

ANNUAL REPORT AND FINANCIAL STATEMENTS

**Birmingham Airport Holdings Limited**

FOR THE YEAR ENDED 31 MARCH 2011

## CONTENTS

---

2	Company Information
4	Directors' Report
10	Independent Auditors' Report to the Members of Birmingham Airport Holdings Limited
11	Group Profit and Loss Account
11	Group Statement of Total Recognised Gains and Losses
11	Group Note on historical cost profits and losses
12	Group Balance Sheet
13	Company Balance Sheet
14	Group Cash Flow Statement
15	Notes to the Accounts

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

COMPANY INFORMATION  
For the year ended 31 March 2011

---

REGISTERED NUMBER	<b>3312673</b>	
DIRECTORS	<b>J L Hudson</b> Chairman	
	<b>Councillor T Ali</b>	Birmingham City Council
	<b>Councillor M A Bird</b>	Walsall MBC
	<b>N Boserup</b>	Airport Group Investments Limited
	<b>D Calaca</b>	Airport Group Investments Limited
	<b>Councillor D M Caunt</b>	Dudley MBC
	<b>Councillor D C Cooper</b>	Sandwell MBC
	<b>P Dransfield</b>	Birmingham City Council
	<b>Councillor T L Huxtable</b>	Birmingham City Council
	<b>P Kehoe</b>	Chief Executive Officer
	<b>Councillor R C Lawrence</b>	Wolverhampton City Council
	<b>Councillor J D McNicholas</b>	Coventry City Council
	<b>M Morsillo</b>	Airport Group Investments Limited
	<b>Councillor G E Richards</b>	Solihull MBC
	<b>C Thomazi</b>	Airport Group Investments Limited
	<b>Councillor P Tilsley</b>	Birmingham City Council
	<b>M Toms</b>	Airport Group Investments Limited
COMPANY SECRETARY	<b>M J Kelly</b>	

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

---

## COMPANY INFORMATION

For the year ended 31 March 2011

---

### EXECUTIVE BOARD

**P Kehoe**  
Chief Executive Officer

**M J Kelly**  
Deputy Chief Executive Officer

**W Heynes**  
Operations Director

**M Lloyd**  
Air Services Development Director

**E Clarke**  
Head of Personnel

**J Morris**  
Head of Government & Industry Affairs

**J Lloyd**  
Head of Brand

### INDEPENDENT AUDITORS

**PricewaterhouseCoopers LLP**  
Chartered accountants and statutory 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 2011

The Directors present their report and audited group financial statements for the year ended 31 March 2011.

### Principal Activity

The principal activity of the Group is the operation and management of Birmingham 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”*

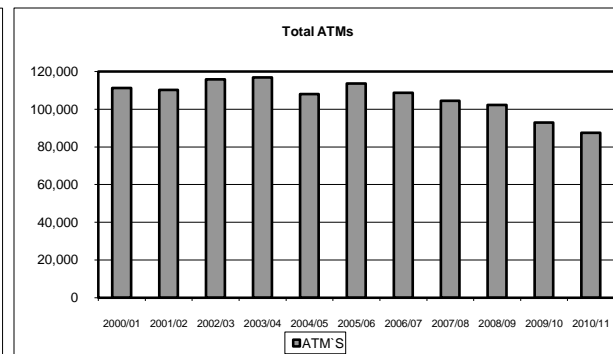
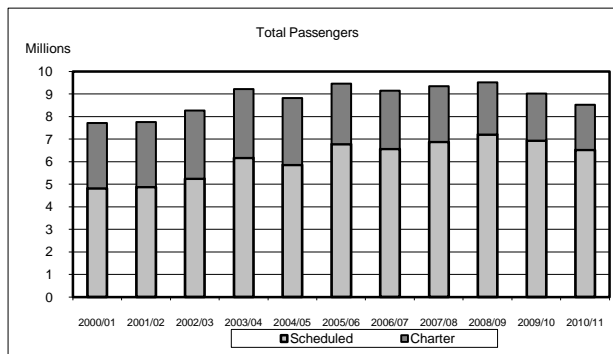
### Results & Dividends

The Group profit for the year after taxation amounted to £5.276 million (2010: £0.592 million). There were no dividends paid in the year (2010: £nil), resulting in a retained profit for the year of £5.276 million (2010: £0.592 million).

### Market Position and Business Environment

Whilst the general economy is emerging from the recession, it has been another challenging year for the aviation industry, with the unprecedented closure of air space due to a volcanic ash cloud in April and May, and snow events that challenged airports operations in December.

On 14 April, 2010 an Icelandic volcano, Eyjafjallajokull, erupted with an extensive ash cloud closing airspace in and around the United Kingdom which proceeded to spread into Europe closing airspace as it travelled. The closure of European air space over the week 15-21 April disrupted global travel, trade and business on a scale not seen since 11 September 2001 and caused the largest disruption to European civil aviation since World War II. The market for air travel has continued to decline which in turn has generated stronger competition amongst airports for traffic. Birmingham Airport has in that difficult trading environment maintained its market share, within our 1-hour catchment area, at 39%, however due to the continuing bite of the economy and the ash cloud, passenger numbers fell by 5.5% to 8.5m (2010 9.0m).



Within the market sectors, long haul traffic reversed the downward trend and grew by 4%, primarily due to growth by Emirates (6% of total passengers – with Dubai being the second largest route from Birmingham), Mahan Air and Turkmenistan Airlines. The Airport's network of schedule EU carriers grew by 7.6%, with growth from Lufthansa (celebrating 25 years of flying from Birmingham), KLM and Swiss International Airlines. The low cost sector contracted by 9% which has been most affected by the recession and reductions in discretionary spend. Ryanair (four based aircraft) and bmibaby (retraction of Midlands market) being the worst affected, although there was some limited growth from Flybe and Monarch Airlines. Charter traffic declined by 0.4% reflecting a stabilisation of the charter market at Birmingham, whilst impacted by the ash cloud the sector fared well from the positive way in which it handled the ash situation reimbursing and repatriating passengers. With the continual weakness of Sterling to the Euro, holidaymakers are seeking destinations outside the Euro zone and the Airport has experienced an increase in Turkish traffic along with a new route from Thomson to Cape Verde. Birmingham Airport has welcomed the arrival of new VIP charter airline, Cello Aviation in May, which caters for the VIP market, the aircraft offers 46 first class seats with an in-flight service to match and a flying range which allows it to cover a range of destinations across Europe.

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

## DIRECTORS' REPORT (continued)

For the year ended 31 March 2011

During the year the Airport re-launched itself as 'Birmingham Airport'. As part of the new image the passenger terminal has been given a complete facelift to incorporate the Airport's new identity including using 'Hello World' messages and global images to welcome customers to the site. The new identity signifies global connectivity from Birmingham Airport and its multicultural environment. The Airport wants people to think about their journey in a new way, and not to be bound by old habits, the new identity creates positive awareness about our potential, and will over time foster a sense of pride and loyalty from people living within our catchment

In the year Birmingham was showcased to the world as it was one of the primary locations for the papal state visit in September 2010, with Birmingham Airport the UK point of departure for the Pope.

Looking at the year ahead the aviation market continues to be challenged by high inflation and fuel prices which is reflected in a cautious approach by airlines and limited expansion during 2011/12. Looking beyond the forthcoming year airlines continue to show their commitment to Birmingham Airport with new routes launched by bmibaby to Lisbon, Rome (Fiumicino) and Barcelona for summer 2012, expanding destination choice to passengers. In addition an investment of £5 million is planned by Eurojet Aviation at Birmingham Airport, one of the UK's leading aircraft management, charter and maintenance companies, with a maintenance facility and a base of two Cessna Citation aircraft. With these announcements to date and many more opportunities we are confident that Birmingham will maintain a year of growth in 2012.

### Financial Performance

<b>Income</b>	2011 £m	2010 £m	% Change over 2010
Aeronautical income	50.4	51.6	(2.3%)
Commercial income	52.9	52.5	0.8%
<b>Total revenue</b>	<b>103.3</b>	<b>104.1</b>	<b>(0.8%)</b>

The Airport has two key elements of income; aeronautical income which is derived from charges levied on airlines for their use of the facilities by both aircraft and passengers and commercial income derived from commercial activities upon the airport site including retailing, car parking, catering and office/property rentals.

Aeronautical income reduced by 2.3%, compared to the 5.5% passenger reduction, reflecting the changing mix of traffic with growth in the long haul and scheduled sectors. This has resulted in an increased yield per passenger of £5.91 from £5.72.

Commercial income performed well in the year with growth of 0.8% despite the fall in passengers. Concession income was impacted by the passenger reduction, however in a number of areas trading outperformed activity including duty & tax free shops, car parking, catering, car hire and taxi income. Commercial income per passenger increased by 6.3% to £6.20 from £5.83.

<b>Operating Costs</b>	2011 £m	2010 £m	% Change over 2010
Employee costs	20.8	23.4	(11.1%)
Running costs	41.0	42.4	(3.3%)
Depreciation & other charges	23.6	22.2	6.3%
<b>Total operating costs</b>	<b>85.4</b>	<b>88.0</b>	<b>(3.0%)</b>

Total operating costs have reduced by 3% in the year. Employee and running costs have reduced by 11.1% and 3.3% respectively, due to the Airport's focus on cost reduction programmes. Depreciation costs have increased reflecting full year costs of the international pier and multi-storey car park extension and the continued investment in the Airport facilities.

As part of the focus on cost reduction the Company entered into a consultation process in April 2010, to harmonise terms and conditions and a voluntary redundancy package was offered in some operational areas. This has resulted in an exceptional cost of £1.2m in the year with the benefits of these changes starting to materialise in the year. In addition a consultation with employees was entered into to close the final salary pension scheme to future accrual, after consultation an agreement was reached, except for the Airport fire fighters whereby separate consultation is ongoing, to continue the scheme but at a lower accrual rate, this change was effective from April 2011.

During the year the Company entered into an agreement to lease land to a developer, for a hotel on the Elmdon site, this has been treated as a sale and the net income of £1.75m recognised as an exceptional gain.

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

---

## DIRECTORS' REPORT (continued)

For the year ended 31 March 2011

---

Operating profit before exceptional items increased by £1.68m (10.3%), as a result of the lower employee and running costs, whilst the profit after exceptional items has increased by £5.1m. Net interest costs, before capitalised interest reduced by £1.4m, primarily due to lower pension interest charges as a result of higher returns on scheme assets, this was partially offset by higher cost of borrowing for the new loan facility.

The tax charge of £4.8m (2010: £3.7m) for the year includes corporation tax of £4.7m (2010: £2.6m) and deferred tax of £0.1m (2010: £1.1m). This equates to a tax effective rate of 47.5% (2010: 86.3%), substantially ahead of the ordinary rate of corporation tax in the UK, reflecting the high level of non qualifying depreciation (mainly due to asset revaluations) and the phasing out of the industrial buildings allowances.

There were no ordinary dividends paid during the year (2010: nil), this resulted in a retained profit of £5.3m (2010: £0.6m) for the year.

Capital expenditure reduced to £17.0m in the year (2010: £32.9m). The main expenditure during the year was the 'One' terminal project, with the focus on improving customer experience, this included a single security search area and investment in the latest security screening equipment enhancing passenger experience and throughput whilst improving compliance, enlarged single arrivals area and improved commercial facilities. The focus on the commercial development was on offering passengers choice and brands they recognise, including in the new arrivals area a new Marks and Spencers Simply Food shop and an expanded Costa Coffee in addition 3 new Pret a Manger outlets opened throughout the Airport and a new facility for Car Hire Operators. The project continues into 2011/12 with the opening in April 2011 of a new walk through duty and tax free store in partnership with World Duty Free, the store is 50% larger than the previous offer and houses distinct boutiques and bays, in addition during the summer of 2011 four new stores will open in the departure lounge Accessorize, Super Dry, Next and JD Sports continuing the expansion of high street brands into the lounge areas and communal areas of the Airport. Looking forward to 2011/12 the Airport Company has commenced the development of a new air traffic control tower which is scheduled to be operation in early 2013 and the runway extension project will be progressed to tender stage.

From its operating activities the group generated cash of £36.0m (2010: £34.4m), an increase of 4.8%, mainly as a result of the lower operating costs. The financing cash outflow increased by £0.6m, reflecting the arrangement fees associated with the new loan facility. The net corporation tax outflow reduced by £1.4m, reflecting the 2010 tax charge and the receipt of prior year overpayments. With the capital expenditure outlined above and the receipt from the hotel lease there was a net cash inflow of £10.6m (2010: £9.7m outflow). Overall, short term deposits/cash increased to £21.2m (2010: £11.7m) and net debt reduced by £9.3m to £103m (2010: £112.3m). The company has strong operating cash-flows and committed bank facilities to meet its on going liabilities as they fall due.

### Safety & Security

Birmingham Airport takes its responsibilities for managing its health and safety systems, policies and practices very seriously putting considerable effort into its health and safety activities over the past 12 month. We have developed the risk management plan and health & safety manual, policies and procedures and continue to develop our working relationships with external organisations on site, to provide a safe working environment. We have worked closely with the British Safety Council in seeking to deliver better training and information, with a number of employees having gained level 1, level 2 and level 3 qualifications in safety and health.

This has been a year of transformation for the security department both in terms of infrastructure development and working practices and procedures. The One Terminal project has resulted in the development of a combined central passenger search facility, which provides a first class customer experience and an excellent working environment for the guards. The introduction of the automated search lanes together with sophisticated data capture systems, have ensured enhanced passenger throughput with improved regulatory compliance. With a threat level of 'severe' the pressures on the department remain with regard to balancing the passenger experience with compliance. Future enhancements over the next year focus on ensuring passengers are well prepared and informed regarding the security process, which will support the aim to improve customer service and further enhance the Airport's reputation.

### Airside Safety

The safe operation of the airfield infrastructure is a core business priority. Further development of the Aerodrome Safety Management System continued through 2010-11 with new guidance published by both the International Civil Aviation Organisation (ICAO) and the UK CAA. Achievements in 2010/11 included another year-on-year reduction in bird strikes for those species classified as 'high' and 'medium' risk and a reduction in the number of airside incidents. The Airport experienced an aircraft accident in November when a Cessna Citation light business jet crashed into the Instrument Landing System (ILS) for Runway15 in thick fog. The performance of the Airport Fire Service played a key factor and both occupants of the aircraft (transporting a human organ) survived the crash. The business was recovered to normal operations within 24 hours and full ILS service restored a few weeks later.

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

---

## DIRECTORS' REPORT (continued)

For the year ended 31 March 2011

---

The winter of 2010-11 again presented great challenge, especially during December when the UK saw severe disruption and temperatures were recorded on the airfield as low as -18 degrees Celsius. Ongoing investment by the Airport Company in winter equipment and resilience played a key role in helping to minimise the disruption caused by the conditions with Birmingham experiencing less disruption than many other UK airports.

The Airport continues to work closely with the Safety Regulation Group at the CAA on current safety priorities and is fully engaged with the changes that are happening in the regulatory environment as we move towards a single European regulatory authority, the European Aviation Safety Agency, (EASA), in 2014 and the developments driven by the Eurocontrol Single European Skies (SES) initiative including the implementation of Collaborative Decision Making (CDM).

### **Opportunities and Risks**

Whilst the economy slowly recovers from the recession and the impact of the governments spending cuts take hold, demand in UK air transport has yet to return to growth, increasing the short term risk of competition from neighbouring airports. However the airport sees the 61% of unsatisfied demand, within its one hour catchment area as a significant opportunity for growth. Together with its location and facilities, and in the longer term, the runway extension and the advent of high speed rail links to London, the airport believes it is well placed to satisfy that demand.

Many of the risks which affect the future level of air traffic and therefore the airport's growth prospects have been reported for some time now, including the current economic environment and uncertainty about the future prospects for inflation and interest rate rises, increased government taxation and the environmental lobby. The airport is committed to adopting a sustainable approach to the operation and future development of the airport, whilst mitigating the impact on local communities. The airport contributed £50,000 to the Community Trust Fund to assist local organisations affected by aircraft activity during the year.

The airport carefully considers the risks of 'one off events' (although not possible to forecast) whether they be volcanic eruptions, severe weather conditions, terrorist activities, civil unrest or health scares when developing its medium and long term plans. We have also considered the potential adverse effect of risks arising from the collapse of an airline or other stakeholder and reduced the financial risk of increasing staff pension scheme costs by agreeing a reduced future accrual rate with staff.

### **Financial Risk Management**

The Group has a number of policies in place to manage its financial risks, along with a risk management programme which is reported to the 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**

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 £45m, committed un-drawn, loan facility and £21.2m cash are considered sufficient to meet the Group's ongoing 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 additional focus has been directed at day to day reviews and management of this risk, due to the economic climate. 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. Other exposures relate to general market inflation and building costs during periods of expansion.



# BIRMINGHAM AIRPORT HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

For the year ended 31 March 2011

## 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.

## Directors

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

T Ali		P Kehoe	
M A Bird		J D McNicholas	(Appointed 04/10/10)
N Boserup		M Morsillo	
D Calaca		J Mutton	(Appointed 02/06/10)/ (Resigned 04/10/10)
D M Caunt		N Patten	(Resigned 28/01/11)
D C Cooper		G E Richards	
P Dransfield		K Taylor	(Resigned 02/06/10)
L R Gregory	(Resigned 02/06/10)	C Thomazi	
J L Hudson		P Tilsley	
T L Huxtable	(Appointed 02/06/10)	M Toms	
R C Lawrence	(Appointed 28/01/11)		

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 may 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. 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.

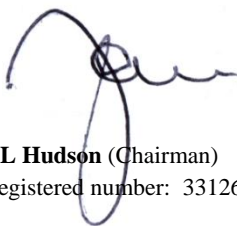
## Political and charitable contributions

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 £270, Conservative Party £2,160, Liberal Democrat Party £270, and others £540.

## Future Developments

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

On behalf of the Board:



**J L Hudson** (Chairman)

Registered number: 3312673

## DIRECTORS' RESPONSIBILITIES STATEMENT

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 prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the 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 accounting 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 statement;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 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.

On behalf of the Board

  
**M J Kelly**  
Company Secretary

13 July 2011

## 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 2011 which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group note of historical profits and losses, the group and parent company balance sheets, the group cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 9 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

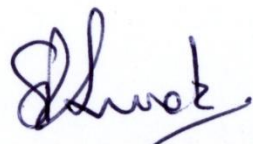
### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Stephen Snook (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

18/7/11

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

## GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2011

	Notes	2011 £000	2010 £000
<b>TURNOVER</b>	2	<b>103,275</b>	104,127
Operating costs		<b>(85,425)</b>	(87,957)
<b>OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS</b>	3	<b>17,850</b>	16,170
Exceptional Items	3b	<b>559</b>	(2,871)
<b>OPERATING PROFIT AFTER EXCEPTIONAL ITEMS</b>		<b>18,409</b>	13,299
Interest receivable and similar income		<b>288</b>	153
Interest payable and similar charges	6	<b>(8,642)</b>	(9,122)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>10,055</b>	4,330
Tax on profit on ordinary activities	7	<b>(4,779)</b>	(3,738)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	22	<b>5,276</b>	592

All results are derived from continuing operations

### GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2011 £000	2010 £000
Profit on ordinary activities after taxation		<b>5,276</b>	592
Asset revaluation		<b>18,231</b>	-
Actuarial losses on pension scheme	25	<b>(2,378)</b>	(3,930)
Movement on current tax relating to pension contributions		<b>666</b>	416
Movement on deferred tax relating to pension scheme actuarial gain		-	684
Change in taxation rate		<b>(235)</b>	-
Total Recognised Gains and Losses for the Year		<b>21,560</b>	(2,238)

### GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2011 £000	2010 £000
Reported profit on ordinary activities before taxation	<b>10,055</b>	4,330
Excess depreciation on revalued assets	<b>4,377</b>	4,322
<b>Historical Cost Profit On Ordinary Activities Before Taxation</b>	<b>14,432</b>	8,652
<b>Historical Cost Profit For The Year Retained After Taxation</b>	<b>9,653</b>	4,914

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

## GROUP BALANCE SHEET

As at 31 March 2011

	Notes	2011 £000	2010 £000
<b>FIXED ASSETS</b>			
Tangible assets	10	440,260	430,932
<b>CURRENT ASSETS</b>			
Stocks and development land	12	1,145	1,065
Debtors	13	13,076	12,990
Cash at bank and in hand		21,174	11,725
		<u>35,395</u>	<u>25,780</u>
<b>CREDITORS: amounts falling due within one year</b>	15	(33,713)	(34,943)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>1,682</u>	<u>(9,163)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>441,942</u>	<u>421,769</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16	(130,218)	(129,862)
PROVISIONS FOR LIABILITIES	20	(13,092)	(14,107)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>298,632</u>	<u>277,800</u>
PENSION LIABILITY	25	(20,551)	(20,757)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>278,081</u>	<u>257,043</u>
<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	124,267	110,413
Profit and loss account	22	81,342	74,158
<b>TOTAL SHAREHOLDERS' FUNDS</b>	22	<u>278,081</u>	<u>257,043</u>

The financial statements on pages 11 to 34 were approved by the Board of Directors on 13 July 2011 and were signed on its behalf by:

  
**J L Hudson**  
 Chairman

  
**P Kehoe**  
 Chief Executive Officer

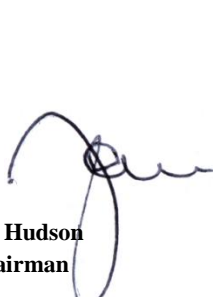
# BIRMINGHAM AIRPORT HOLDINGS LIMITED

## COMPANY BALANCE SHEET


As at 31 March 2011

	Notes	2011 £000	2010 £000
<b>FIXED ASSETS</b>			
Investments	11	283,603	290,231
<b>CURRENT ASSETS</b>			
Debtors	13	395	35
Cash at bank and in hand		10,100	4,013
		<u>10,495</u>	<u>4,048</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<b>(1,861)</b>	<b>(2,165)</b>
<b>NET CURRENT ASSETS</b>		<u><b>8,634</b></u>	<u>1,883</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>292,237</b></u>	<u>292,114</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16	<b>(151,045)</b>	<b>(151,937)</b>
<b>NET ASSETS</b>		<u><b>141,192</b></u>	<u>140,177</u>
<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	42,928	41,913
<b>TOTAL SHAREHOLDERS' FUNDS</b>	22	<u><b>141,192</b></u>	<u>140,177</u>

The financial statements on pages 11 to 34 were approved by the Board of Directors on 13 July 2011 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 2011

	Notes	2011 £000	2010 £000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	3c	<b>35,999</b>	34,364
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
Interest paid		(8,251)	(7,641)
Interest received		281	292
Interest element of finance lease rental payments		-	(4)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<b>(7,970)</b>	(7,353)
<b>TAXATION</b>			
UK Corporation tax paid		(2,466)	(3,818)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(16,965)	(32,855)
Receipts from sales of tangible fixed assets		2,020	1
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>		<b>(14,945)</b>	(32,854)
<b>EQUITY DIVIDENDS PAID</b>		-	-
<b>CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING</b>		<b>10,618</b>	(9,661)
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
(Increase)/Decrease in short term deposits		(16,105)	16,000
<b>FINANCING</b>			
Decrease in long term borrowings	14	-	-
Capital element of finance lease rental payments	14	-	(30)
Lease and leaseback premium	14	(647)	(620)
Net sale of own shares from share trust		(522)	(204)
<b>NET CASH OUTFLOW FROM FINANCING</b>		<b>(1,169)</b>	(854)
<b>(DECREASE)/INCREASE IN CASH</b>	14	<b>(6,656)</b>	5,485

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

---

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

---

### 1. ACCOUNTING POLICIES

#### ACCOUNTING CONVENTION

The accounts are prepared on a going concern basis under the historical cost convention modified to include the revaluation of certain assets in accordance with applicable accounting standards in the United Kingdom. The principle accounting policies, which have been applied consistently throughout the year are set out below.

#### 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 2011 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 the Companies Act 2006.

#### BASIS OF CONSOLIDATION

The Group accounts consolidate the financial statements of Birmingham Airport Holdings Limited and its subsidiary undertakings drawn up to 31 March 2011. No profit and loss account is presented for Birmingham Airport Holdings Limited as permitted by section 408 of the Companies Act 2006.

#### 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').

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. Actuarial gains and losses are recognised in full on the Balance Sheet. Actuarial gains and losses are also recognised through the Statement of Total Recognised Gains and Losses as incurred. Payments to the defined contribution scheme are charged against profits as incurred.

The most recent full actuarial valuation at 31 October 2009 identified a company funding requirement of 21.1% of Pensionable Earnings plus £232,200 per month from 1 February 2011 until 31 October 2020.

#### 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 2011 (Note 10).



### 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.

#### INVESTMENTS

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

#### 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 2011

### 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 Airport and its related activities. All are generated in the United Kingdom. Turnover comprises:

- Aeronautical income: sales relate 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.

	2011 £000	2010 £000
Aeronautical income	50,395	51,577
Concession and property income and recharges	52,880	52,550
	<b>103,275</b>	<b>104,127</b>

### 3. OPERATING PROFIT

	2011 £000	2010 £000
a) This is stated after charging / (crediting):		
Services provided by the company's auditor		
Fees payable for the audit	82	79
Fees payable for other services	17	17
Depreciation		
Owned assets	22,240	21,877
Assets held under finance leases	336	336
Amortisation		
European Regional Development Fund grants	(19)	(19)
Trans European Networks grants	(46)	(46)
Local Transport Plan grant	(104)	(104)
Operating lease rentals		
Plant and equipment	89	96
Other	447	447
Loss/(Profit) on disposal of fixed assets	(83)	89

#### b) Exceptional Items

During the year restructuring costs (being mostly severance pay and related costs) of £1.189 million were recognised (2010: £2.871 million restructuring costs). Also during the year a finance lease was granted for the site of a hotel development resulting in a net gain of £1.748 million (2010: £nil).

	2011 £000	2010 £000
c) Reconciliation of operating profit to net cash inflow from operating activities.		
<b>Operating profit</b>	<b>18,409</b>	13,299
Depreciation	22,576	22,213
(Profit)/Loss on disposals of fixed assets	(83)	89
Amortisation of deferred income and grants	(169)	(169)
Difference between pension charge and cash contribution	(3,885)	(3,525)
Increase in stocks	(80)	(21)
Decrease/(Increase) in debtors and prepayments	1,243	2,830
(Decrease)/Increase in creditors and accruals	(1,546)	(359)
Increase/(Decrease) in provisions	(466)	7
<b>Net cash inflow from operating activities</b>	<b>35,999</b>	<b>34,364</b>

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

### 4. DIRECTORS' EMOLUMENTS

	2011	2010
	£000	£000
Emoluments (excluding pension contributions)	<u>398</u>	<u>427</u>

Emoluments in respect of the highest paid director are:

	2011	2010
	£000	£000
Total emoluments (excluding pension contributions)	<u>359</u>	<u>387</u>
Pension contributions	<u>25</u>	<u>25</u>
Total emoluments (including pension contributions)	<u>384</u>	<u>412</u>

### 5. STAFF COSTS

	2011	2010
	£000	£000
Wages and salaries	<u>17,889</u>	<u>19,502</u>
Social security costs	<u>1,562</u>	<u>1,732</u>
Other pension costs	<u>1,364</u>	<u>2,130</u>
	<u>20,815</u>	<u>23,364</u>

The average monthly number of employees during the year comprised:

	2011	2010
	Number	Number
Engineering	<u>69</u>	<u>72</u>
Operations and security	<u>356</u>	<u>402</u>
Support services	<u>92</u>	<u>94</u>
Terminal services	<u>49</u>	<u>73</u>
	<u>566</u>	<u>641</u>

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	2011	2010
	£000	£000
Bank loans and overdrafts	<u>362</u>	<u>80</u>
Preference share dividend	<u>971</u>	<u>971</u>
Corporate bond	<u>6,663</u>	<u>6,663</u>
Other interest	<u>648</u>	<u>628</u>
Finance lease	<u>-</u>	<u>4</u>
Capitalised	<u>(451)</u>	<u>(1,261)</u>
FRS 17 finance expense (Note 25)	<u>449</u>	<u>2,037</u>
	<u>8,642</u>	<u>9,122</u>

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

7. TAX ON PROFIT ON ORDINARY ACTIVITIES	2011	2010
	<u>£000</u>	<u>£000</u>
UK Corporation tax – current year	5,477	3,167
UK Corporation tax – adjustment in respect of prior years	(779)	(585)
<b>Total current tax</b>	<b>4,698</b>	2,582
Deferred tax – current year	(275)	655
Deferred tax – adjustment in respect of prior years	433	501
Deferred tax – on pension deficit movement	296	-
Deferred tax – change in rate	(373)	-
<b>Tax on profit on ordinary activities</b>	<b>4,779</b>	<b>3,738</b>
Current tax credited to Statement of Total Recognised Gains and Losses	(666)	(416)
Deferred tax credited to Statement of Total Recognised Gains and Losses	-	(684)
Deferred tax – change in rate	235	-
<b>Total tax charged in financial statements</b>	<b>4,348</b>	<b>2,638</b>
<b>Deferred tax credited to provisions for liabilities and charges (Note 20)</b>		
Deferred tax – current year	(275)	655
Deferred tax – adjustment in respect of prior years	433	501
Deferred tax – change in rate	(694)	-
	<b>(536)</b>	<b>1,156</b>
<b>Deferred tax credited to pension liability (Note 25)</b>		
Deferred tax on pension deficit movement charged in the profit and loss account	296	-
Deferred tax charged to Statement of Total Recognised Gains and Losses	-	(684)
Deferred tax – change in rate	556	-
	<b>852</b>	<b>(684)</b>

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 higher (2010: higher) than the ordinary rate of Corporation Tax in the UK of 28% (2010: 28%). The differences are reconciled below:

	2011	2010
	<u>£000</u>	<u>£000</u>
<b>Profit on ordinary activities before taxation</b>	<b>10,055</b>	4,330
Profit on ordinary activities at the standard rate of tax of 28% (2010:28%)	2,815	1,212
Effects of:		
Disallowed expenses	3,291	3,913
Industrial Buildings Allowances for the year	(609)	(1,309)
Depreciation in excess of capital allowances	417	(521)
Short term timing differences	(141)	(128)
Movement on Pension liability	(296)	-
Adjustments in respect of prior years	(779)	(585)
<b>Current tax charge for year</b>	<b>4,698</b>	2,582

The disallowable expenses include £3.180 million (2010: £3.495 million) relating to non qualifying depreciation.

### Factors affecting future tax charges

In his budgets of 22 June 2010 and 23 March 2011 the Chancellor of the Exchequer proposed a decrease in the rate of UK corporation tax from 28% to 23%, falling by 2% in 2011 and a further 1% a year over the period 2012 to 2014. The first 1% reduction for 2011 was substantially enacted on 27 July 2010, and the second 1% reduction for 2011 was substantially enacted on 29 March 2011 and in accordance with accounting standards has been reflected in the Company's financial statements.

The effect of the above proposed reductions in rate by 2014 would be to decrease the net deferred tax liability by £207,000.

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

### 8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit dealt with in the accounts of the parent undertaking was £1.537 million (2010: £5.647 million).

### 9. DIVIDENDS

2011	2010
£000	£000
-	-
-	-

A dividend of 1.93p per share will be proposed at the Annual General Meeting to be paid in July 2011.

The ESOP Trust waived its right to the payment of a dividend 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 2011 by DTZ Debenham Tie Leung 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 existing use methodology was used. The valuation of £385.437 million identified a £18.231 million increase in value.

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 and Buildings		Runways, Taxiways,	Plant and Equipment	Assets in	Total
	Freehold	Leasehold	Infrastructure		Course of Construction	
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
At 1 April 2010	343,484	200	116,900	106,807	2,076	569,467
Additions	-	-	-	-	15,160	15,160
Capitalised Interest	-	-	-	-	451	451
Transfer	(10,122)	-	(4,543)	21,460	(6,795)	-
Disposals	(2,261)	-	-	(1,046)	-	(3,307)
Revaluation	(28,105)	-	(24,762)	-	-	(52,867)
<b>At 31 March 2011</b>	<b>302,996</b>	<b>200</b>	<b>87,595</b>	<b>127,221</b>	<b>10,892</b>	<b>528,904</b>
<b>Accumulated depreciation</b>						
At 1 April 2010	36,998	-	22,052	79,485	-	138,535
Provided in the Year	7,980	-	4,639	9,957	-	22,576
Disposals	(571)	-	-	(798)	-	(1,369)
Revaluation	(44,407)	-	(26,691)	-	-	(71,098)
<b>At 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,644</b>	<b>-</b>	<b>88,644</b>
<b>Net Book Value</b>						
At 31 March 2011	302,996	200	87,595	38,577	10,892	440,260
At 31 March 2010	306,486	200	94,848	27,322	2,076	430,932

A cumulative amount of £10.560 million (2010: £10.109 million) relating to capitalised interest is included within the cost of fixed assets. Interest capitalised during the year amounted to £0.451 million (2010: £1.261 million) at a capitalisation rate of 6.5% (2010: 6.5%)

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

### 10. TANGIBLE FIXED ASSETS – GROUP (CONTINUED)

Included in land and buildings is land at a value of £54.381 million (2010: £38.968 million) and investment properties at a value of £5.353 million (2010: £5.196 million) which are not depreciated (Note 1). The net book value includes the following for assets held under finance leases and hire purchase contracts.

Net Book Value	<b>2011</b>	2010
	<b>£000</b>	£000
Land and Buildings	<b>8,168</b>	8,487

On the historical cost 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
<b>At 31 March 2011</b>						
Cost	272,473	202	137,497	127,221	10,892	548,285
Accumulated depreciation	(75,279)	-	(68,369)	(88,644)	-	(232,292)
<b>Net Book Value</b>	<b>197,194</b>	<b>202</b>	<b>69,128</b>	<b>38,577</b>	<b>10,892</b>	<b>315,993</b>
<b>At 31 March 2010</b>						
Cost	285,050	202	142,040	106,807	2,076	536,175
Accumulated depreciation	(71,176)	-	(64,995)	(79,485)	-	(215,656)
<b>Net Book Value</b>	<b>213,874</b>	<b>202</b>	<b>77,045</b>	<b>27,322</b>	<b>2,076</b>	<b>320,519</b>

### 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 and 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.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

## 11. INVESTMENTS (CONTINUED)

COMPANY	Subsidiary Undertakings £000
Shares	143,745
Loans	146,486
At 1 April 2010	<u>290,231</u>
Movement during year	
(Decrease)/ Increase in loans	(6,628)
<b>Investment at 31 March 2011</b>	<b><u>283,603</u></b>
Comprising	
Shares	143,745
Loans	139,858
<b>Net Book Value at 31 March 2011</b>	<b><u>283,603</u></b>

The loans of £139.858 million (2010: £146.486 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	
	2011 £000	2010 £000
Consumables	<u>445</u>	365
Development land	<u>700</u>	700
	<b><u>1,145</u></b>	<u>1,065</u>

## 13. DEBTORS

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade debtors	<u>7,869</u>	6,843	-	-
Other debtors	497	760	-	-
Prepayments and accrued income	<u>4,710</u>	5,387	<u>395</u>	35
	<b><u>13,076</u></b>	<u>12,990</u>	<b><u>395</u></b>	<u>35</u>

There are no debtors falling due after more than one year (2010: £nil).

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

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

	2011	2010
	£000	£000
<b>(DECREASE)/ INCREASE IN CASH IN YEAR</b>	<b>(6,656)</b>	5,485
Movement in short term deposits	<b>16,105</b>	(16,000)
Capital element of finance lease rental payments	-	41
Lease and leaseback premium	<b>647</b>	620
Change in net debt resulting from cashflows	<b>10,096</b>	(9,854)
Lease and leaseback - accrued interest	<b>(647)</b>	(620)
Movement in corporate bond – non cash	<b>(100)</b>	(100)
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>9,349</b>	(10,574)
<b>OPENING NET DEBT</b>	<b>(112,304)</b>	(101,730)
<b>CLOSING NET DEBT AT 31 MARCH</b>	<b>(102,955)</b>	(112,304)

	1 April		Non-cash	31 March
	2010	Cashflow	Movements	2011
	£000	£000	£000	£000
Cash at bank and in hand	<b>7,725</b>	(6,656)	-	<b>1,069</b>
Short term deposits	<b>4,000</b>	16,105	-	<b>20,105</b>
Finance lease obligations	-	-	-	-
Lease and leaseback premium	<b>(4,732)</b>	647	(647)	<b>(4,732)</b>
Corporate bond	<b>(103,913)</b>	-	(100)	<b>(104,013)</b>
Redeemable Preference Shares	<b>(15,384)</b>	-	-	<b>(15,384)</b>
<b>Net Debt</b>	<b>(112,304)</b>	10,096	<b>(747)</b>	<b>(102,955)</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.

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

	Group		Company	
	2011	2010	2011	2010
	£000	£000	£000	£000
Trade creditors	<b>2,093</b>	2,658	-	-
Corporation Tax	<b>3,165</b>	1,599	<b>533</b>	639
Other taxes and social security costs	<b>355</b>	393	-	-
Deferred income	<b>6,174</b>	5,616	-	-
ERDF, LTP and TENS grants	<b>170</b>	170	-	-
Accruals	<b>21,756</b>	24,507	<b>1,328</b>	1,526
	<b>33,713</b>	34,943	<b>1,861</b>	2,165



# BIRMINGHAM AIRPORT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

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

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Preference shares	15,384	15,384	15,384	15,384
Amounts owed to group undertakings	-	-	135,661	136,553
Net premium arising on lease and leaseback (Note 26)	4,732	4,732	-	-
Deferred income	624	648	-	-
Corporate bond (Note 17)	104,013	103,913	-	-
ERDF, LTP and TENS grants	5,465	5,185	-	-
	<b>130,218</b>	<b>129,862</b>	<b>151,045</b>	<b>151,937</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	
	2011 £000	2010 £000	2011 £000	2010 £000
Loans falling due in one year or less	-	-	-	-
Loans falling due in two to five years	-	-	135,661	136,553
Loans falling due in over five years	105,000	105,000	-	-
	<b>105,000</b>	<b>105,000</b>	<b>135,661</b>	<b>136,553</b>
Less un-amortised issue costs and discount	(987)	(1,087)	-	-
	<b>104,013</b>	<b>103,913</b>	<b>135,661</b>	<b>136,553</b>

#### Loans not wholly repayable within 5 years

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Bonds repayable on 22 February 2021	105,000	105,000	-	-
Less un-amortised issue costs and discount	(987)	(1,087)	-	-
	<b>104,013</b>	<b>103,913</b>	<b>-</b>	<b>-</b>

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 2011

### 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, £45 million 'club' loan facility, £1 million overdraft facility and £21.1 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 new bank 'club' 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:

	2011 £000	2010 £000
Expiring in one year or less		
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years	45,000	45,000
	<u>45,000</u>	<u>45,000</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.

#### 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
2011 Sterling	21,212	(38)	21,174
2010 Sterling	11,236	489	11,725

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 2011

## 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
2011 Sterling	125,116	-	4,074	129,190	6.52%	11
2010 Sterling	125,116	-	4,553	129,669	6.52%	12

The above financial liabilities do not include a deduction for the un-amortised issues costs and discount of £0.987 million (2010: £1.087 million).

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

	2011 £000	2010 £000
In one year or less, or on demand	-	-
In more than one year but not more than two years	-	-
In more than two years but not more than five years	4,074	4,553
In more than five years	125,116	125,116
	<b>129,190</b>	<b>129,669</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 2011.

	Book Value 2011 £000	Fair Value 2011 £000	Book Value 2010 £000	Fair Value 2010 £000
Cash (including short term deposits)	21,174	21,174	11,725	11,725
Bonds	(104,013)	(106,649)	(103,913)	(98,382)
Preference shares	(15,384)	(14,275)	(15,384)	(15,429)
Development provisions	(4,074)	(4,074)	(4,553)	(4,553)
Pension scheme liability	(20,551)	(20,551)	(20,757)	(20,757)

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 2011

### 19. OBLIGATIONS UNDER LEASE CONTRACTS (GROUP)

	Land and Buildings		Other	
	2011 £000	2010 £000	2011 £000	2010 £000
b. Non-cancellable operating leases				
Annual commitments under leases which expire:				
Within one year	-	-	7	7
In the second to fifth year inclusive	-	-	62	52
After five years	447	447	-	-
	<u>447</u>	<u>447</u>	<u>69</u>	<u>59</u>

### 20. PROVISIONS FOR LIABILITIES AND CHARGES (GROUP)

	Development	Deferred	Total
	Related	Tax	
	£000	£000	£000
At 1 April 2010	4,553	9,554	14,107
Released during the year	(367)	(536)	(903)
Utilised during the year	(112)	-	(112)
<b>At 31 March 2011</b>	<b>4,074</b>	<b>9,018</b>	<b>13,092</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 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 is estimated at £200,000 (2010: £200,000).

#### Deferred Taxation Provided

	2011 £000	2010 £000
Capital allowances in advance of depreciation	9,373	9,858
Other timing differences	(355)	(304)
	<u>9,018</u>	<u>9,554</u>

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 2011

## 21. CALLED UP SHARE CAPITAL

### Authorised, allotted, called up and fully paid

	Group and Company		Group and Company	
	2011	2010	2011	2010
	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	-	-
	<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	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 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 MOVEMENT IN 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
<b>At 1 April 2009</b>	<b>3,240</b>	<b>43,644</b>	<b>25,588</b>	<b>114,735</b>	<b>72,278</b>	<b>259,485</b>
Profit for the financial year	-	-	-	-	592	592
Dividends paid	-	-	-	-	-	-
Actuarial gain on pension scheme	-	-	-	-	(3,930)	(3,930)
Movement on tax on pension scheme	-	-	-	-	1,100	1,100
Transfer of excess depreciation on asset Revaluation	-	-	-	(4,322)	4,322	-
Net sales of own shares from share trust	-	-	-	-	(204)	(204)
<b>At 31 March 2010</b>	<b>3,240</b>	<b>43,644</b>	<b>25,588</b>	<b>110,413</b>	<b>74,158</b>	<b>257,043</b>
Profit for the financial year	-	-	-	-	5,276	5,276
Dividends paid	-	-	-	-	-	-
Actuarial loss on pension scheme	-	-	-	-	(2,378)	(2,378)
Movement on tax on pension scheme	-	-	-	-	431	431
Transfer of excess depreciation on asset revaluation	-	-	-	(4,377)	4,377	-
Asset revaluation	-	-	-	18,231	-	18,231
Net sales of own shares from share trust	-	-	-	-	(522)	(522)
<b>At 31 March 2011</b>	<b>3,240</b>	<b>43,644</b>	<b>25,588</b>	<b>124,267</b>	<b>81,342</b>	<b>278,081</b>

The cumulative amount of Goodwill charged to the Merger Reserve is £25.792 million (2010: £25.792 million).

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

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

### COMPANY

	Share Capital £000	Share Premium Account £000	Merger Reserve £000	Profit and Loss Account £000	Total Share- Holders Funds £000
<b>At 1 April 2009</b>	<b>3,240</b>	<b>43,644</b>	<b>51,380</b>	<b>36,470</b>	<b>134,734</b>
Profit for the financial year	-	-	-	5,647	5,647
Dividends paid	-	-	-	-	-
Net sales of own shares from share trust	-	-	-	(204)	(204)
<b>At 31 March 2010</b>	<b>3,240</b>	<b>43,644</b>	<b>51,380</b>	<b>41,913</b>	<b>140,177</b>
Profit for the financial year	-	-	-	1,537	1,537
Dividends paid	-	-	-	-	-
Net sales of own shares from share trust	-	-	-	(522)	(522)
<b>At 31 March 2011</b>	<b>3,240</b>	<b>43,644</b>	<b>51,380</b>	<b>42,928</b>	<b>141,192</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 Number	Own Shares £000
Investment at 1 April 2010	4,047,370	2,009
Shares vested in employees	-	-
Shares purchased from employees	701,079	522
<b>Investment at 31 March 2011</b>	<b>4,748,449</b>	<b>2,531</b>

## 23. CAPITAL COMMITMENTS

GROUP	2011 £000	2010 £000
Amounts contracted but not provided for in the accounts	<b>2,221</b>	<b>2,189</b>

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 2011 would have been £nil (2010: £nil).

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 25 June 2010 the Company along with other members of the Group provided guarantees to Santander UK plc and The Royal Bank of Scotland plc in support of a £45 million banking facility made available to Birmingham Airport Holdings Limited. The facility is for a period of 5 years, with an expiry date of 25 June 2015. 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 plan in the UK for certain permanent employees, which is funded by the payment of contributions to a separately administered trust-based fund the assets of which are held to meet long-term pension liabilities to past and present employees. The trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of members of the trustee board is determined by the trust documentation.

The most recent full actuarial valuation was carried out with an effective date of 31 October 2009 using the projected unit method. Following that valuation the Company and Trustees agreed a schedule of contributions, dated 25 January 2011, under which the Company would pay 26.6% of contributing members' pensionable earnings (less member contributions of 5.5%) plus £232,000 per month from 1 February 2011 to 31 October 2020, plus expenses and levies. This schedule was in force on 31 March 2011. The Group contributions expected to be made in the year commencing 1 April 2011 are approximately £5,100,000.

The principal method and assumptions used for setting the Technical Provision and the results of the actuarial valuation for the Trustees as at 31 October 2009 are shown below:-

**Valuation**

	<b>(31 October 2009)</b>
Valuation method	Projected Unit
Employer's regular pension cost	21.1%
Investment rate of return: - prior to retirement	5.9%
- after retirement	5.9%
Future increases in salaries	4.5%
Increases in pensions (bulk of membership)	3.5%
Market value of assets	£70.5m
Level of funding (actuarial value of assets as a percentage of technical provisions)	73%

# BIRMINGHAM AIRPORT HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2011

### 25. PENSION COMMITMENTS (Continued)

A qualified independent actuary has updated the Actuarial Valuation as at 31 March 2011. The main financial assumptions used are as follows:

	<b>2011</b>	2010	2009
Rate of inflation	<b>3.00% / 3.50%*</b>	3.50%	3.00%
Rate of increase of salaries	<b>4.00%</b>	4.00%	4.00%
Rate of increase in actual pensions	<b>3.40%</b>	3.40%	2.90%
Rate of increase in deferred pensions	<b>2.50%** / 3.50%</b>	3.50%	3.00%
Discount rate	<b>5.50%</b>	5.60%	6.50%
Expected return on assets	<b>7.21%</b>	6.96%	5.76%
Post retirement mortality	SIPA year of birth tables with medium cohort allowance, subject to a minimum improvement of 1%	PMA92/PFA92 With year of birth improvements and medium cohort	PMA92/PFA92 With year of birth improvements and medium cohort

\* Following recent government announcements, within the scheme there are different categories of members to which either CPI or RPI applies. This was not the case in prior years.

\*\* Pensions increases in deferment which are calculated using CPI are capped at the rate of 2.5% pa

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

	<b>2011</b>	<b>2011</b>	2010	2010	2009	2009
	%	£000	%	£000	%	£000
Equities	<b>8.00%</b>	<b>44,385</b>	8.00%	45,957	7.50%	30,501
GTAA funds	-	-	8.00%	1,501	7.50%	1,465
Target Return Funds	<b>8.00%</b>	<b>17,775</b>	7.50%	7,313	-	-
Corporate Bonds	<b>5.50%</b>	<b>22,091</b>	5.20%	20,966	5.25%	15,766
Cash	<b>0.50%</b>	<b>1,681</b>	0.50%	2,563	0.50%	9,047
Other Investments	-	-	-	-	10.00%	30
Market value of scheme's assets		<b>85,932</b>		78,300		56,809
Actuarial value of scheme's liabilities		<b>(113,703)</b>		(107,129)		(83,196)
Deficit in scheme		<b>(27,771)</b>		(28,829)		(26,387)
Related deferred tax asset		<b>7,220</b>		8,072		7,388
<b>Net Pension Liability</b>		<b>(20,551)</b>		(20,757)		(18,999)

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

Changes in the present value of the defined benefit obligation

	<b>2011</b>	2010
	£000	£000
Opening defined benefit obligation	<b>107,129</b>	83,196
Service cost	<b>2,106</b>	1,956
Contributions by members	<b>597</b>	679
Past service costs	-	-
Settlements and curtailments	<b>(302)</b>	579
Interest cost	<b>5,986</b>	5,422
Actuarial losses/(gains)	<b>1,878</b>	18,077
Benefits paid	<b>(3,691)</b>	(2,780)
Closing defined benefit obligation	<b>113,703</b>	107,129



# BIRMINGHAM AIRPORT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 March 2011

## 25. PENSION COMMITMENTS (Continued)

Changes in the fair value of scheme assets

	<b>2011</b>	2010
	<b>£000</b>	£000
Opening fair value of scheme assets	<b>78,300</b>	56,809
Expected return	<b>5,537</b>	3,385
Actuarial ( losses)/gains	<b>(500)</b>	14,147
Contributions by employer	<b>5,689</b>	6,060
Contributions by members	<b>597</b>	679
Benefits paid	<b>(3,691)</b>	(2,780)
Closing fair value of scheme assets	<b>85,932</b>	78,300

Scheme assets do not include any of Birmingham Airport Holdings Limited's own financial instruments or any property occupied by Birmingham Airport Holdings Limited.

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 gain of £5.037 million. (2010: £17.532 million).

Analysis of amount charged to operating profit:

	<b>2011</b>	2010
	<b>£000</b>	£000
Current service cost	<b>2,106</b>	1,956
Past service cost	-	-
Curtailment and settlements	<b>(302)</b>	579
Total charged to operating profit	<b>1,804</b>	2,535
Expected return on pension scheme assets	<b>5,537</b>	3,385
Interest on pension scheme liabilities	<b>(5,986)</b>	(5,422)
Amount charged to other financial charges	<b>(449)</b>	(2,037)

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

	<b>2011</b>	2010
	<b>£000</b>	£000
Actual return less expected return on pension scheme assets	<b>(500)</b>	14,147
Experience gains and losses on liabilities	-	(606)
Changes in assumptions underlying the present value of the scheme liabilities	<b>(1,878)</b>	(17,471)
Actuarial loss recognised in the Statement of Total Recognised Gains and Losses	<b>(2,378)</b>	(3,930)

History of experience gains and losses:

	<b>2011</b>	2010	2009	2008	2007
	<b>£000</b>	£000	£000	£000	£000
Defined benefit obligation	<b>(113,703)</b>	(107,129)	(83,196)	(87,211)	(86,257)
Scheme assets	<b>85,932</b>	78,300	56,809	66,044	65,456
Surplus/ (deficit)	<b>(27,771)</b>	(28,829)	(26,387)	(21,167)	(20,801)
Difference between expected and actual return on scheme assets:					
-percentage of scheme assets	<b>-0.6%</b>	18.0%	-31.6%	-13.4%	-0.2%
Experience gains and losses on scheme liabilities:					
-percentage of scheme liabilities	-	(606)	-	-	2,049
	-	-0.6%	-	-	2.3%
Amount recognised in the Statement of Total Recognised Gains and Losses:					
-percentage of scheme liabilities	<b>(2,378)</b>	(3,930)	(7,194)	(3,738)	(189)
	<b>-2.1%</b>	-3.7%	-8.7%	-4.3%	-0.2%

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £34.403 million (2010: £32.025 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 2011 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 £0.971 million (2010: £0.971 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 2011 was £647,847 (2010: £620,254). The amount at the end of the year was £4.732 million (2010: £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 2011, £4.391 million was held within deferred income (2010: £4.495 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.

### Airport Group Investments Limited

Airport Group Investments Limited (AGIL) is a shareholder in the Company. The Group has an agreement for the Airport to claim consortium relief on tax losses surrendered to the Group by AGIL. The tax benefit is claimed in arrears and the full benefit transferred to AGIL. During the year £2.399m was paid to AGIL (2010: £nil) and at the balance sheet date there were no amounts outstanding (2010: £nil).

### 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. This 10 year period has now ceased and is replaced by an annual payment of £1,250.

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 £nil (2010: £nil).

**26. TRANSACTIONS WITH RELATED PARTIES (Continued)**

**BHX Fire and Rescue Limited**

BHX Fire and Rescue Limited is a 90% subsidiary of Birmingham International Airport Limited and provides fire and rescue services to the Airport. The company is managed by Serco Limited (10% shareholder). Fire and rescue costs are recharged to Birmingham International Airport Limited, through Serco and during the year were £4.460m (2010: £4.292m). The amount due at the end of the year was £38,300 (2010: £44,791).