

Birmingham Airport Holdings Limited

Directors' Report and Consolidated Financial Statements

for the Year Ended 31 March 2012

Birmingham Airport Holdings Limited

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Birmingham Airport Holdings Limited

Company Information

Chairman	J L Hudson
Chief executive	P Kehoe
Directors	T Ali M A Bird Sir A Bore D Calaca D C Cooper P Dransfield M Jaspal P Lowe J D McNicholas M Morsillo G E Richards D M Stanton C Thomazi P Tilsley M Toms
Company secretary	M J Kelly
Registered office	Diamond House Birmingham Airport Birmingham West Midlands B26 3QJ
Auditors	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors Cornwall Court 19 Cornwall Street Birmingham West Midlands B3 2DT
Bankers	National Westminster Bank plc 2 St Philips Place Birmingham West Midlands B3 3RB
Solicitors	Eversheds LLP 115 Colmore Row Birmingham West Midlands B3 3AL

Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2012

The directors present their report and the audited consolidated financial statements for the year ended 31 March 2012.

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 and dividends

The group profit for the year after taxation amounted to £7.973 million (2011: £5.276 million). This enabled a dividend of 1.928p per share amounting to £6.150 million to be paid in July 2011 (2010: no dividends paid) and a further dividend of £1.161p per share amounting to £3.704 million to be paid in December 2011 (2010: no dividend paid), resulting in a reduction in reserves of £1.881 million (2011: £5.276 million retained profit)

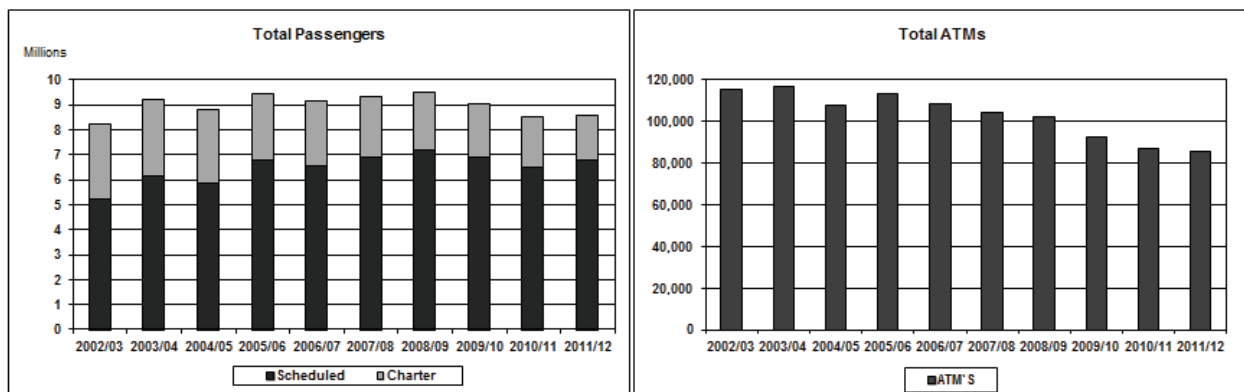
The directors recommend a final dividend payment of 1.648p per share amounting to £5,339,000 be made in respect of the financial year ended 31 March 2012. This dividend has not been recognised as a liability in the financial statements.

Business review

Market position and business environment

Following a prolonged period of uncertainty in the UK economy and beyond, Birmingham Airport has seen a return to growth in 2011/12. Growth has predominantly come from a recovery in the business sector, with full-service carriers such as Lufthansa, KLM, Brussels and Turkish all experiencing double-digit year-on-year growth. This has been helped by a number of factors, including the additional day in February from the leap year and non reoccurrence of the volcanic ash cloud and severe snow events which significantly impacted the previous year.

Birmingham Airport processed 8,599,112 passengers during the year, an increase of 0.9% over previous year with Dublin continuing to be the largest destination by passenger numbers, closely followed by Dubai and Amsterdam.



Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2012 (*continued*)

The aviation market continues to be challenged by the UK and European economy, however looking forward to the forthcoming year airlines continue to show their commitment to Birmingham Airport. Monarch have significantly increased their base at Birmingham operating increased frequencies on existing routes, new routes from Birmingham such as Venice and increased capacity on their routes to Rome and Milan. In addition, Ryanair launched a new destination from Birmingham to Budapest and Flybe now operate to Waterford. Of the many flag-carriers operating into Birmingham, Turkish Airlines increased its five-weekly frequency to daily and Lufthansa announced new services to Hamburg and Berlin. Charter operator Air Malta also announced a resumption of its services to Birmingham for 2012. In addition, a new hangar was completed for Eurojet Aviation which has invested £5 million at Birmingham Airport in the creation of a new base for its maintenance and sales activities.

In April 2011 Birmingham Airport's 'One Terminal' concept was opened with a new walk through duty and tax free store, along with the opening of a number of new high street branded stores. During the year the construction of the new air traffic control tower, which sits in a prominent position on one of the main in-bound roads to Birmingham, was completed with equipment fit out due to be completed in 2013. Construction of the runway extension will commence in the forthcoming year and is scheduled to be open in 2014, which will allow airlines to fly from Birmingham to destinations on the West Coast of America and Asia. The contractors that will construct the extension were appointed during the year.

The year has also seen a high level of interest from politicians, with the previous and current Secretary of State for Transport and the Deputy Prime Minister all visiting the airport. With airport capacity once again becoming a major issue in the South East, Birmingham Airport is a vital part of the solution to this national challenge and already has capacity for significant growth. Ideally situated in the centre of the country and on the doorstep of the second largest city in the UK, the Government has identified Birmingham Airport as a viable option to relieve the congested South East. Putting Birmingham Airport on the world map is a key strategy for the region. As part of this strategy Birmingham Airport has supported the London 2012 Olympics with the iconic rings on its newly constructed Air Traffic Tower, imagery on adjacent 5 storey office block and pictograms on a noise bund to welcome both athletes and spectators to the region.

Birmingham Airport continues to develop partnerships within the local business community including Jaguar Land Rover, with the Airport promoting Land Rover by operating four as airfield safety units and as part of an ongoing corporate partnership with MG, the airport has purchased five MG6 GT cars. It is envisaged that these strong partnerships can work for the benefit of the local community.

The forthcoming year will provide Birmingham Airport with an exciting opportunity to work closely with its airline customers, its partners, and its passengers in order to pursue continued growth and improvement to services.

Financial performance

Income	2012 £m	2011 £m	% Change over 2011
Aeronautical income	47.6	50.4	(5.6%)
Commercial income	56.4	52.9	6.6%
Total revenue	104.0	103.3	0.7%

The airport earns its revenue from two key income streams, aeronautical income which are the charges levied on airlines for the use of the facilities by both passengers and aircraft, and commercial income from the retailing, catering, car parking and office property rentals on the airport site.

Aeronautical income reduced by 5.6% reflecting a change in accounting treatment for airline growth incentives which have previously been reported under operating costs (if restated aeronautical income would be 1.0% above previous year). This has resulted in a reduced yield per passenger of £5.53 compared to £5.91 in the previous year.

Commercial income continues to trade well, growing by 6.6% and out-performing activity growth. The completion of the 'One Terminal' project enhanced retail income with a new duty & tax free store and new high street branded outlets in the departure lounge, along with a new foreign exchange provider American Express. The commercial income yield per passenger increased by 5.8% to £6.56.

Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2012 (*continued*)

Operating Costs	2012 £m	2011 £m	% Change over 2011
Employee costs	19.9	20.8	(4.3%)
Running costs	39.8	41.0	(2.9%)
Depreciation & other charges	21.2	23.6	(10.2%)
Total operating costs	80.9	85.4	(5.3%)

There was a 5.3% reduction in operating costs in the year, reflecting the continued focus on cost reduction and the change in accounting treatment of airline incentives.

Employee costs reduced by 4.3% reflecting the lower accrual rate for the defined benefit pension scheme and the benefit of operational efficiencies and restructuring in the previous and current year, the latter resulted in one off exceptional costs of £0.7m in 2011/12. Running costs reduced by 2.9% reflecting the change in accounting treatment of airline incentives (if restated running costs would be 5.1% higher than previous year). The airport is closely managing its costs through a continuous period of high inflation. Depreciation and other charges were 10.2% lower due to the release of a £1.4m land compensation provision (2011: £0.5m), this was partially offset by an increase of £0.2 million depreciation reflecting the ongoing investment in the airport estate.

The group's operating profit before exceptional items increased by £5.3m (29.8%) as a result of the higher commercial income and lower operating costs, whilst the profit after exceptional items increased by £4.1m, as the prior year included a one-off gain of £1.8m for land on the Elmdon site. Net interest costs, excluding capitalised interest reduced by £0.5m reflecting a higher return on pension scheme assets.

The £6.6m tax charge for the year (2011: £4.8m) includes corporation tax of £7.4m (2011: £4.7m) and a deferred tax credit of £0.8m (2011: £0.1m charge), equating to a tax effective rate of 45.4% (2011: 47.5%) significantly higher than the ordinary rate of UK corporation tax, and continues to reflect the high level of non qualifying depreciation due to asset revaluations and the loss of the industrial buildings tax allowances.

Dividends of £9.9m were paid during the year, including £6.2m final dividend for the year ended 31 March 2011 and an interim dividend for the year ended 31 March 2012 of £3.7m. There were no dividends paid in the previous year. This resulted in a reduction in reserves of £1.9m (2011: £5.3m retained profit).

During the year the final phase of the 'One' terminal project was completed with the addition of the new walk through duty and tax free shop, which opened in April 2011 and new retail outlets for Next, Super Dry, JD Sports and Accessorize which opened in the summer of 2011. The new Travelodge project was also completed with the hotel opening in August 2011. A new £3m purpose built hangar was completed in the year for Eurojet to operate their business aviation centre and maintenance facility. The construction of the new air traffic control tower commenced in the year, with the structure mainly complete by the end of March 2012 and equipment fit out is underway with completion scheduled for early 2013. Capital expenditure reduced to £14.7m in the year (2011: £17.0m). Future development projects for the forthcoming year include the commencement of the runway extension project following Board approval on 29 February 2012 with scheduled completion in 2014.

The group generated £44.2m cash (2011: £36.0m) from its operating activities as a result of the higher operating performance and an improved working capital position. The cash outflow for servicing finance reduced by £0.4m, reflecting the loan facility arrangement fee included in 2010/11. The corporation tax outflow increased by £2.7m reflecting the improved operating performance. With the capital expenditure outlined above and the dividend payment of £9.9m there was a net cash inflow of £8.0m (2011: £10.6m). Short term deposits cash increased by £7.1m to £28.3 (2011: £21.2m) and net debt decreased to £96m (2011: £103m). Looking forward the company has strong operating cash-flows and committed bank facilities to meet its ongoing liabilities as they fall due.

Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2012 (*continued*)

Security

The Security department continues to evolve and has embedded the new systems & technology which has delivered significant benefits. The benefits have supported the passenger growth of the airport and the new strategy of the department has focused on 4 core elements.

- Compliance; Our compliance levels over the past year has seen an excellent end of year report from our regulators the DfT.
- Customer; We have driven the service levels up, by way of delivering the new service personality style enabling our culture to be more customer focused and introducing effective queue management systems offering a better overall experience.
- Cost; we have reduced our sickness levels managing our cost base.
- Our People; we are investing in new ways of working and have focused on being smarter and leading by way of example. The Leadership Programme has enabled our managers to be more effective and the new communications strategy ensures we get the right message out every time.

For the forthcoming year, we will continue to focus on these 4 core elements as the challenges will be even more exciting.

Airside safety

The safe operation of the airfield infrastructure is a core business priority. The Aerodrome Safety Management System continued to mature and the Airport was subject to a scheduled 'major' Civil Aviation Authority (CAA) audit in July 2011. No serious non-compliances were found. Bird strikes involving those species classified as 'high' and 'medium' risk showed another year-on-year reduction and further reductions in the number of airside accidents and incidents were achieved.

Changes made to the Winter Operations Plan worked effectively and although there were fewer severe weather events than in recent years, the improvements were well received by stakeholders.

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).

Principal risks and uncertainties

Whilst the economic conditions are struggling to return to growth and the government spending cuts continue to dampen demand, growth has returned to some sectors of the UK air transport market, but the competition with neighbouring airports remains high in the short term. In the medium/long term the airport sees the unsatisfied demand within its catchment area as a significant opportunity for growth, in the medium term with the runway extension increasing the payload capabilities and in the longer term the advent of high speed rail links to London, the airport is well placed to satisfy that demand.

Many of the potential risks which affect the future levels of air traffic have been reported for some time including the current economic environment, the uncertainty within the euro-zone (primarily Greece, Spain and Portugal) and the prospects for interest rates, inflation and increased 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 civil unrest (at home and abroad), terrorist activities, or severe weather conditions 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, there does however remain the risk of market performance whilst the economy is struggling and uncertainty remains in the financial sector.

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.

Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2012 (*continued*)

Financial instruments

Objectives and policies

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

Price risk, credit risk, liquidity risk and cash flow risk

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 £45 million committed un-drawn, loan facility and £28.3 million cash are considered sufficient to meet the groups ongoing funding requirements.

Credit Risk

The group's 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 negotiations with its employees. 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.

Birmingham Airport Holdings Limited

Directors' Report for the Year Ended 31 March 2012 (continued)

Directors of the company

The directors who held office during the year were as follows:

T Ali

M A Bird

N Boserup (resigned 14 December 2011)

R A M Brew (appointed 14 November 2011 and resigned 13 June 2012)

D Calaca

D M Caunt (resigned 13 June 2012)

D C Cooper

P Dransfield

J L Hudson - Chairman

T L Huxtable (resigned 12 October 2011)

P Kehoe - Chief executive

R C Lawrence (resigned 13 June 2012)

J D McNicholas

M Morsillo

G E Richards

D M Stanton (appointed 29 February 2012)

C Thomazi

P Tilsley

M Toms

The following directors were appointed after the year end:

Sir A Bore (appointed 13 June 2012)

M Jaspal (appointed 13 June 2012)

P Lowe (appointed 13 June 2012)

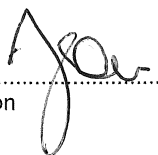
Employment of disabled persons

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

Employee involvement

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 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.

Approved by the Board on 12 December 2012 and signed on its behalf by:



J L Hudson
Chairman

Company no: 3312673

Birmingham Airport Holdings Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' 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 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 statements;
- 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company 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 group and the company 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.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.


M J Kelly
Company Secretary

Independent Auditor's 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 2012 which comprise the group profit and loss account, the group statement of recognised gains and losses, the group note of historical cost profit and losses, the group reconciliation of movements in shareholders funds, the group and parent company balance sheets, the group cash flow statement and the related notes, set out on pages 10 to 36. 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 Statement of Directors' Responsibilities (set out on page 8), 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 (APB'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 Directors' Report 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 of the parent company's affairs as at 31 March 2012 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.


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

13 December 2012

Birmingham Airport Holdings Limited**Consolidated Profit and Loss Account for the Year Ended 31 March 2012**

	Note	2012 £ 000	2011 £ 000
Turnover	2	104,037	103,275
Net operating expenses		<u>(80,864)</u>	<u>(85,425)</u>
Group operating profit before exceptionals	3	23,173	17,850
Costs of reorganisation and restructuring	5	(683)	(1,189)
Other exceptional items	5	<u>-</u>	<u>1,748</u>
Group operating profit		22,490	18,409
Interest receivable and similar income		483	288
Interest payable and similar charges	8	<u>(8,383)</u>	<u>(8,642)</u>
Profit on ordinary activities before taxation		14,590	10,055
Tax on profit on ordinary activities	9	<u>(6,617)</u>	<u>(4,779)</u>
Profit for the financial year	22	<u><u>7,973</u></u>	<u><u>5,276</u></u>

Turnover and operating profit derive wholly from continuing operations.

Statement of group total recognised gains and losses

	Note	2012 £ 000	2011 £ 000
Profit for the financial year		7,973	5,276
Asset revaluation		-	18,231
Actuarial loss recognised on defined benefit pension scheme	25	(9,026)	(2,378)
Movement on current tax relating to pension contributions		918	666
Movement on deferred tax relating to pension scheme actuarial loss		1,428	-
Change in taxation rate		<u>(394)</u>	<u>(235)</u>
Total recognised gains and losses relating to the year		<u><u>899</u></u>	<u><u>21,560</u></u>

Note of Group historical cost profits and losses

	2012 £ 000	2011 £ 000
Reported profit on ordinary activities before taxation	14,590	10,055
Excess depreciation on revalued assets	<u>4,403</u>	<u>4,377</u>
Historical cost profit on ordinary activities before taxation	<u><u>18,993</u></u>	<u><u>14,432</u></u>
Historical cost profit for the year retained after taxation	<u><u>12,376</u></u>	<u><u>9,653</u></u>

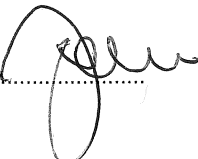
Birmingham Airport Holdings Limited**Reconciliation of movements in Group Shareholders Funds for the Year Ended 31 March 2012**

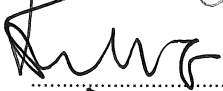
	2012 £ 000	2011 £ 000
Profit for the financial year	7,973	5,276
Other recognised gains and losses relating to the year	(7,074)	16,284
Dividends	(9,854)	-
Net sale of own shares from share trust	(185)	(522)
Net (reduction)/addition to shareholders' funds	(9,140)	21,038
Shareholders' funds at 1 April	278,081	257,043
Shareholders' funds at 31 March	268,941	278,081

Birmingham Airport Holdings Limited
Consolidated Balance Sheet at 31 March 2012

	Note	£ 000	2012 £ 000	£ 000	2011 £ 000
Fixed assets					
Tangible fixed assets	11		431,545		440,260
Current assets					
Stocks	13	1,183		1,145	
Debtors	14	13,248		13,076	
Cash at bank and in hand		28,277		21,174	
		42,708		35,395	
Creditors: Amounts falling due within one year	15	(35,641)		(33,713)	
Net current assets			7,067		1,682
Total assets less current liabilities			438,612		441,942
Creditors: Amounts falling due after more than one year	16		(133,858)		(130,218)
Provisions for liabilities	20		(10,531)		(13,092)
Net assets excluding pension asset/liability			294,223		298,632
Net pension liability	25		(25,282)		(20,551)
Net assets			268,941		278,081
Capital and reserves					
Called up share capital	21	3,240		3,240	
Share premium account	22	43,644		43,644	
Revaluation reserve	22	119,864		124,267	
Merger reserves	22	25,588		25,588	
Profit and loss account	22	76,605		81,342	
Total shareholders' funds			268,941		278,081

Approved by the Board on 12 December 2012 and signed on its behalf by:



 J.L. Hudson
 Chairman


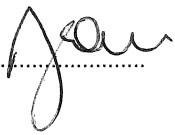
 P. Kehoe
 Chief executive

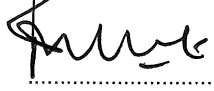
Company registration no: 3312673

Birmingham Airport Holdings Limited**Balance Sheet at 31 March 2012**

	Note	2012 £ 000	2011 £ 000
Fixed assets			
Investments	12	<u>278,486</u>	<u>283,603</u>
Current assets			
Debtors	14	332	395
Cash at bank and in hand		<u>10,188</u>	<u>10,100</u>
		10,520	10,495
Creditors: Amounts falling due within one year	15	<u>(1,877)</u>	<u>(1,861)</u>
Net current assets		<u>8,643</u>	<u>8,634</u>
Total assets less current liabilities		287,129	292,237
Creditors: Amounts falling due after more than one year	16	<u>(150,173)</u>	<u>(151,045)</u>
Net assets		<u>136,956</u>	<u>141,192</u>
Capital and reserves			
Called up share capital	21	3,240	3,240
Share premium account	22	43,644	43,644
Merger reserves	22	51,380	51,380
Profit and loss account	22	<u>38,692</u>	<u>42,928</u>
Total shareholders' funds		<u>136,956</u>	<u>141,192</u>

Approved by the Board on 12 December 2012 and signed on its behalf by:


.....
J L Hudson
Chairman


.....
P Kehoe
Chief executive

Birmingham Airport Holdings Limited**Consolidated Cash Flow Statement for the Year Ended 31 March 2012**

Cash flow statement

	Note	2012 £ 000	2011 £ 000
Net cash inflow from operating activities	23	<u>44,186</u>	<u>35,999</u>
Returns on investments and servicing of finance			
Interest received		319	281
Interest paid		<u>(7,845)</u>	<u>(8,251)</u>
		<u>(7,526)</u>	<u>(7,970)</u>
Tax paid		<u>(5,137)</u>	<u>(2,466)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(14,667)	(16,965)
Sale of tangible fixed assets		<u>968</u>	<u>2,020</u>
		<u>(13,699)</u>	<u>(14,945)</u>
Equity dividends paid		<u>(9,854)</u>	<u>-</u>
Net cash inflow before management of liquid resources and financing		<u>7,970</u>	<u>10,618</u>
Management of liquid resources			
Increase in short term deposits		<u>(75)</u>	<u>(16,105)</u>
Financing			
Lease and leaseback premium	24	(682)	(647)
Net sale of own shares from share trust		<u>(185)</u>	<u>(522)</u>
		<u>(867)</u>	<u>(1,169)</u>
Increase/(decrease) in cash	24	<u><u>7,028</u></u>	<u><u>(6,656)</u></u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012

1 Accounting policies

Basis of preparation

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 the Companies Act 2006 and 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 consolidation

The group accounts consolidate the financial statements of Birmingham Airport Holdings Limited and its subsidiary undertakings drawn up to 31 March 2012.

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006. Its profit for the financial year was £5,803,000 (2011 - £1,538,000).

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within 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 related to aeronautical activities net of rebates, incentives and value added tax and is recognised at the point of passenger and aircraft departure.

Concessions and property income - concessions 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 accrual basis.

Government grants

European Regional Development Fund (ERDF) grants, Trans European Network (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 lives of the relevant assets by equal annual instalments.

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.

Fixed asset revaluations

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 11).

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 principle useful lives are as follows:

Asset class	Depreciation method and rate
Buildings	between 5 and 50 years
Infrastructure	between 10 and 50 years
Plant and equipment	between 4 and 30 years
Motor vehicles	between 4 and 15 years

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

Accounting policies (continued)

Investment properties

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.

Current asset 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

Stock and work in progress

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.

Deferred tax

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 assets 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.

Leases

Payments under contract hire agreements and operating leases are charged to the profit and loss account as incurred.

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 of their useful lives. 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.

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

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the group is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

Accounting policies (continued)

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 contributions scheme are charged against profits as incurred.

The most recent full actuarial valuation at 31 October 2009 identified a company funding requirement of 20.6% of pensionable earnings, however following a change in the future accrual rate, this has been reduced to 14.5% from 1 September 2011, plus £232,200 per month from 1 February 2011 until 31 October 2020.

2 Turnover

An analysis of turnover by class of business is given below:

	2012	2011
	£ 000	£ 000
Aeronautical income	47,593	50,395
Concessions, property income and recharges	56,444	52,880
	<u>104,037</u>	<u>103,275</u>

3 Operating profit

Operating profit is stated after charging:

	2012	2011
	£ 000	£ 000
Auditor's remuneration	85	99
Depreciation of owned assets	22,818	22,240
Depreciation of assets held under finance lease and hire purchase contracts	-	336
Capital grant releases	(176)	(169)
Operating leases - plant and machinery	84	89
Operating leases - other assets	450	447
Profit on sale of tangible fixed assets	<u>(14)</u>	<u>(83)</u>

4 Auditor's remuneration

	2012	2011
	£ 000	£ 000
Audit of the financial statements	78	82
Other fees to auditors		
Other services	<u>7</u>	<u>17</u>
	<u>85</u>	<u>99</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (*continued*)

5 Exceptional items

	2012 £ 000	2011 £ 000
Reorganisation or restructuring	683	1,189
Other exceptional	-	(1,748)
	<u>683</u>	<u>(559)</u>

During the year restructuring costs (being mostly severance pay and related costs) of £683k (2011: £1,189 million) were recognised. During the previous year a finance lease was granted for the site of a hotel development resulting in a net gain of £1,748 million

6 Particulars of employees

Staff costs for the group during the year

	2012 £ 000	2011 £ 000
Wages and salaries	16,725	17,889
Social security costs	1,685	1,562
Staff pensions	1,472	1,364
	<u>19,882</u>	<u>20,815</u>

The average monthly number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2012 No.	2011 No.
Engineering	62	69
Operations and security	325	356
Support services	101	92
Terminal services	49	49
	<u>537</u>	<u>566</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (*continued*)

7 Directors' emoluments

The directors' emoluments for the year was as follows:

	2012	2011
	£ 000	£ 000
Directors emoluments (excluding pension contributions)	448	398

In respect of the highest paid director:

	2012	2011
	£ 000	£ 000
Salary	210	210
Benefits in kind	22	23
Bonus	100	126
Long-term incentive plan	76	-
Total emoluments	408	359
Company contributions to money purchase pension schemes	25	25

8 Interest payable and similar charges

	2012	2011
	£ 000	£ 000
Bank loans and overdrafts	309	362
Preference share dividends	971	971
Corporate bond	6,662	6,663
Other interest payable	808	648
Capitalised Interest	(367)	(451)
FRS 17 finance expense	-	449
Group interest payable and similar charges	8,383	8,642

Birmingham Airport Holdings Limited**Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****9 Taxation****Tax on profit on ordinary activities**

	2012	2011
	£ 000	£ 000
Current tax		
Corporation tax charge	8,148	5,477
Adjustments in respect of previous years	(722)	(779)
UK Corporation tax	<u>7,426</u>	<u>4,698</u>
Deferred tax		
Origination and reversal of timing differences	(711)	(275)
Deferred tax adjustment relating to previous years	292	433
Deferred tax relating to FRS 17	-	296
Effect of changes in tax rates	(390)	(373)
Group deferred tax	<u>(809)</u>	<u>81</u>
Total tax on profit on ordinary activities	<u><u>6,617</u></u>	<u><u>4,779</u></u>

Tax on recognised gains and losses not included in the profit and loss account

	2012	2011
	£ 000	£ 000
STRGL Current Tax	918	666
P&I reserve - Deferred tax on actuarial (loss)/gain recognised in pension	1,428	-
STRGL - change in tax rate	(394)	(235)
	<u>1,952</u>	<u>431</u>

Deferred tax credited to provisions for liabilities and charges (Note 20)

Origination and reversal of timing differences	(711)	(275)
Deferred tax adjustment relating to previous years	292	433
Effect of changes in tax rates	(661)	(694)
	<u>(1,080)</u>	<u>(536)</u>

Deferred tax credited to pension liability (Note 25)

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	(1,428)	-
Deferred tax - change in rate	665	556
	<u>(763)</u>	<u>852</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

Taxation (continued)

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is higher than (2011 - higher than) the standard rate of corporation tax in the UK of 26% (2011 - 28%).

The differences are reconciled below:

	2012 £ 000	2011 £ 000
Profit on ordinary activities before taxation	14,590	10,055
Corporation tax at standard rate	3,793	2,815
Depreciation in excess of capital allowances	729	417
Movement on pension liability	-	(296)
Short term timing differences	(18)	(141)
Disallowed expenses	3,644	3,291
Adjustments in respect of prior years	(722)	(779)
Industrial buildings allowances for the year	-	(609)
Total current tax	<u>7,426</u>	<u>4,698</u>

Factors that may affect future tax charges

In his budgets of 2010, 2011 and 2012 the Chancellor of the Exchequer proposed a decrease in the rate of UK corporation tax from 26% to 22% falling by 2% in 2012 and a further 1% a year in 2013 and 2014. The first 1% reduction to 25% for 2012 was substantively enacted in July 2011 and in accordance with accounting standards, has been reflected in the company's financial statements. The second 1% reduction to 24% for 2012 was substantively enacted on 29 March 2012 and in accordance with accounting standards has been reflected in the company's financial statements in respect of the year ended 31 March 2012. Further proposed changes will only be reflected once the reductions are substantively enacted.

The effect of the above proposed reductions in rate by 2014 would be to decrease the net deferred tax liability by £662,000.

10 Dividends

	2012 £ 000	2011 £ 000
Dividends paid		
Prior year final dividend paid at 1.9281p per share	6,150	-
Current year interim dividend paid at 1.161p per share	3,704	-
	<u>9,854</u>	<u>-</u>

A dividend of 1.648p per share will be proposed at the Annual General Meeting to be paid in July 2012. This will amount to:-

Recommended final dividend proposed for approval by shareholders	<u>5,339</u>	<u>6,150</u>
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The ESOP Trust waived its right to the payment of a dividend on the 4,875,486 ordinary shares that it owns.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

11 Tangible fixed assets

	Freehold land and buildings £ 000	leasehold land and buildings £ 000	Infrastructure £ 000	Plant and machinery £ 000	Assets in the course of construction £ 000	Total £ 000
Cost or valuation						
At 1 April 2011	302,996	200	87,595	127,221	10,892	528,904
Additions	4	-	-	-	14,687	14,691
Capitalised interest	-	-	-	-	367	367
Transfers	12,166	-	1,212	3,470	(16,848)	-
Disposals	-	-	(169)	(1,018)	-	(1,187)
At 31 March 2012	<u>315,166</u>	<u>200</u>	<u>88,638</u>	<u>129,673</u>	<u>9,098</u>	<u>542,775</u>
Depreciation						
At 1 April 2011	-	-	-	88,644	-	88,644
Charge for the year	10,190	-	5,471	7,157	-	22,818
Disposals	-	-	-	(232)	-	(232)
At 31 March 2012	<u>10,190</u>	<u>-</u>	<u>5,471</u>	<u>95,569</u>	<u>-</u>	<u>111,230</u>
Net book value						
At 31 March 2012	<u>304,976</u>	<u>200</u>	<u>83,167</u>	<u>34,104</u>	<u>9,098</u>	<u>431,545</u>
At 31 March 2011	<u>302,996</u>	<u>200</u>	<u>87,595</u>	<u>38,577</u>	<u>10,892</u>	<u>440,260</u>

Group

The group's land, buildings and infrastructure (excluding the investment properties held by First Castle Developments Limited, a subsidiary company) were revalued as at 31 March 2011 by DTZ Debenham Tie Leung Limited, Chartered Surveyors. The valuations were 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 Accounting Standards Board. Due to the specialist nature of the airport's assets, the depreciated replacement cost methodology was used for operational assets, and the existing use methodology was used for other assets and land. These revaluations have been incorporated into the financial statements and the resulting revaluation surplus of £18.231 million has been taken to the revaluation reserve.

Investment properties held by First Castle Developments Limited have been revalued 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 Limited. The valuation has been incorporated into the accounts and identified impairments of £6,076 and revaluation gains of £481,576.

Included in land and buildings is land at a value of £54.381 million (2011: £54.381 million) and investment properties at a value of £5.353 million (2011: £5.353 million) which are not depreciated.

Interest capitalised in the year amounted to £0.367 million (2011: £0.451 million) at a capitalisation rate of 6.5% (2011: 6.5%). The cumulative amount of £10.927 million (2011: £10.560 million) is included within the cost of fixed assets.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

Tangible fixed assets (continued)

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

	Freehold Land and Buildings £ 000	Leasehold Land and Buildings £ 000	Infrastructure £ 000	Plant and Equipment £ 000	Assets in the course of construction £ 000	Total £ 000
At 31 March 2012						
Cost	284,636	202	138,708	129,676	9,098	562,320
Accumulated depreciation	(82,298)	-	(72,608)	(95,570)	-	(250,476)
	202,338	202	66,100	34,106	9,098	311,844
At 31 March 2011						
Cost	272,473	202	137,497	127,221	10,892	548,285
Accumulated depreciation	(75,279)	-	(68,369)	(88,644)	-	(232,292)
Net Book Value	197,194	202	69,128	38,577	10,892	315,993

12 Investments

Details of subsidiary undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Birmingham Airport Limited	Ordinary Shares	100%	Airport terminal management & operation
Euro-Hub (Birmingham) Limited	Ordinary Preference	&100%	Non trading
Birmingham Airport (Finance) PLC	Ordinary	100%	Financing
First Castle Developments Limited	Ordinary	100%	Property holding company
Birmingham Airport Developments Limited	Ordinary	100%	Site development
BHX Fire and Rescue Limited	Ordinary shares	100%	Airport rescue and fire fighting services

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

Investments (continued)

Company

	2012 £ 000	2011 £ 000
Shares in group undertakings and participating interests	143,745	143,745
Loans to group undertakings and participating interests	134,741	139,858
	<u>278,486</u>	<u>283,603</u>

Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000
Cost	
At 1 April 2011	<u>143,745</u>
At 31 March 2012	<u>143,745</u>
Net book value	
At 31 March 2012	<u>143,745</u>
At 31 March 2011	<u>143,745</u>

Loans to group undertakings and participating interests

	£ 000
At 1 April 2011	139,858
Repaid	(9,765)
Additions	<u>4,648</u>
At 31 March 2012	<u>134,741</u>

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

13 Stocks and development land

	Group		Company	
	2012 £ 000	2011 £ 000	2012 £ 000	2011 £ 000
Stocks	483	445	-	-
Development land	700	700	-	-
	<u>1,183</u>	<u>1,145</u>	<u>-</u>	<u>-</u>

Birmingham Airport Holdings Limited**Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)****14 Debtors**

	Group		Company	
	2012 £ 000	2011 £ 000	2012 £ 000	2011 £ 000
Trade debtors	7,994	7,869	-	-
Other debtors	189	497	-	-
Prepayments and accrued income	5,065	4,710	332	395
	<u>13,248</u>	<u>13,076</u>	<u>332</u>	<u>395</u>

Group debtors includes £nil (2011 - £nil) receivable after more than one year and parent company debtors includes £nil (2011 - £nil) receivable after more than one year.

15 Creditors: Amounts falling due within one year

	Group		Company	
	2012 £ 000	2011 £ 000	2012 £ 000	2011 £ 000
Trade creditors	2,566	2,093	-	-
Corporation tax	4,535	3,165	489	533
Other taxes and social security	1,202	355	-	-
Deferred Income	6,587	6,174	-	-
capital grants	179	170	-	-
Accruals	20,572	21,756	1,388	1,328
	<u>35,641</u>	<u>33,713</u>	<u>1,877</u>	<u>1,861</u>

16 Creditors: Amounts falling due after more than one year

	Group		Company	
	2012 £ 000	2011 £ 000	2012 £ 000	2011 £ 000
Preference shares	15,384	15,384	15,384	15,384
Owed by/(from) parent undertakings	-	-	134,789	135,661
Other loans	104,113	104,013	-	-
Net premium arising on lease and leaseback	4,732	4,732	-	-
Deferred income	4,518	624	-	-
Capital grants	5,111	5,465	-	-
	<u>133,858</u>	<u>130,218</u>	<u>150,173</u>	<u>151,045</u>

The inter-company loan is unsecured and there are no formal arrangements for the repayment of the amounts and consequently this amount is strictly repayable on demand. However in practice this balance represents a long term advance and is unlikely to be repaid within one year.

Birmingham Airport Holdings Limited**Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)**

17 Loans

	Group		Company	
	2012	2011	2012	2011
	£ 000	£ 000	£ 000	£ 000
Loans falling due in one year or less	-	-	-	-
Loans falling due in two to five years	-	-	134,789	135,661
Loans falling due in over five years	105,000	105,000	-	-
	105,000	105,000	134,789	135,661
less un-amortised issue costs and discounts	(887)	(987)	-	-
	104,113	104,013	134,789	135,661

Loans not wholly repayable within 5 years

	Group		Company	
	2012	2011	2012	2011
	£ 000	£ 000	£ 000	£ 000
Bonds repayable on 22 February 2021	105,000	105,000	-	-
Less un-amortised issue costs and discount	(887)	(987)	-	-
	104,113	104,013	-	-

The corporate bonds will mature unless previously redeemed or purchased or cancelled on 22 February 2021. Interest on the bonds is payable on 22 February at a fixed rate of 6.25 per cent in 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 for the Year Ended 31 March 2012 (continued)

18 Derivatives and other financial instruments

The group's principle 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 £28.3 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 Exposure

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:

	2012 £ 000	2011 £ 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
2012 Sterling	29,463	(1,186)	28,277
2011 Sterling	21,212	(38)	21,174

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 for the Year Ended 31 March 2012 (continued)

Derivatives and other financial instruments (continued)

Interest rate risk and profile of financial liabilities

	Financial Liabilities			Total £ 000	Fixed rate liabilities	Fixed period Years
	Fixed rate £ 000	Floating rate £ 000	No rate £ 000		Weighted average	
					Interest rate %	
2012 Sterling	125,116	-	2,593	127,709	6.52%	10
2011 Sterling	125,116	-	4,074	129,190	6.52%	11

The above financial liabilities do not include a deduction for the un-amortised issue costs and discount of £0.887 million (2011: £0.987 million).

Maturity profile of the group's financial liabilities

	2012 £ 000	2011 £ 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	2,593	4,074
In more than five years	125,116	125,116
	127,709	129,190

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 2012.

	Book Value 2012 £ 000	Fair Value 2012 £ 000	Book Value 2011 £ 000	Fair Value 2011 £ 000
Cash (including short term deposits)	28,277	28,277	21,174	21,174
Bonds	(104,113)	(115,556)	(104,013)	(106,649)
Preference shares	(15,384)	(15,657)	(15,384)	(14,275)
Development provisions	(2,593)	(2,593)	(4,074)	(4,074)
Pension scheme liability	(25,282)	(25,282)	(20,551)	(20,551)

Market value has been used to determine the fair value of the bonds and discounted cashflows for the fair value of the preference shares. A fair value for the lease and leaseback liability cannot be determined due to the nature of the transaction (note26) and its predominantly non financial nature.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

19 Obligations under lease contracts (Group)

	Land and Buildings		Other	
	2012 £ 000	2011 £ 000	2012 £ 000	2011 £ 000
Annual commitments under leases which expire:				
- Within one year	-	-	10	7
- In the second to fifth year inclusive	450	-	94	62
- After five years	-	447	-	-
	<u>450</u>	<u>447</u>	<u>104</u>	<u>69</u>

20 Provisions

Group

	Deferred tax £ 000	Other provision £ 000	Total £ 000
At 1 April 2011	9,018	4,074	13,092
Credited to the profit and loss account	(1,080)	(1,369)	(2,449)
Utilised during the year	-	(112)	(112)
	<u>(1,080)</u>	<u>(1,481)</u>	<u>(2,561)</u>
At 31 March 2012	<u>7,938</u>	<u>2,593</u>	<u>10,531</u>

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 (2011: £200,000)

Analysis of deferred tax

	2012 £ 000	2011 £ 000
Capital allowances in advance of depreciation	8,086	9,373
Other timing differences	(148)	(355)
	<u>7,938</u>	<u>9,018</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 for the Year Ended 31 March 2012 (continued)

21 Share capital

Allotted, called up and fully paid shares

				2012		2011
			No.	£ 000	No.	£ 000
A Ordinary shares of	£0.01	each	315,082,900	3,151	315,082,900	3,151
B Ordinary shares of	£0.01	each	8,909,700	89	8,909,700	89
1 special (non participating) voting share of	£1.00	each	1	-	1	-
			<u>323,992,601</u>	<u>3,240</u>	<u>323,992,601</u>	<u>3,240</u>

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 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 Reserves

Group

	Share premium account £ 000	Revaluation reserve £ 000	Merger reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2011	43,644	124,267	25,588	81,342	274,841
Profit for the financial year	-	-	-	7,973	7,973
Dividends	-	-	-	(9,854)	(9,854)
Transfer of realised profits	-	(4,403)	-	4,403	-
Actuarial loss on pension schemes	-	-	-	(9,026)	(9,026)
Movement on current tax on pension scheme	-	-	-	918	918
Movement on deferred tax on pension scheme	-	-	-	1,034	1,034
Net sale of own shares from share trust	-	-	-	(185)	(185)
At 31 March 2012	<u>43,644</u>	<u>119,864</u>	<u>25,588</u>	<u>76,605</u>	<u>265,701</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

Reserves (continued)

Company

	Share premium account £ 000	Merger reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2011	43,644	51,380	42,928	137,952
Profit for the year	-	-	5,803	5,803
Dividends	-	-	(9,854)	(9,854)
Net sale of own shares from share trust	-	-	(185)	(185)
At 31 March 2012	<u>43,644</u>	<u>51,380</u>	<u>38,692</u>	<u>133,716</u>

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 2011	4,748,449	2,531
Shares vested in employees	(349,705)	(186)
Shares purchased from employees	476,742	371
Investment at 31 March 2012	<u>4,875,486</u>	<u>2,716</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

23 Reconciliation of operating profit to net cash flow from operating activities

	2012 £ 000	2011 £ 000
Operating profit	22,490	18,409
Depreciation, amortisation and impairment charges	22,818	22,576
Profit on disposal of fixed assets	(14)	(83)
Amortisation of deferred income and grants	(176)	(169)
Difference between defined benefit pension charge and cash contributions	(3,485)	(3,885)
Increase in stocks	(38)	(80)
(Increase)/decrease in debtors	(182)	1,243
Increase/(decrease) in creditors	4,180	(1,546)
Decrease in provisions	(1,407)	(466)
Net cash inflow from operating activities	<u>44,186</u>	<u>35,999</u>

24 Reconciliation of net cash flow to movement in net debt

	2012 £ 000	2011 £ 000
Increase/(decrease) in cash	7,028	(6,656)
Movement in short term deposits	75	16,105
Lease and leaseback premium	682	647
Change in net debt resulting from cash flows	<u>7,785</u>	<u>10,096</u>
Lease and leaseback - accrued interest	(682)	(647)
Movement in corporate bond - non cash	(100)	(100)
Movement in net debt	<u>7,003</u>	<u>9,349</u>
Net debt at 1 April	<u>(102,955)</u>	<u>(112,304)</u>
Net debt at 31 March	<u>(95,952)</u>	<u>(102,955)</u>

	1 April	Cash flow	Non - cash	31 March
	2011	Cash flow	movements	2012
	£ 000	£ 000	£ 000	£ 000
Cash at bank and in hand	1,069	7,028	-	8,097
Short term deposits	20,105	75	-	20,180
Lease and leaseback premium	(4,732)	682	(682)	(4,732)
Corporate bond	(104,013)	-	(100)	(104,113)
Preference shares	(15,384)	-	-	(15,384)
	<u>(102,955)</u>	<u>7,785</u>	<u>(782)</u>	<u>(95,952)</u>

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.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

25 Pension schemes

Birmingham Airport Limited pension scheme

A subsidiary undertaking of the group operates a defined benefit arrangement called the Birmingham Airport Limited Pension Scheme (the scheme). The scheme provides benefits on a defined benefits basis. The following disclosures relate only to the scheme and to unfunded benefits supported by the company.

The company is currently paying contributions of £232,200 per month in connection with the funding deficit from the 31 October 2009 actuarial valuation. Members pay 5.5% of pensionable earnings. The company pays contributions so that overall contributions of 20% of pensionable earnings are paid taking into account salary sacrifice adjustments. Scheme expenses (other than life insurance premiums) are payable by the company.

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	2012 %	2011 %
Discount rate	4.90	5.50
Future salary increases	3.75	4.00
Future pension increases	3.25	3.40
Inflation (CPI)	2.50	3.00
Expected return on scheme assets - equity	8.00	8.00
Expected return on scheme assets - cash	0.50	0.50
Expected return on scheme assets - corporate bonds	5.00	5.50
Expected return on scheme assets - target return funds	8.00	8.00

Following recent government announcements, within the scheme there are different categories of members to which either CPI or RPI applies. The RPI inflation figure at 31 March 2012 was 3.25% (2011: 3.5%).

	2012	2011
Post retirement mortality assumption	Based on S1PA tables with medium cohort adjustments and minimum rates of improvement of 1% pa	Based on S1PA tables with medium cohort adjustments and minimum rates of improvement of 1% pa

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2012 £ 000	2011 £ 000
Fair value of scheme assets	91,207	85,932
Present value of scheme liabilities	(124,472)	(113,703)
Defined benefit pension scheme deficit	(33,265)	(27,771)
Related deferred tax asset	7,983	7,220
Net liability in the balance sheet	(25,282)	(20,551)

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

Pension scheme (continued)

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2012 £ 000	2011 £ 000
Fair value at start of year	85,932	78,300
Expected return on assets	6,272	5,537
Actuarial gains and losses	(3,109)	(500)
Employer contributions	4,845	5,689
Contributions by scheme participants	331	597
Benefits paid	(3,064)	(3,691)
Fair value at end of year	<u>91,207</u>	<u>85,932</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2012 £ 000	2011 £ 000
Equity instruments	34,899	44,385
Debt instruments	28,858	22,091
Cash	967	1,681
Other assets	26,483	17,775
	<u>91,207</u>	<u>85,932</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity and property returns are developed based on the selection of an appropriate risk premium above the rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the scheme's holdings of these instruments.

The actual return on scheme assets in the year was a £3.163 million (2011: £5.037 million)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2012 £ 000	2011 £ 000
Present value at start of year	113,703	107,129
Current service cost	1,144	2,106
Actuarial gains and losses	5,917	1,878
Interest cost	6,221	5,986
Benefits paid	(3,064)	(3,691)
Contributions by scheme participants	331	597
Liabilities extinguished on settlements	220	(302)
Present value at end of year	<u>124,472</u>	<u>113,703</u>

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

Pension scheme (continued)

Amounts recognised in the profit and loss account

	2012	2011
	£ 000	£ 000
Amounts recognised in operating profit		
Current service cost	(1,144)	(2,106)
(Gains)/losses on curtailments and settlements	(220)	302
Recognised in arriving at operating profit	<u>(1,364)</u>	<u>(1,804)</u>
Amounts recognised in other finance (income)/cost		
Interest cost	(6,221)	(5,986)
Expected return on scheme assets	6,272	5,537
Recognised in other finance income/(cost)	51	(449)
Total recognised in the profit and loss account	<u>(1,313)</u>	<u>(2,253)</u>

Amounts recognised in the statement of total recognised gains and losses

	2012	2011
	£ 000	£ 000
Actual return less expected return on scheme assets	(3,109)	(500)
Changes in assumptions	(5,917)	(1,878)
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	<u>(9,026)</u>	<u>(2,378)</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and (losses) since 1 January 2002 is (£43,429,000) (2011 - (£34,403,000)).

History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous 4 periods are as follows:

	2012	2011	2010	2009	2008
	£ 000	£ 000	£ 000	£ 000	£ 000
Fair value of scheme assets	91,207	85,932	78,300	56,809	66,044
Present value of scheme liabilities	<u>(124,472)</u>	<u>(113,703)</u>	<u>(107,129)</u>	<u>(83,196)</u>	<u>(87,211)</u>
Deficit in scheme	<u>(33,265)</u>	<u>(27,771)</u>	<u>(28,829)</u>	<u>(26,387)</u>	<u>(21,167)</u>

Experience adjustments:

	2012	2011	2010	2009	2008
	£ 000	£ 000	£ 000	£ 000	£ 000
Experience adjustments arising on scheme assets	<u>(3,109)</u>	<u>(500)</u>	<u>14,147</u>	<u>(17,972)</u>	<u>(8,855)</u>
Experience adjustments arising on scheme liabilities	<u>-</u>	<u>-</u>	<u>(606)</u>	<u>-</u>	<u>-</u>

Comparative figures have not been restated as permitted by FRS 17.

Birmingham Airport Holdings Limited

Notes to the Financial Statements for the Year Ended 31 March 2012 (continued)

26 Contingent liabilities

On 13 February 2001 guarantees were provided by Birmingham Airport Holdings Limited, Birmingham 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.

27 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £2,188,000 (2011 - £2,221,000).

28 Related party transactions

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other 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 FRS8 and any transactions between them and the Birmingham Airport Holdings Limited group during the year ended 31 March 2012 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 £5.875 million (2011: £0.971 million).

In 1995 Birmingham 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 Airport in exchange for a total fair value premium of £100 million and a peppercorn rent. At the same time the shareholders granted Birmingham 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 2012 was £682.485 (2011: £647,847). The amount at the end of the year was £4.732 million (2011: £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 2012, £4.286 million was held within deferred income (2011: £4.391 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.