<u>180</u>	<u>89</u>

5. STAFF COSTS

	2009	2008
	£000	£000
Wages and salaries	<u>19,745</u>	<u>18,688</u>
Social security costs	<u>1,599</u>	<u>1,650</u>
Other pension costs	<u>2,432</u>	<u>2,494</u>
	<u>23,776</u>	<u>22,832</u>

The average monthly number of employees during the year comprised:

	2009	2008
	Number	Number
Engineering	<u>74</u>	<u>74</u>
Operations and security	<u>412</u>	<u>404</u>
Support services	<u>134</u>	<u>126</u>
Terminal services	<u>75</u>	<u>71</u>
	<u>695</u>	<u>675</u>

6. INTEREST PAYABLE

	2009	2008
	£000	£000
Bank loans and overdrafts	<u>77</u>	<u>83</u>
Preference share dividend	<u>971</u>	<u>971</u>
Corporate bond	<u>6,663</u>	<u>6,663</u>
Other interest	<u>623</u>	<u>600</u>
Finance lease	<u>10</u>	<u>14</u>
Capitalised	<u>(1,092)</u>	<u>(399)</u>
FRS 17 finance expense (Note 25)	<u>958</u>	<u>-</u>
	<u>8,210</u>	<u>7,932</u>

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

7. TAX ON PROFIT ON ORDINARY ACTIVITIES	2009	2008
	<u>£000</u>	<u>£000</u>
UK Corporation tax – current year	5,788	5,992
UK Corporation tax – adjustment in respect of prior years	<u>(413)</u>	<u>(711)</u>
	5,375	5,281
Deferred tax – current year	(138)	1,190
Deferred tax – adjustment in respect of prior years	30	854
Deferred tax – on pension deficit movement	553	1,012
Deferred tax – removal of Industrial Buildings Allowance	-	(11,330)
Deferred tax – tax rate change	<u>-</u>	<u>(187)</u>
Tax on profit on ordinary activities	<u>5,820</u>	<u>(3,180)</u>
Deferred tax credited to Statement of Total Recognised Gains and Losses	<u>(2,014)</u>	<u>(1,121)</u>
Total tax charged in financial statements	<u><u>3,806</u></u>	<u><u>(4,301)</u></u>
Deferred tax credited to provisions for liabilities and charges (Note 20)		
Deferred tax – current year	(138)	1,190
Deferred tax – adjustment in respect of prior years	30	854
Deferred tax – removal of Industrial Buildings Allowance	-	(11,330)
Deferred tax – tax rate change	<u>-</u>	<u>(609)</u>
	<u>(108)</u>	<u>(9,895)</u>
Deferred tax credited to pension liability (Note 25)		
Deferred tax on pension deficit movement charged in the profit and loss account	553	1,012
Deferred tax charged to Statement of Total Recognised Gains and Losses	(2,014)	(1,121)
Deferred tax – tax rate change	<u>-</u>	<u>422</u>
	<u>(1,461)</u>	<u>313</u>

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

Following the changes made in the 2007 budget regarding the removal of industrial buildings allowances, the deferred tax previously provided on these assets relating to capital allowances being in advance of depreciation was released back to the profit & loss account. This resulted in a one off credit of £11.33m in 2008.

Factors affecting the tax charge for the year

Tax assessed on the profit on ordinary activities for the year is higher (2008: lower) than the ordinary rate of Corporation Tax in the UK of 28% (2008: 30%). The differences are reconciled below:

	2009	2008
	<u>£000</u>	<u>£000</u>
Profit on ordinary activities before tax	15,709	19,717
Profit on ordinary activities at the standard rate of tax of 28% (2008:30%)	4,399	5,915
Effects of:		
Disallowed expenses	3,442	2,280
Industrial Buildings Allowances for the year	(1,635)	-
Capital allowances in advance of depreciation	477	(496)
Short term timing differences	(339)	(695)
Movement on Pension liability	(553)	(1,012)
Capital Gain	2	-
Small companies rate relief	(5)	-
Adjustments in respect of prior years	<u>(413)</u>	<u>(711)</u>
Current tax charge for year	<u><u>5,375</u></u>	<u><u>5,281</u></u>

The disallowable expenses include £3.008 million (2008: £1.748 million) relating to non qualifying depreciation.

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit dealt with in the accounts of the parent undertaking was £18.065 million (2008: £8.532 million).

9. DIVIDENDS

	2009	2008
	£000	£000
2008 final dividend paid at 1.81p per share (2007: 1.70p)	5,792	5,442
2009 interim dividend paid at 0.84p per share (2008: 1.81p)	2,688	5,795
	8,480	11,237

The ESOP Trust waived its right to the payment of a dividend in the year on the 3,893,545 ordinary shares that it owns (Note 22).

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. The valuation was reviewed internally during the year and the Directors feel the carrying values brought forward are still appropriate.

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 2009 by Phoenix Beard Ltd. The valuation of £5.196 million identified impairments of £6,076 and gains of £481,576 giving a net gain of £475,500.

	Land & Buildings		Runways, Taxiways,	Plant and	Assets in	Total
	Freehold	Leasehold	Infrastructure	Equipment	Course of Construction	
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2008	271,967	200	103,178	101,751	7,203	484,299
Additions	-	-	-	-	54,199	54,199
Capitalised Interest	-	-	-	-	1,092	1,092
Transfer	7,668	-	10,742	2,691	(21,101)	-
Disposals	(250)	-	-	(68)	-	(318)
Revaluation	476	-	-	-	-	476
At 31 March 2009	279,861	200	113,920	104,374	41,393	539,748
Depreciation						
At 1 April 2008	17,431	-	10,180	67,988	-	95,599
Provided in the Year	8,761	-	5,496	6,656	-	20,913
Disposals	-	-	-	(68)	-	(68)
At 31 March 2009	26,192	-	15,676	74,576	-	116,444
Net Book Value						
At 31 March 2009	253,669	200	98,244	29,798	41,393	423,304
At 31 March 2008	254,536	200	92,998	33,763	7,203	388,700

A cumulative amount of £8.848 million (2008: £7.756 million) relating to capitalised interest is included within the cost of fixed assets. Interest capitalised during the year amounted to £1.092 million (2008: £0.399 million) at a capitalisation rate of 6.5% (2008: 6.5%)

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

10. TANGIBLE FIXED ASSETS – GROUP (CONTINUED)

Included in land and buildings is land at a value of £37.856 million (2008: £37.856 million) and investment properties at a value of £5.196 million (2008: £4.970 million) which are not depreciated (Note 1). The net book value includes the following for assets held under finance leases and hire purchase contracts.

	2009	2008
Net Book Value	£000	£000
Land and Buildings	8,823	9,160

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	£000	£000	£000	£000
At 31 March 2009						
Cost	222,476	202	139,059	104,374	41,393	507,504
Depreciation	(64,601)	-	(59,885)	(74,576)	-	(199,062)
Net Book Value	157,875	202	79,174	29,798	41,393	308,442
At 31 March 2008						
Cost	215,035	202	128,316	101,750	7,203	452,506
Depreciation	(58,910)	-	(55,655)	(67,988)	-	(182,553)
Net Book Value	156,125	202	72,661	33,762	7,203	269,953

TANGIBLE FIXED ASSETS - COMPANY

Birmingham Airport Holdings Limited has no tangible fixed assets.

11. INVESTMENTS

GROUP AND COMPANY: SUBSIDIARY UNDERTAKINGS

Name of Company	Country of Incorporation	Holding	Proportion Held	Year End	Nature of Business
Birmingham International Airport limited	England	Ordinary Shares	100%	31/3	Airport Terminal Management & Operation
Euro-Hub (Birmingham) Limited	England	Ordinary Shares Preference Shares	100% (a) 100% (b)	31/3	Non Trading
Birmingham Airport (Finance) PLC	England	Ordinary Shares	100%	31/3	Financing
First Castle Developments Limited	England	Ordinary Shares	100% (c)	31/3	Property Holding Company
Birmingham Airport Developments Limited	England	Ordinary Shares	100% (c)	5/4	Site Development
BHX Fire and Rescue Limited	England	Ordinary Shares	90% (c)/(d)	31/3	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

(d) Birmingham International Airport Limited has the right to 100% of the dividends from this company

All other investments held by the company.

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

11. INVESTMENTS (CONTINUED)

COMPANY	Subsidiary Undertakings
	£000
Shares	143,745
Loans	84,796
At 1 April 2008	<u>228,541</u>
Movement during year	
Increase in loans	40,752
Investment at 31 March 2009	<u>269,293</u>
Comprising	
Shares	143,745
Loans	125,548
Net Book Value at 31 March 2009	<u>269,293</u>

The loans of £125.548 million (2008: £84.796 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	
	2009 £000	2008 £000
Consumables	<u>344</u>	288
Development land	<u>700</u>	700
	<u>1,044</u>	988

13. DEBTORS

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Trade debtors	<u>8,862</u>	8,730	-	-
Other debtors	<u>2,397</u>	664	-	-
Prepayments and accrued income	<u>4,729</u>	5,498	<u>171</u>	685
	<u>15,988</u>	14,892	<u>171</u>	685

There are no debtors falling due after more than one year (2008: £nil).

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

14. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT & ANALYSIS OF CHANGES IN NET DEBT

	2009	2008
	£000	£000
INCREASE/(DECREASE) IN CASH IN YEAR	325	(149)
Movement in short term deposits	(31,747)	1,399
Capital element of finance lease rental payments	57	52
Lease and leaseback premium	773	450
Change in net debt resulting from cashflows	(30,592)	1,752
Lease and leaseback - accrued interest	(773)	(450)
Movement in corporate bond – non cash	(101)	(100)
MOVEMENT IN NET DEBT IN THE YEAR	(31,466)	1,202
OPENING NET DEBT	(70,264)	(71,466)
CLOSING NET DEBT AT 31 MARCH	(101,730)	(70,264)

	1 April		Non-cash	31 March
	2008	Cashflow	Movements	2009
	£000	£000	£000	£000
Cash at bank and in hand	1,915	325	-	2,240
Short term deposits	51,747	(31,747)	-	20,000
Finance lease obligations	(98)	57	-	(41)
Lease and leaseback premium	(4,732)	773	(773)	(4,732)
Corporate bond	(103,712)	-	(101)	(103,813)
Redeemable Preference Shares	(15,384)	-	-	(15,384)
Net Debt	(70,264)	(30,592)	(874)	(101,730)

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.

15. CREDITORS: amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Obligations under finance leases	41	57	-	-
Trade creditors	2,364	1,307	-	-
Corporation Tax	3,252	2,987	521	483
Other taxes and social security costs	438	446	-	-
Deferred income	5,610	4,170	-	-
ERDF, LTP and TENS grants	170	175	-	-
Accruals	29,323	26,767	1,628	1,489
	41,198	35,909	2,149	1,972

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

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

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Preference shares	15,384	15,384	15,384	15,384
Obligations under finance leases	-	41	-	-
Amounts owed to group undertakings	-	-	137,210	138,166
Net premium arising on lease and leaseback (Note 26)	4,732	4,732	-	-
Deferred income	672	696	-	-
Corporate bond (Note 17)	103,813	103,712	-	-
ERDF, LTP and TENS grants	5,354	5,524	-	-
	129,955	130,089	152,594	153,550

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	
	2009 £000	2008 £000	2009 £000	2008 £000
Loans falling due in one year or less	-	-	-	-
Loans falling due in two to five years	-	-	137,210	138,166
Loans falling due in over five years	105,000	105,000	-	-
	105,000	105,000	137,210	138,166
Less un-amortised issue costs and discount	(1,187)	(1,288)	-	-
	103,813	103,712	137,210	138,166

Loans not wholly repayable within 5 years

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Bonds repayable on 22 February 2021	105,000	105,000	-	-
Less un-amortised issue costs and discount	(1,187)	(1,288)	-	-
	103,813	103,712	-	-

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.

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

18. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise bonds, bank loans, 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 £22.2 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. Future capital projects may include some element of currency exposure in which case consideration will be given to hedging the exposure.

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:

	2009	2008
	£000	£000
Expiring in one year or less	1,000	1,000
Expiring in more than one year but not more than two years	40,000	-
Expiring in more than two years	-	40,000
	<u>41,000</u>	<u>41,000</u>

Preference 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 was as follows:

	Floating Rate £000	No Interest Is Earned £000	Total £000
2009 Sterling	22,099	141	22,240
2008 Sterling	53,502	160	53,662

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.

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

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
2009 Sterling	125,157	-	4,541	129,698	6.57%	13
2008 Sterling	125,214	-	5,409	130,623	6.57%	14

The above financial liabilities do not include a deduction for the un-amortised issues costs and discount of £1.187 million (2008: £1.288 million).

Maturity profile of the Group's financial liabilities

	2009 £000	2008 £000
In one year or less, or on demand	41	57
In more than one year but not more than two years	-	41
In more than two years but not more than five years	4,541	5,409
In more than five years	125,116	125,116
	129,698	130,623

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 2009.

	Book Value 2009 £000	Fair Value 2009 £000	Book Value 2008 £000	Fair Value 2008 £000
Cash (including short term deposits)	22,240	22,240	53,662	53,662
Bonds	(103,813)	(97,085)	(103,712)	(110,389)
Preference shares	(15,384)	(15,450)	(15,384)	(15,469)
Finance leases	(41)	(33)	(98)	(95)
Development provisions	(4,541)	(4,541)	(5,409)	(5,409)
Pension scheme liability	(18,999)	(18,999)	(15,240)	(15,240)

Market value has been used to determine the fair value of the bonds and discounted cashflows for the fair value of the preference 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.

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

19. OBLIGATIONS UNDER LEASE CONTRACTS (GROUP)	2009	2008
	£000	£000
a. Finance lease obligations: amounts payable		
Within one year	41	57
In the second to fifth year inclusive	-	41
After five years	-	-
	41	98

	Land and Buildings		Other	
	2009	2008	2009	2008
	£000	£000	£000	£000
b. Non-cancellable operating leases				
Annual commitments under leases which expire:				
Within one year	-	-	24	20
In the second to fifth year inclusive	-	-	57	77
After five years	447	447	-	-
	447	447	81	97

20. PROVISIONS FOR LIABILITIES AND CHARGES (GROUP)	Development Related	Deferred Tax	Total
	£000	£000	£000
At 1 April 2008	5,409	8,506	13,915
Released during the year	(618)	(108)	(726)
Utilised during the year	(250)	-	(250)
At 31 March 2009	4,541	8,398	12,939

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 (2008: £200,000).

Deferred Taxation Provided	2009	2008
	£000	£000
Capital allowances in advance of depreciation	8,831	9,283
Other timing differences	(433)	(777)
	8,398	8,506

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.

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

21. SHARE CAPITAL

Authorised, allotted, called up and fully paid

	Group & Company		Group & Company	
	2009	2008	2009	2008
	Number	Number	£000	£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	-	-
	323,992,601	323,992,601	3,240	3,240
6.31% cumulative redeemable preference shares of 1p each	1,538,360,000	1,538,360,000	15,384	15,384

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 TOTAL SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

GROUP

	Share Capital	Share Premium Account	Merger Reserve	Revaluation Reserve	Profit And Loss Account	Total Shareholders Funds
	£000	£000	£000	£000	£000	£000
At 1 April 2007	3,240	43,644	25,588	122,307	59,655	254,434
Profit for the year	-	-	-	-	22,897	22,897
Dividends paid	-	-	-	-	(11,237)	(11,237)
Actuarial gain on pension scheme	-	-	-	-	(3,738)	(3,738)
Movement on deferred tax on pension scheme	-	-	-	-	1,121	1,121
Transfer of excess depreciation on asset Revaluation	-	-	-	(3,673)	3,673	-
Net sales of own shares from share trust	-	-	-	-	(388)	(388)
At 31 March 2008	3,240	43,644	25,588	118,634	71,983	263,089
Profit for the year	-	-	-	-	9,889	9,889
Dividends paid	-	-	-	-	(8,480)	(8,480)
Actuarial loss on pension scheme	-	-	-	-	(7,194)	(7,194)
Movement on deferred tax on pension scheme	-	-	-	-	2,014	2,014
Transfer of excess depreciation on asset Revaluation	-	-	-	(4,381)	4,381	-
Asset revaluation	-	-	-	482	-	482
Net sales of own shares from share trust	-	-	-	-	(315)	(315)
At 31 March 2009	3,240	43,644	25,588	114,735	72,278	259,485

The cumulative amount of Goodwill charged to the Merger Reserve is £25.792 million (2008: £25.792 million).

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

22. RECONCILIATION OF TOTAL SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES (CONTINUED)

COMPANY	Share	Share	Merger	Profit	Total
	Capital	Premium		and Loss	
	Account	Account	Reserve	Account	Holders
	£000	£000	£000	£000	Funds
					£000
At 1 April 2007	3,240	43,644	51,380	30,293	128,557
Profit for the year	-	-	-	8,532	8,532
Dividends paid	-	-	-	(11,237)	(11,237)
Net sales of own shares from share trust	-	-	-	(388)	(388)
At 31 March 2008	3,240	43,644	51,380	27,200	125,464
Profit for the year	-	-	-	18,065	18,065
Dividends paid	-	-	-	(8,480)	(8,480)
Net sales of own shares from share trust	-	-	-	(315)	(315)
At 31 March 2009	3,240	43,644	51,380	36,470	134,734

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 2008	3,671,283	1,490
Shares vested in employees	(508,219)	(206)
Shares purchased from employees	730,481	521
Investment at 31 March 2009	3,893,545	1,805

23. CAPITAL COMMITMENTS

GROUP	2009	2008
	£000	£000
Amounts contracted but not provided for in the accounts	20,612	22,551

There are no capital commitments in the Company.

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

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 2009 would have been £40,585 (2008: £97,729). 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. The facility is for a period of 5 years, with an expiry date of 23 November 2010. At the date of signing these accounts, the total amount outstanding under the facility was £nil.

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 by an independent qualified actuary on the basis of a triennial valuation using the projected unit method using assumptions agreed between the Trustees and the company. The most recent full actuarial valuation at 31 October 2006 identified a company funding requirement of 20.6% of Pensionable Earnings plus £2,786,400 per annum for 10 years from 1 January 2008. The above contributions are expected to fund the deficit identified within the scheme over the period to 31 December 2017.

The principal methods and assumptions used and the results of the valuation are shown below:-

	Valuation (31 October 2006)
Valuation method	Projected Unit
Employer's regular pension cost	20.6%
Investment rate of return: - prior to retirement	6.6%
- after retirement	4.4%
Future increases in salaries	4.0%
Increases in pensions (bulk of membership)	3.0%
Market value of assets	£61.7m
Level of funding (actuarial value of assets as a percentage of accrued service liabilities)	76%

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.

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

25. PENSION COMMITMENTS (CONTINUED)

A qualified independent actuary has updated the Actuarial Valuation of 31 October 2006. The main financial assumptions used are as follows:

	2009	2008	2007
Rate of inflation	3.00%	3.60%	3.10%
Rate of increase of salaries	4.00%	4.60%	4.10%
Rate of increase in actual pensions	2.90%	3.50%	3.05%
Rate of increase in deferred pensions	3.00%	3.60%	3.10%
Discount rate	6.50%	6.40%	5.20%
Expected return on assets	5.76%	6.85%	6.84%
Post retirement mortality	PMA92/PFA92 With year of birth improvements and medium cohort	PMA92/PFA92 With year of birth improvements and medium cohort	PMA92/PFA92 With year of birth improvements

The assets and liabilities of the scheme and the expected return on the scheme assets are as follows:-

	2009 %	2009 £000	2008 %	2008 £000	2007 %	2007 £000
Equities	7.50%	30,501	7.50%	44,274	7.50%	47,944
GTAA funds	7.50%	1,465	7.50%	1,839	-	-
Corporate Bonds	5.25%	15,766	5.50%	14,939	5.00%	14,600
Cash	0.50%	9,047	4.75%	4,901	4.75%	2,766
Other Investments	10.00%	30	10.00%	91	10.00%	146
Market value of scheme's assets		56,809		66,044		65,456
Actuarial value of scheme's liabilities		(83,196)		(87,211)		(86,257)
Deficit in scheme		(26,387)		(21,167)		(20,801)
Related deferred tax asset		7,388		5,927		6,240
Net Pension Liability		(18,999)		(15,240)		(14,561)

The equity investments and bonds which are held in scheme assets are quoted and are valued at the current bid price following the adoption of the amendment to FRS 17. Previously these were valued at mid price. The prior year asset values have not been restated.

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

Changes in the present value of the defined benefit obligation

	2009 £000	2008 £000
Opening defined benefit obligation	87,211	86,257
Service cost	2,621	2,652
Contributions by members	710	739
Past service costs	-	37
Settlements and curtailments	297	1,024
Interest cost	5,617	4,526
Actuarial gains	(10,778)	(5,117)
Benefits paid	(2,482)	(2,907)
Closing defined benefit obligation	83,196	87,211

BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2009

25. PENSION COMMITMENTS (CONTINUED)

Changes in the fair value of scheme assets

	2009	2008
	£000	£000
Opening fair value of scheme assets	66,044	65,456
Expected return	4,659	4,634
Actuarial losses	(17,972)	(8,855)
Contributions by employer	5,850	6,977
Contributions by members	710	739
Benefits paid	(2,482)	(2,907)
Closing fair value of scheme assets	56,809	66,044

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected returns for each asset class have been set with reference to market yields and include an allowance for expenses.

The actual return on scheme assets in the year was a loss of £13.313 million (2008: £4.221 million).

Analysis of amount charged to operating profit:

	2009	2008
	£000	£000
Current service cost	2,621	2,652
Past service cost	-	37
Curtailment and settlements	297	1,024
Total charged to operating profit	2,918	3,713
Expected return on pension scheme assets	4,659	4,634
Interest on pension scheme liabilities	(5,617)	(4,526)
Amount (charged)/credited to other financial charges	(958)	108

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

	2009	2008
	£000	£000
Actual return less expected return on pension scheme assets	(17,972)	(8,855)
Changes in assumptions underlying the present value of the scheme liabilities	10,778	5,117
Actuarial loss recognised in the Statement of Total Recognised Gains and Losses	(7,194)	(3,738)

History of experience gains and losses:

	2009	2008	2007	2006	2005
	£000	£000	£000	£000	£000
Defined benefit obligation	(83,196)	(87,211)	(86,257)	(79,765)	(68,840)
Scheme assets	56,809	66,044	65,456	58,985	44,500
Surplus/ (deficit)	(26,387)	(21,167)	(20,801)	(20,780)	(24,340)
Difference between expected and actual return on scheme assets:					
-percentage of scheme assets	-31.6%	-13.4%	-0.2%	13.6%	3.3%
Experience gains and losses on scheme liabilities:					
-percentage of scheme liabilities	-	-	2.3%	-0.3%	-0.2%
Amount recognised in the Statement of Total Recognised Gains and Losses:					
-percentage of scheme liabilities	-8.7%	-4.3%	-0.2%	3.6%	0.5%

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £28.094 million.

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 2009 are disclosed below.

West Midlands 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 £5.178 million (2008: £6.543 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 Company pay a basic rent of £600,000 p.a. from 1 April 2007 subsequently index linked each year for the remaining lease period. In addition, a turnover based rent is payable calculated as 0.4% of turnover less the basic rent in the period. The total amount paid in 2009 was £772,600 (2008: £450,000). The amount at the end of the year was £4.732 million (2008: £4.732 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.

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 2009, £4.601 million was held within deferred income (2008: £4.705 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 £40,585 (2008: £97,729).

27. POST BALANCE SHEET EVENTS

In response to market changes, on 29 April 2009, the Company announced a two stage restructuring programme. Stage one has been completed and 39 posts have been made redundant. Stage two is expected to commence in September 2009 and it is anticipated that this will result in further job reductions. The final cost to the Company of this programme cannot be accurately assessed at this stage.