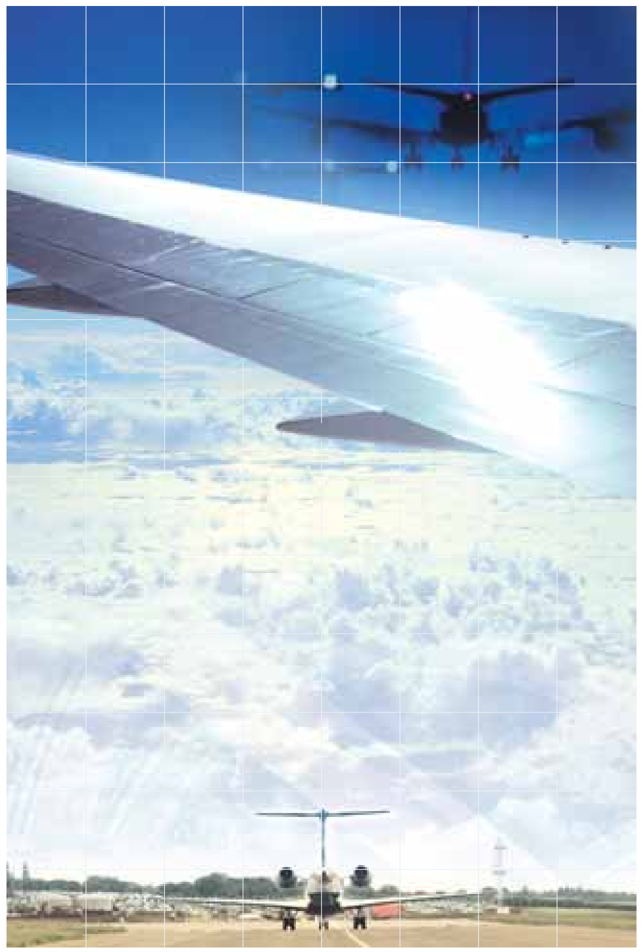
BIRMINGHAM INTERNATIONAL AIRPORT



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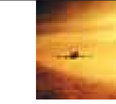
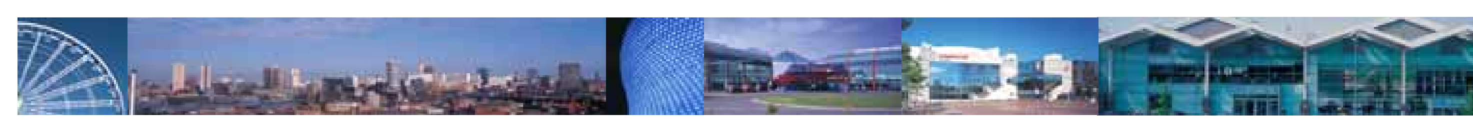
2005 - 06

BIRMINGHAM AIRPORT HOLDINGS LTD ANNUAL REPORT AND ACCOUNTS 2005/2006



BIRMINGHAM INTERNATIONAL AIRPORT

Report & Accounts



BIRMINGHAM AIRPORT HOLDINGS LTD
ANNUAL REPORT AND ACCOUNTS

2005 - 06

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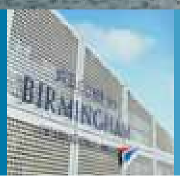


Chairman's statement

John Hudson Chairman

2005/06 has been a year of substantial progress for the Airport Company. The network of routes served from Birmingham has been further developed with new international connections to India and Europe. There have also been increased frequencies and choice on many of our other existing routes, both domestic and international. Total passenger throughput in the year grew by 7.3% to just under 9.5 million. It was a particular milestone that, this year for the first time, over a million passengers used the airport in each of the three summer months of July, August and September, with the 1.049 million passengers handled in August, an all time record for the Airport.

Passenger aircraft movements in the year increased by 5.6% from 108,000 to 114,000, a lower rate of increase than the passengers, reflecting the continuing trend to larger aircraft and higher passenger load factors. This trend continues to help the Airport make the best, sustainable use of its key infrastructure and facilities.

Our financial performance for the year showed an increase in turnover of 0.8% to £111.1 million, with profit after tax increasing by 2.3% to £19.5 million. This has resulted in an ordinary dividend payment of £11.5 million, leaving £8.0 million to be retained in the business to support future investment, which will be vital for our ongoing success.

Capital expenditure in the year amounted to £30.6 million, as we continue to invest in new capacity and improved facilities for our passengers. A particular feature of this year's capital programme has been the significant investment in new and expanded space for our commercial partners. This has included the major redevelopment of the Terminal 1 airside Departure Lounge and the landside Food Village, both to accommodate new retail and catering units.

With the highly competitive, cost focused nature of the airline industry, there is very little opportunity to recover inflationary, or other cost increases, through aeronautical charges. The investments that we have made this year in new commercial facilities, however, helped to drive the year's strong performance in commercial income a 7.6% increase over the previous year, and will help to sustain this increasingly important income stream in the future.

The control of costs remains a strategic priority for the business. This year we saw the full benefits of the previous year's restructuring and outsourcing of the cleaning functions, with employee costs reducing by 12.5% to £22.4 million. Running costs, however, increased by 14.1%, driven by above inflation increases for air traffic control services and energy, along with the costs associated with the master planning process. Total operating costs increased by 2.4% from £73.8 million to £75.6 million.

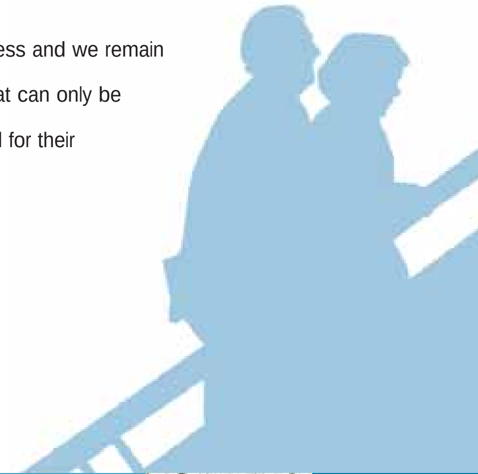
Overall financial performance was fairly flat with operating profit reducing by £0.9 million to £35.5 million and profit before tax reduced by £0.3 million to £29.2 million. These results incorporate the impact of new accounting standards that were implemented in the year, including Financial Reporting Standard (FRS) 17 'Retirement Benefits' relating to the defined benefit pension scheme. The Group continues to explore options with its employees to limit the future risks surrounding the pension scheme.

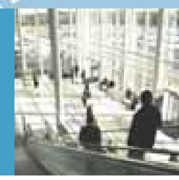
Looking to the future, I was pleased to see the publication of the new Draft Master Plan for the Airport "Towards 2030: Planning a Sustainable Future for Air Transport in the Midlands" in October 2005. This document sets out a framework for how the Airport could continue to support the Midlands region as its principal international gateway airport, directly supporting some 27,000 jobs and underpinning the region's wider economic growth and prosperity.

The Draft Master Plan includes provision for an extension to the existing main runway, a new second runway and the associated developments, as initially concluded necessary to support the forecast growth in regional demand for air travel as set out in the Government White Paper the 'Future of Air Transport', published at the end of 2003. A major public consultation exercise was conducted on the Draft Master Plan from October 2005 to March 2006 and the responses to that exercise will be fully considered this year, before a final Plan is adopted.

As I highlighted in my opening paragraph, the last year has seen the airport make strong progress and we remain committed to playing our part in supporting the region's development in a sustainable way. That can only be achieved with the ongoing support of all our staff and partner organisations and I thank them all for their continuing commitment to the Airport.

John Hudson Chairman





Managing Director’s review

Richard Heard Managing Director

After the challenges faced by some of our airline partners and the consolidation of activity in 2004/05, growth was re-established in 2005/06 with an expanded portfolio of both airline partners and routes driving the overall increase in passengers of 7.3%. The 8.8 million population living within one hour’s travel time of the Airport together with the diverse and growing West Midlands economy remain key factors that attract airlines to Birmingham. There are now over 60 airlines serving in excess of 100 destinations direct, with many more interline opportunities giving Birmingham connectivity across the globe.

The key drivers of growth in 2005/06 were the development of the bmibaby base, expansion of the flybe operation and a new Monarch Scheduled base. These developments give us an increased presence in the rapidly expanding ‘no frills’ sector, and also provide the opportunity for further growth in the future. Our position in the long haul sector was also strengthened with the introduction of new Air India services to Amritsar/Toronto and the introduction of double daily services by Emirates to Dubai.

The aviation market remains extremely competitive however, with the pressures materialising particularly in the charter sector. Although we saw some new destinations in Egypt, Morocco and Bulgaria, there was an overall decline of nearly 10% in charter activity at Birmingham. The impact of ‘external events’ such as Avian Flu in Turkey and terrorist incidents in Egypt continue to challenge this sector.

The overall growth in passenger activity underpinned a strong performance from our commercial partners and these activities form an increasing proportion of our income: 43.4% in 2005/6, up from 40.6% in 2004/05. As the Chairman has highlighted, a major part of our capital investment programme in the year has been targeted at providing further space for commercial activities. By the end of the year, there were some 46 catering and retail concessions across the two passenger terminals and this portfolio will be further expanded in the coming year.

The facilities provided by our commercial partners form an important part of the passenger experience at the Airport and therefore we continue to target high quality, ‘high street’ brands and offers.

In addition to the commercial facilities, we have also continued to add value and invest in our operational facilities. A completely refurbished and expanded Immigration Hall has been provided in Terminal 1, along with a new holding lounge for larger aircraft operations. In Terminal 2, the check-in hall has been reconfigured to provide additional check-in desks and to enable us to take advantage of the efficiencies from the new automated check-in processes being promoted by more and more airlines. Construction also commenced in the year to provide an expanded baggage hall and six new aircraft parking stands. Together these works will give us more capability and flexibility to handle an expanded range of airlines in Terminal 2. On the airfield, a new runway exit was completed increasing peak runway capacity, along with the resurfacing of the northern half of the runway.

Managing Director's review (continued)

The building programmes this year have impacted most areas of our existing operations as we have sought to optimise our facilities. I would particularly like to thank all our staff and partner organisations for their positive support, working with us to minimise disruption and to enable the projects to be successfully completed.

The launch of our Draft Master Plan "Towards 2030: Planning a Sustainable Future for Air Transport in the Midlands" at the end of October 2005 was a significant milestone for the Airport. The document represents the culmination of over 18 months of intensive review work since the publication of the Government's "Future of Air Transport" White Paper, and sets out our proposals as to how the Airport can continue to develop and serve the Midlands' air transport needs in a sustainable way.

The public consultation period stretched for five months to March 2006, as we wanted to give everyone the opportunity to understand our plans and to let us have their views on our proposals. Whilst the Airport and its further development will undoubtedly bring major employment and economic benefits to the Midlands, we also recognise that our operations and planned development can have an impact on some of the communities local to the Airport. Their views are therefore particularly important to us as we continue to seek ways to further minimise the impacts of our operations and retain the trust and support of our closest neighbours.

It was clear from the feedback during the consultation period that the potential impacts of the planned future developments on adjacent property prices is one of the key concerns of local communities. We recognise that it remains one of our challenges to identify viable schemes that offer fair and effective mitigation for these potential impacts.

In parallel with the public consultation exercise for the Airport's Draft Master Plan, we have also continued to work with the other transport agencies in the region to develop a long-term strategy for integrated surface access to/from and around the Airport. This has included work with the Highways Agency and local Highway Authorities to consider long term road access improvements in the vicinity of both the Airport and NEC, and also the early input to the rail industry as future Train Operating Company Franchises are being formulated. It is planned that the output from this work will also be incorporated in the finally adopted Master Plan.

All the feedback from the consultation exercise will be carefully reviewed and considered before we publish a final Master Plan, which is planned for the first part of 2007.

With the complex operations that we carry out and manage at the airport, the contribution of each and every member of our staff is important and highly valued. This continues to be recognised in the broad range of training and development opportunities that are provided, varying from operational training to the 'Skills for Life' and management development programmes. I continue to be delighted with and congratulate the high numbers of staff who take advantage of these programmes. Many of these individuals will form the future of the Airport as our Master Plan turns into reality.

I am delighted that we have again taken further steps to build the business and plan for the long term future of the Airport. None of this could have been achieved without the support of the Board, all our staff and our partner organisations. I thank them all for their dedication and contribution to the Airport and look forward to further progress in the coming year.

Richard Heard Managing Director

Business Review

Business Review

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

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

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

Market

Birmingham International Airport is the 5th largest passenger airport in the United Kingdom and the second largest outside London. During the calendar year 2005, 33 scheduled airlines served 74 destinations and 29 charter airlines, through over 150 tour operators, served 70 charter destinations. The 9.5 million passengers represent 4.1% of the UK market for air travel.

The total market for air travel in the UK grew by 5.4% in 2005 within which the scheduled sector grew by 7.6% and the charter sector declined by 5.6%. In comparison, Birmingham International Airport grew by 7.3% with scheduled traffic increasing by 16.0% and charter traffic declining by 9.8%. This variance to the UK market reflects growth in 'no frills' traffic at Birmingham and the substitution of some of the charter business into that sector.

In terms of local market share, the Airport looks at what is happening within its one hour catchment area. Birmingham currently serves 38% of this market with major competitors being Heathrow (13%), Nottingham East Midlands (13%) and Manchester (10%). Of these, Heathrow offers a significant number of long haul destinations not served from Birmingham, Nottingham East Midlands falls within the 1 hour catchment and therefore serves part of the same population and Manchester serves some additional long haul and charter destinations. The Airport views the 62% not currently served as an increasing opportunity for growth. The ongoing introduction of new destinations continues to offer more choice and Birmingham will increasingly become more attractive as surface access to more distant UK airports becomes more difficult and time consuming.

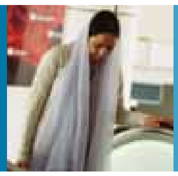
Activity

	2006 '000s	2005 '000s	% Change Over 2005
Passengers	9,464	8,820	7.3
Aircraft movements	114	108	5.6

In the 12 months to 31 March 2006, the Airport handled a record 9.5 million passengers, an increase of 0.6 million or 7.3% on the previous year. The key drivers of the increase were the full year impact of bmibaby operations (0.8 million passengers), the commencement of Monarch Scheduled (0.2 million passengers) and Air India (0.1 million passengers) and the growth in Emirates operations (0.1 million passengers) partially offset by the ending of the dedicated MyTravelite services (0.5 million passengers) and reductions in a number of charter operations (0.3 million passengers).

In addition to being a record year, a new monthly record was established with 1.049 million passengers passing through the airport in the month of August. Along with this record, both July and September also saw passenger numbers in excess of one million for the first time.

With the increased passenger numbers, there was also an associated 5.6% increase in the number of aircraft movements. This level of growth was below the passenger growth level as aircraft sizes increased (5.7% increase in average weights) and the average number of passengers on each aircraft increased by 1.9% to 83.3.



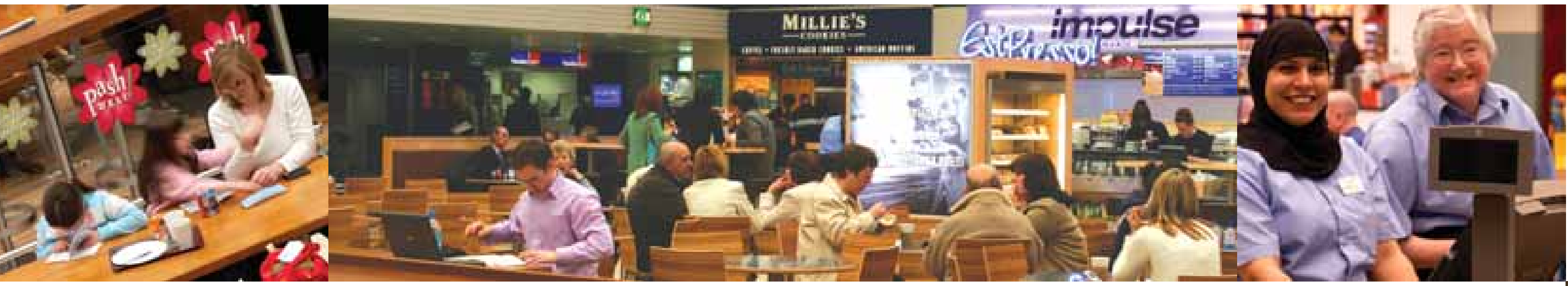
Business Review

Income

	2006 £m	2005 £m	% Change Over 2005
Aeronautical income	62.9	65.4	(3.8)
Commercial income	48.2	44.8	7.6
Total revenue	111.1	110.2	0.8

The Group 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. Looking at each of these in turn:

Aeronautical income reduced by 3.8% compared to the passenger increase of 7.3% resulting in the yield (income per passenger) falling from £7.41 to £6.64. This reflects the Airport's continued 10 year freeze in aeronautical charges combined with the effect of incentives offered to airlines to promote and grow their business at Birmingham Airport. These incentives are carefully targeted to not incentivise airlines to take passengers from competitors' routes, instead they are focused on establishing new routes and growing existing traffic levels.



The reduction in aeronautical income has been more than offset by the 7.6% growth in commercial income, which has benefited from passenger throughput increases along with a small yield increase from £5.08 to £5.10. Commercial income is generated from two key areas; property income and concession income. Property income is mainly derived from office and operational space rentals to airlines and other companies operating on site. This income stream has remained relatively flat with the growing 'no frills' airlines taking only small amounts of accommodation as they continue to focus sharply on their cost base. Concession income on the other hand has grown significantly, boosted by the 7.3% increase in passengers. The airport does not operate any retailing facilities itself, instead allowing high street operators to carry out the operation under concession agreements with the Airport. An important factor for the airport is increasing passenger levels which enable improved concession deals to be achieved from the retail operators, which in turn drive the overall increase in commercial yields. New retailers that have commenced trading at the Airport during the year include The Restaurant Group, Accessorise and Ladbrokes.

Costs

	2006 £m	2005 £m	% Change Over 2005
Employee costs	22.4	25.6	(12.5)
Running costs	36.5	32.0	14.1
Depreciation, write offs & other charges	16.7	16.2	3.0
Total operating costs	75.6	73.8	2.4

Operating costs increased by £1.8m or 2.4% in the year (it should be noted that the prior year has been restated to reflect a number of accounting changes as detailed in the Notes to the Accounts on pages 38 and 39).

Employee costs reduced by £3.2m of which £2.2m was a charge in the prior year for restructuring both the administration function and the in-house cleaning operation. This saw a reduction in staff of 64 with year on year savings of £1.5m. Increases included the annual wage award and additional staffing in key operational areas such as security. The average headcount (full time equivalents) has fallen during the year from 691 in 2004/05 to 645 for the current year.

Running costs increased by £4.5m or 14.1%. Approximately one third of the increase has been driven by the release of provisions in the prior year and £0.9m from the outsourcing of the in-house cleaning operation (see above) along with above inflation increases for air traffic control services, energy, marketing and master planning costs.

Depreciation, write offs and other charges showed a 3.7% increase mainly as a result of increased levels of capital expenditure.

Business Review

Employees and Partners

The Airport Company recognises that both its employees and Partner Companies across the site are key elements of the successful operation of the airport. In total, these two areas account for in excess of 7,000 employees with 645 being employed directly by the Airport Company.

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

Partner Companies provide the majority of the passenger facing elements of the business and include the airlines, retail and catering concessionaires, baggage handling and check-in staff. In addition, Partner Companies employ many 'behind the scenes' staff including fuel and in-flight catering provision, baggage sortation, cleaning etc. It is by developing a cohesive and unified approach with these partners that the Airport can continue to offer a quality service for all its customers and be able to develop the business together to ensure a successful future.

Facilities & Infrastructure

Record passenger levels in the year continue to reinforce the need for the Airport to provide and maintain first class facilities and infrastructure. This ranges from investment to deliver more capacity, to ensuring that existing systems and facilities are reliable, well maintained and efficient. The Group continues to invest in more airfield infrastructure, more passenger facilities and more commercial opportunities to ensure that the expectations of its customers can be met and the income opportunities maximised.

During the year a number of significant development projects were undertaken. Within the Terminals, these include the completion of the first phase of a £15m extension to the Terminal 1 departure lounge which will provide additional retail, catering, immigration and operational space and significant expansion to the check-in and baggage handling capabilities within Terminal 2. On the airfield, a new fast-turn off from the runway will increase peak runway capacity and the construction of six new remote aircraft stands is approaching completion. Expenditure in the year of £30.6m was £11.3m above the previous year.

Since the year 2000 the Airport has spent over £137m on the further developments of its facilities. This has included refurbishment of the runway and its associated taxiway infrastructure, the development of new stand capacity, improved and increased terminal facilities alongside enhanced surface access through the provision of new road and air rail infrastructure.

Safety & Security

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

Safety Performance

Safety training and awareness is a key management objective and will always be part of the drive for continuous improvement. Key performance indicators are used to monitor safety issues through detailed reporting and reviews. Audits are carried out on a regular basis. The continuing trend of reduction in the number of safety related incidents has continued in 2005/06 with a further 17% reduction in employee accidents compared to the previous year. This includes a 30% reduction in the number of serious or 'reportable' accidents which reduced from 10 to 7.

The number of accidents to passengers increased by 3% over the previous year, although the passenger accident incident rate remains low at 1.29 accidents per 100,000 passengers. All of the accidents were of a minor nature. The Company remains committed to improving safety wherever possible and preventing all accidents however they arise.

Business Review

Fire Safety

This year proved to be a challenging year for Fire Safety Management. Although the number of actual fires and fire related incidents continued to be very low, there was a large increase in the number of alarm activations and an associated increase in the number of partial building evacuations. Activations and evacuations increased by 54% and 36% respectively. This was largely as a result of the high levels of development activity where fire safety systems are triggered through disruption to the building environments. Management processes and employee awareness continues to focus on this important aspect of safety management.

Airside Safety

The safety of operations on the airfield is of paramount importance and remains a key focus. The Airport continues to work closely with the Safety Regulation Group at the CAA to review performance. This year saw a reverse of the previous trends for reducing airside incidents and accidents. The number of reported incidents increased by 31 to 70 in the year, with most being of a minor nature related to vehicle collisions. There was a reduction in the number of accidents involving damage to aircraft. Airside safety management resources have reviewed the operations of all parties associated with this key area of the business. There will be a continuing emphasis on the areas of training and audit to improve safety awareness and gain a greater understanding of the key safety issues. The development of safety management systems and improved understanding and education are seen as key to the realisation of safe airside working practices.

Aviation Security

The Airport's security programme continues to meet the Department for Transport's requirements. In accordance with national policy, security threat levels have remained at high levels throughout the year. The Airport's resources were adjusted to meet new requirements of European Union Directives. We continue to work closely with all our business partners and the various security agencies to ensure that all aspects of the Airport's operations are appropriately addressed and protected. The Airport continues to be a leading participant in the Multi Agency Threats and Risk Assessments (MATRA) process to improve communication and integration of all Control Authority resources.

Sustainability

In its strategy for sustainable development, the Government defines the following objectives;

- Social progress which recognises the needs of everyone.
- Effective protection of the environment.
- Prudent use of natural resources.
- Maintenance of high and stable levels of economic growth and employment.

At Birmingham the importance of sustainability in operating and developing the Airport is recognised. The Airport's approach to sustainability is set out in our Sustainability Policy Framework document where the vision is:

'bringing direct economic and social benefits to the Central England Region, and playing our part as a responsible and proactive citizen whilst minimising the impact of our operations and activities on the environment'

Economic & Social Benefits

The Airport is proud of the contribution it makes to the West Midlands region. As the region's principal international airport, the Airport is vital to the regional and local economy, it acts as a catalyst for investment, regeneration and employment and it provides a gateway for business and tourism. The Airport is also important for local and regional residents in providing access to visit friends and relatives overseas as well as overseas holiday destinations and the development of business opportunities.

Environmental Mitigation

The Airport is very aware of its environmental responsibilities. The Airport Company considers environmental impact and mitigation as vital in operating and developing the Airport, and it continues to seek and promote environmental improvement through the continuous development of its environmental management systems. The Airport policy is to take account of the global and national context, but also to find local environmental solutions which take account of the interests of the local communities that are served. These include one of the most restrictive night flying policies of any airport in the UK, the fining of noisy aircraft, regular programmes to monitor air quality, investment in on-site schemes, measures to meet water quality consent levels, a new waste management centre, together with regular programmes of surveys to monitor ongoing environmental impact.

The Airport has an Airport Consultative Committee which meets quarterly and includes representatives from the local community. The Committee receives reports on the airport operation and its activities aimed at engaging the wider stakeholder groups involved with the Airport.

Business Review

Community Investment

In acknowledging the Airport's environmental impact, particularly for our closest neighbours, our environmental management programmes are well established and subject to continual improvement. The objective is to understand what matters to local people and, where possible, design solutions that are practical and relevant. In addition to the night flying restrictions and the use of noise preferential routes, each year the Airport Company invests significant sums of money in a sound insulation scheme for local residents, noise mitigation for local schools and an aircraft wake vortex protection scheme for local residents, whilst engaging in an active and open dialogue with local communities. Over the last eight years, £2.6m has been invested in such activities.

The Airport has also established a charitable Community Trust Fund to support good causes in areas neighbouring the Airport. The Airport Company made a contribution of £54,632 in the last year, which along with noise violation fines amounted to £60,454. In total, over the last 8 years, £762,588 has been provided by the Trust Fund to support good causes.

Through its support of the Kitts Green/Shard End Education Action Zone, the Airport Company aims to help raise the aspirations and achievements of local young people. That support included rewarding 30 pupil's 100% attendance with a day trip to Edinburgh, giving many of them their first experience of flying. More than 100 others took part in a music project with the Airport's partners, The Orchestra of the Swan, culminating with them entertaining passengers with performances at the Airport.

During the last year, Richard Heard, the Airport's Managing Director took on the role of Regional Corporate Chairman for the Juvenile Diabetes Research Foundation's 'Walk to Cure Diabetes' campaign, helping to enlist support among the regional business community with the aim of reaching the charity's £150,000 target for the event. More than 100 airport staff and their families took part in the walk, raising more than £9,000.

Regional Accessibility

Birmingham is the principal international airport in the region, providing access to air transport as part of an integrated transport strategy. Surface access to the Airport, together with the NEC, is one of the five transport priorities for the region. All transport modes are accommodated at the Airport, with continuing investment in all the modes, including access by bus, coach and rail, as well as by car, the development of 'Green Travel' plans and policies to encourage the use of public transport and investment in cycling to encourage healthy journeys to work by staff.

The Airport is not only serving the West Midlands region, increasingly the catchment area is growing to encompass the Midlands as a whole. The Airport Company will continue to work with the widest range of regional stakeholders and transport providers to encourage a balanced programme of improvements for both private and public transport, but particularly public transport to increase the Public Transport Modal Share.

In the last year, the Airport Company has contributed towards funding for public bus services, services to assist employees accessing the Airport site during unsociable hours and towards bus and rail season tickets to encourage employees to use public transport. The Airport Company has also invested in new facilities for bus and coach services and new facilities providing information on bus, coach and rail services which serve the Airport. The Airport Company also provides a range of guides and leaflets on Airport surface access, by all modes, which are updated regularly to assist passengers and provide for customer service. This last year, it has been particularly encouraging to have seen the Public Transport Modal Share increasing from 15.6% to 19.1%.

The Airport also has an Airport Transport Forum, which meets twice a year and includes representatives of the local community, local stakeholders involved in transport and surface access and transport operators.

All airports are required to produce an Airport Surface Access Strategy, and Birmingham Airport first produced a Surface Access Strategy in 2000. During the last year a review of the Airport Surface Access Strategy has commenced, with a view to producing a new strategy before the end of 2006.

Business Review

Master Plan

In 2003, as part of the White Paper on Air Transport, the Government invited airport operators to produce airport master plans, or in the case of Birmingham update its existing master plan.

During the last year, a Draft Airport Master Plan was published for public consultation. The new Draft Master Plan was published on 31 October 2005 with an extensive consultation process through to 31 March 2006, including a series of exhibitions and public meetings in local communities. The Draft Master Plan, with a plan period to 2030, included an extension to the existing main runway, a new second runway and a new third passenger terminal, and, inevitably, raised a wide range of issues, concerns and responses. We are now analysing the consultation responses received, with a view to publishing a new Airport Master Plan in early 2007.

Financial Performance

Operating profit at £35.5m (2005: £36.4m) is £0.9m below the previous year reflecting the net cost increases experienced during the year. The group net interest charge for the year (before capitalised interest) was £7.1m (2005: £7.3m), the reduction reflecting the lower FRS 17 finance costs in the year as the pension deficit reduces.

The tax charge for the year at £9.7m (2005: £10.4m) includes a deferred tax charge of £1.4m (2005: £1.3m) producing a combined effective rate of tax of 33.3% (2005: 35.4%). The lower rate reflects £0.4m of consortium tax relief received along with adjustments relating to prior periods. Ordinary distributions to shareholders amounted to £11.5m (2005: £11.3m) leaving retained profits at £8.0m (2005: £7.7m).

Cash generated from operating activities amounted to £51.9m (2005: £50.9m), an increase of 2% over the previous year, primarily as a result of an improved working capital position. Overall there was a net cash outflow of £5.2m (2005: £5.0m inflow) in the year after capital expenditure payments of £30.6m (2005: £19.3m). Net debt increased by £5.6m to £75.7m (2005: £70.1m) and cash/short term deposits reduced by £5.2m to £66.2m (2005: £71.4m). Net assets increased by £70.8m in the year of which £60.6m was attributable to the fixed asset revaluation.

Opportunities and Risks

As detailed earlier, Birmingham's relatively low market share of its one hour catchment area generates significant opportunities for longer term growth and helps in supporting new route development proposals to airlines to and from Birmingham. In addition, Birmingham's historically low share of the 'no frills' sector also provides an opportunity for significant growth in that area.

Risks for the business going forwards fall into two main areas, competition from other airports and the aviation market in general. With regards to competition, there are a number of airports within a 1-2 hour drive time of Birmingham who compete for the same market. Birmingham will continue to compete on a range of considerations including frequency of flights, destinations served, range of airlines, accessibility and the quality of the Airport's facilities and services. The development of the no frills sector continues to pressurise aeronautical yields across the industry. In response the Airport continues to review and, where appropriate improve its competitive position balancing the longer term viability and expansion of the Airport as equally important objectives.

With regards to the aviation market in general, the last few years have seen significant year on year growth and this is forecast to continue into the foreseeable future. There are however two key factors which may threaten the longer term outlook, these being fuel costs and environmental issues. Airline fuel costs have increased by more than 100% in the last 12 months which has resulted in surcharges and ticket price increases to passengers, especially as hedging contracts come to an end and airlines become increasingly exposed to the higher fuel prices. If such fuel price increases are sustained in the longer term, there is a risk that this may threaten the longer term growth forecasts and the potential for airline failures.

With regards to environmental issues, there is increasing pressure for the industry to support its full environmental and external costs. To this end, the Airport supports the UK Government and industry's proposals for aviation to join the European Emissions Trading Scheme, so that the environmental levies raised can be re-invested to directly reduce emissions. There is a risk, however, that progress in establishing such a scheme will be too slow and result in a temptation to implement punative taxation that could not only curtail growth, but also damage the wide economic benefits that result from international connectivity

There are also risks surrounding 'one-off' events that can impact the aviation market. Previous examples of this are terrorist attacks and the SARS health scare, both of which had a short term negative impact upon aviation. Whilst it is not possible to forecast such events, the Airport does keep such factors under consideration, especially when committing to longer term expenditure contracts.

The year ending March 2006 has seen the Defined Benefit Pension Scheme consolidated into the Company accounts reducing reserves by £14.5m. The Airport Company has stated its intention to close the Scheme to new members and is in the process of consulting with staff. The scheme remaining open generates financial risk to the business and the consultation process carries industrial relations issues which the Company intends to carefully manage over the coming financial year.

Business Review

Financial Risk Management

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

Interest Rate Risk

It is the Group's long term policy to maintain an appropriate mix of credit facilities that provide fixed and floating rates of interest within Board approved parameters. The current interest cost however is fixed due to there being no draw down on the Group's £40m (previously £103m) variable rate syndicated banking facility which compares to £127.5m of debt at fixed rates including the £105m corporate bond. This position arose post September 11 when capital expenditure was significantly reduced and the arranged variable debt was not utilised. The Group has considered the current position and is satisfied with the current debt structure.

The Group's significant cash holding is invested under strict Board approved parameters. This prohibits investments in equities or for fixed periods in excess of 9 months. It also places a cap on the maximum amount that can be invested in a single product/institution. In general, the cash is invested on the money markets or in money funds, which, whilst exposing the Group to interest rate risk on the receivable side, does maintain liquidity and access to funds.

Liquidity Risk

To ensure that liquidity is maintained, it is the Group's policy to maintain sufficient committed facilities to meet anticipated funding requirements, while ensuring that the Group is not exposed to excessive refinancing in any one year. The maturity profile of debt outstanding at 31 March 2006 is set out in note 18 to the accounts. The available resources including £66.2m of cash and £40m of committed undrawn facilities, together with the expected future cashflows, are considered sufficient to meet the Group's future funding requirements. After a review of future funding/liquidity requirement, the previous un-drawn £103m syndicated bank facility was reduced in the year to £40m.

Covenant Risk

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

Price Risk

The Group is not exposed to any single significant element of price risk. The largest single risk is wage inflation on which the Group does have some influence through negotiation with its employees. Other exposures relate to energy costs and building costs during periods of significant capital expenditure. Of these, the group has reviewed and changed its energy procurement methodology and continues to review energy efficiency programmes. With regards to building costs, the group utilises fixed price contracts for large projects. Price risk is therefore eliminated at the commencement of each such project.

Credit Risk

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

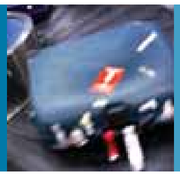
Accounting standards and policies

This annual report complies with all accounting standards issued by the Accounting Standards Board as applicable to the financial statements at 31 March 2006. The accounting policies, other than for the adoption of new standards and a change in the valuation basis for Plant and Machinery, are consistent with previous years and are set out on pages 38 to 40. There are a number of new standards which have been adopted in the year and are detailed on pages 38 and 39 and summarised below:

- FRS 17 'Retirement Benefits' has brought a pension deficit (after tax) of £14.5 million onto the Group's balance sheet.
- FRS 21 'Events after the balance sheet date' has prohibited the accrual of the final dividend.
- FRS 25 'Financial Instruments: Disclosure and presentation' has required preference shares to be accounted for as debt and the associated dividends reclassified as interest.

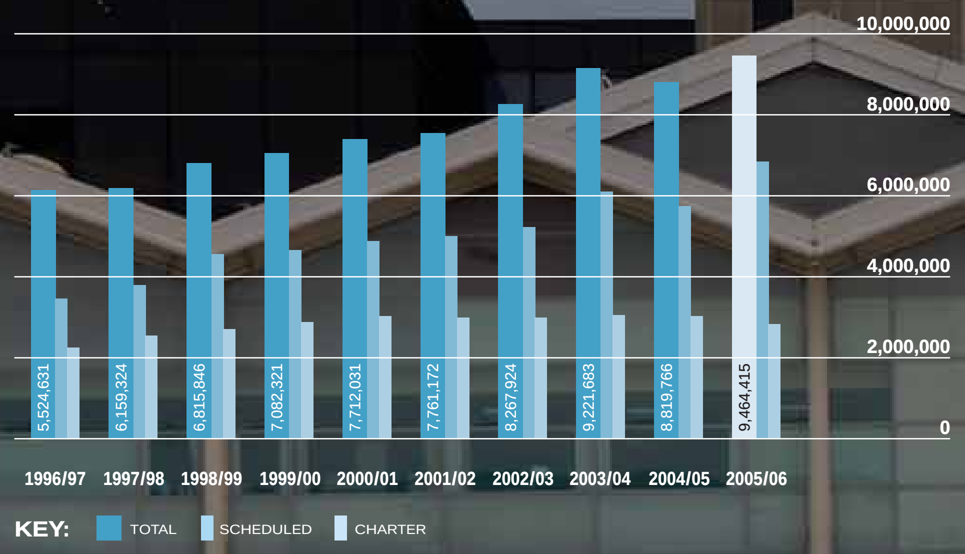
The change in the valuation basis for Plant and Machinery from revalued to historic cost is also detailed on page 38.

As stated last year, the Group does not have to adopt International Financial Reporting Standards (IFRS) but it does continue to monitor the position with regards to voluntary adoption by Groups of equivalent standing. The Group acknowledges the fact that that UK GAAP is likely to continue to align itself with IFRS and therefore decided that it would not make any commitment to move to an IFRS reporting basis at this time. It does however recognise that in the medium term, there is likely to be an expectation from the financial markets and analysts of a general move to IFRS by all large Corporates. It was therefore agreed to keep any decision to adopt IFRS under review. Work completed to date still indicates that implementation of IFRS would not lead to any breaches of banking covenants or other conditions placed on the Group.

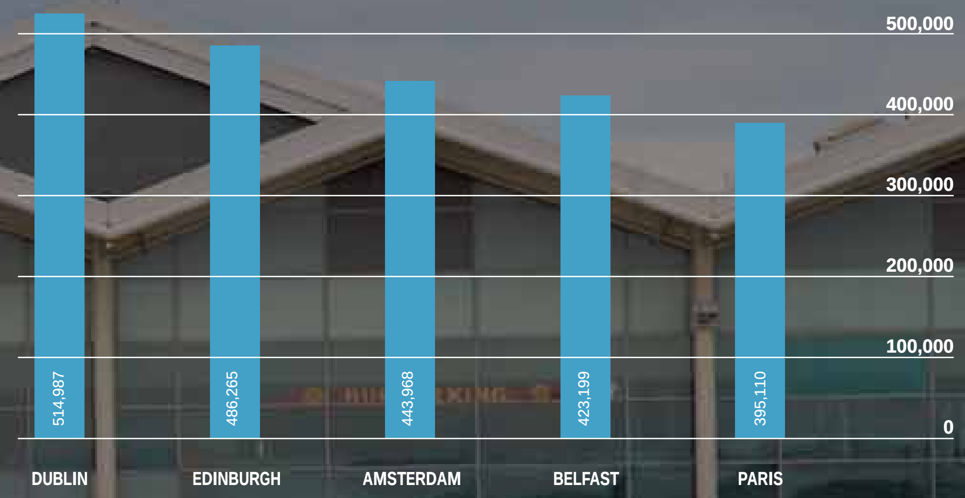


Passengers and Air Transport Movements (ATM's)

Total Passengers

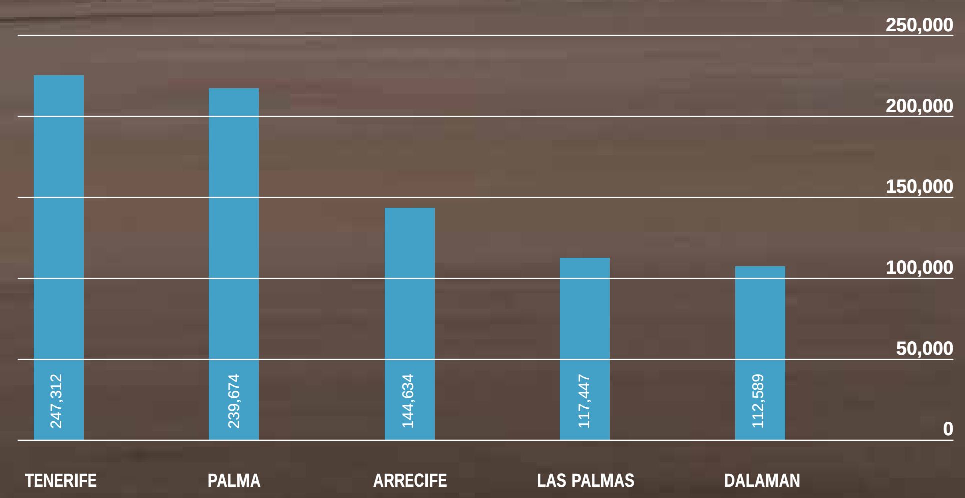


Top 5 Scheduled Routes (Passengers)



Total ATM's

Top 5 Charter Routes (Passengers)



Corporate Governance Statement

2005/06 Accounts

Combined Code

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

The Board and its sub-committees

The Group structure supports compliance through:

- The Main Board - which comprises 21 Non-Executive Directors representing the balance of shareholders' interests, including the Chairman, plus two Executive Directors, with senior executives in attendance as required. The Chairman and Non-Executive Directors are considered independent by the Board and the roles of Chairman and Managing Director are separate and clearly defined. The Board is responsible to the shareholders for the proper management of the Group, meeting quarterly to formulate, review and approve the Group's strategy, policies, budgets, risk management programme and trading performance.
- The Management Board - which comprises the Chairman plus six Non-Executive Directors, two Executive Directors with senior executives in attendance as required. It is responsible to the Main Board for the proper management of the Group, meeting monthly to review trading performance, capital expenditure proposals, strategy execution, funding performance and policy proposals.
- The Audit Committee – which comprises up to six Non-Executive Directors, with the Managing Director, Finance Director, Internal Audit Manager and external auditors in attendance. The Committee met quarterly in 2005/06 and is responsible for reviewing a wide range of financial matters and the monitoring of controls, which are in force to ensure the integrity of the financial information reported to the shareholders. The Committee also monitors the work of the internal and external auditors, the system of reporting and control covering risk management, Health and Safety systems and internal control systems.
- Remuneration Committee – chaired by the Chairman includes six Non-Executive Directors with the Managing Director, Finance Director and Head of Personnel in attendance as required. The Committee is responsible for the ongoing determination of contract terms, remuneration and other benefits, including the design and operation of performance-related bonus schemes supporting the achievement of the Group's objectives.
- Board and senior appointments – senior appointments, including executive Board positions are proposed by a nominated panel of shareholder representatives according to the terms of the Shareholders' Agreement.

Internal Audit

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

Internal Control

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

Control Environment

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

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

Risk Management

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

Going Concern

The Directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future and have, therefore, adopted the going concern basis for the preparation of the financial statements for the year ended 31 March 2006.

On behalf of the Board
J L Hudson Chairman

Report & Accounts 2005–2006

Birmingham Airport Holdings Ltd 31 March 2006

Company Information

As at 18 July 2006

Registered Number	3312673
Directors	
J L Hudson Chairman	
Councillor G E Richards Deputy Chairman	Solihull MBC
Councillor T Ali	Birmingham City Council
M C Balmforth	Macquarie Airports (UK) No. 2 Limited
Councillor D M Caunt	Dudley MBC
Councillor R J H Collins	Walsall MBC
O Cussen	Aer Rianta International cpt
Councillor L R Gregory	Birmingham City Council
Councillor K G Hardeman	Birmingham City Council
R J Heard	Executive
R J Hilliard	Aer Rianta International cpt
Councillor M S Jaspal	Wolverhampton City Council
M J Kelly	Executive
Councillor T A Khan	Birmingham City Council
K Mather	Macquarie Airports (UK) No. 2 Limited
S P G Morris	Macquarie Airports (UK) No. 2 Limited
H M N de Run	Macquarie Airports (UK) No.2 Limited
J J Stent	Macquarie Airports (UK) No. 2 Limited
Councillor K. Taylor	Coventry City Council
Councillor W.H. Thomas	Sandwell MBC
M Upton	Aer Rianta International cpt
Company Secretary	
M J Kelly	

Executive Management Group	
Richard Heard	Managing Director
Michael Joseph Kelly	Finance Director
William Heynes	Operations Director
Peter Vella	Business Development Director
Elaine Clarke	Head of Personnel
John Morris	Head of Corporate Affairs
Michael Upton	Aer Rianta International cpt
Auditors	
PricewaterhouseCoopers LLP	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

Directors' Report

The Directors present their report and group accounts for the year ended 31 March 2006.

Results and Dividends

The Group profit for the year after taxation amounted to £19.458 million (2005: £19.027 million). Ordinary Share dividends paid during the year totalled £11.456 million (2005: £11.295 million) resulting in a retained profit for the year of £8.002 million (2005: £7.732 million).

Principal Activity

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

Review of the Business

A detailed review of the business is given on pages 9 to 22 of this document. It covers the Group's operating objective, market position, financial performance, facilities, infrastructure and capital expenditure. The section also covers opportunities and risks the business is facing, details of financial risk management and the Group's current position with regards to International Accounting Standards. Further information includes the Group's approach to environmental mitigation, sustainability, social and community involvement, accessibility and the Group's regional role.

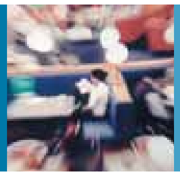
Future Developments

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

Directors and their interests

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

T Ali	(App. 7/6/06)
M Afzal	(Res. 19/4/05)
D Arrowsmith	(Res. 8/6/05)
M C Balmforth	
D M Caunt	
R J H Collins	
F V Coyne	(Res. 7/6/06)
O Cussen	
L R Gregory	
N Hanlon	(Res. 12/5/05)
K G Hardeman	
R J Heard	
R J Hilliard	
J L Hudson	
M S Jaspal	
M J Kelly	
T A Khan	(App. 7/6/06)
K Mather	
S P G Morris	
R Piper	(Res. 8/6/05)
G E Richards	
H M N de Run	(App. 3/1/06)
J J Stent	
K Taylor	(App. 8/6/05)
W H Thomas	(App. 8/6/05)
M Upton	
I. Ward	(App. 8/6/05, Res. 7/6/06)



Directors' Report (continued)

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

The two Executive Directors at the 31 March 2006 were both members of an AESOP Scheme and their interests in shares of the Company were as follows:

	31 March 2006 'B' Ordinary shares	1 April 2005 'B' Ordinary shares
R J Heard (Managing Director)	20,253	16,464
M J Kelly (Finance Director)	20,253	16,464

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

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. Applications from disabled people are considered within the framework of the Two Ticks Positive about Disabled People Standard that the Company continues to meet.

Employee Contribution

Employee contribution to our business is key to our success. The Company continues to meet the Investors in People Standard, ensuring that skills are updated to meet changes in our Industry. Communication plays an important part and this year we have sought to strengthen internal communication mechanisms. The continued high level of employee take up of the All Employee Share Ownership Plan has continued this year enabling all employees to share further in the success of the Company.

Supplier Payment Policy

Although the Group does not publish a formal code on payment practice, it remains the Group's policy to agree terms of payment with suppliers in advance to ensure that they are made fully aware of our payment procedure. All payments are made under the agreed terms wherever possible. The Company itself does not have any significant trade creditors.

Political and Charitable Contributions

During the year the Company made various charitable contributions totalling £82,214. Political contributions were made as follows: Labour Party £186, Conservative Party £1,186, Liberal Democrat Party £46, others £1,465.

Statement of Disclosure of Information to Auditors

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

Auditors

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

Statement of Directors' Responsibilities

In Respect of the Accounts

These accounts have been prepared to give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2006 and of the profit of the Group for the year then ended in accordance with Company Law.

In preparing these accounts the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that the accounts comply with the above requirements.

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

BY ORDER OF THE BOARD

M J Kelly

Director

18 July 2006

Independent Auditors' Report

To the Members of Birmingham Airport Holdings Limited

We have audited the group and parent company financial statements of Birmingham Airport Holdings Limited for the year ended 31 March 2006 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profit and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and company's affairs as at 31 March 2006 and of the group's profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

18 July 2006

Group Profit and Loss Account

For the year ended 31 March 2006

	Notes	2006 £000	As restated 2005 £000
Turnover	2	**111,109**	110,195
Operating Costs		**(75,632)**	(73,792)
Operating Profit	3	**35,477**	36,403
Interest receivable		**3,596**	3,619
Interest payable	6	**(9,885)**	(10,565)
Profit on Ordinary Activities Before Taxation		**29,188**	29,457
Tax on profit on ordinary activities	7	**(9,730)**	(10,430)
Profit on Ordinary Activities After Taxation		**19,458**	19,027
Dividends on equity shares	9	**(11,456)**	(11,295)
Retained Profit for the Year	22	**8,002**	7,732

Group Statement of Total Recognised Gains and Losses

	2006 £000	As restated 2005 £000
Profit on ordinary activities after taxation	**19,458**	19,027
Unrealised gain on asset revaluation	**60,578**	-
Actuarial gain on pension scheme	**2,877**	339
Movement on deferred tax relating to pension scheme actuarial gain	**(863)**	(102)
Total Recognised Gains and Losses Relating to the Year	**82,050**	19,264
Prior year adjustment – FRS 17	**(15,949)**	-
Prior year adjustment – restate plant and machinery to historic cost	**(4,985)**	-
Total Recognised Gains and Losses since the last report	**61,116**	19,264

Note of Historical Cost Profits and Losses

	2006 £000	As restated 2005 £000
Reported profit on ordinary activities before taxation	**29,188**	29,457
Excess depreciation on revalued assets	**2,600**	2,791
Historical Cost Profit on Ordinary Activities Before Taxation	**31,788**	32,248
Historical Cost Profit for the Year Retained After Taxation and Dividends	**10,602**	10,523

Group Balance Sheet

At 31 March 2006

	Notes	2006 £000	As restated 2005 £000
Fixed Assets			
Tangible assets	10	**393,334**	317,227
Current Assets			
Stocks and development land	12	**1,102**	1,082
Debtors	13	**14,007**	14,256
Cash at bank and in hand		**66,240**	71,457
		81,349	86,795
Creditors Amounts falling due within one year	15	**(52,912)**	(33,411)
Net Current Assets		**28,437**	53,384
Total Assets less Current Liabilities		**421,771**	370,611
Creditors Amounts falling due after more than one year	16	**(130,002)**	(148,311)
Provisions for Liabilities and Charges	20	**(22,823)**	(21,634)
Net Assets excluding Pension Liability		**268,946**	200,666
Pension Liability		**(14,546)**	(17,038)
Net Assets including Pension Liability		**254,400**	183,628
Capital and Reserves			
Called up share capital	21	**3,240**	3,240
Share premium account	22	**43,644**	43,644
Merger reserve	22	**25,588**	25,588
Revaluation reserve	22	**126,993**	69,015
Profit and loss account	22	**54,935**	42,141
Equity Shareholders' Funds	22	**254,400**	183,628

The financial statements on pages 34 to 64 were approved by the Board of Directors on 18 July 2006 and were signed on its behalf by:

J L Hudson — Chairman
M J Kelly — Director

Company Balance Sheet

At 31 March 2006

	Notes	2006 £000	As restated 2005 £000
Fixed Assets			
Investments	11	**232,208**	226,881
Current Assets			
Debtors	13	**676**	811
Cash at bank and in hand		**67,148**	70,106
		67,824	70,917
Creditors Amounts falling due within one year	15	**(20,015)**	(1,723)
Net Current Assets		**47,809**	69,194
Total Assets less Current Liabilities		**280,017**	296,075
Creditors Amounts falling due after more than one year	16	**(155,310)**	(174,605)
		124,707	121,470
Capital and Reserves			
Called up share capital	21	**3,240**	3,240
Share premium account	22	**43,644**	43,644
Merger reserve	22	**51,380**	51,380
Profit and loss account	22	**26,443**	23,206
Equity Shareholders' Funds	22	**124,707**	121,470

The financial statements on pages 34 to 64 were approved by the Board of Directors on 18 July 2006 and were signed on its behalf by:

J L Hudson — Chairman
M J Kelly — Director

Group Cash Flow Statement

At 31 March 2006

	Notes	2006 £000	As restated 2005 £000
Net Cash Inflow from Operating Activities	3b	**51,857**	50,887
Returns on Investment and Servicing of Finance			
Interest paid		**(9,419)**	(9,421)
Interest received		**3,720**	3,158
Interest element of finance lease rental payments		**(22)**	(27)
Net Cash Outflow from Returns on Investments and Servicing of Finance		**(5,721)**	(6,290)
Taxation			
UK Corporation Tax paid		**(9,233)**	(9,581)
Capital Expenditure and Financial Investment			
Payments to acquire tangible fixed assets		**(30,607)**	(19,337)
Receipts from sales of fixed assets		**8**	628
Net Cash Outflow from Capital Expenditure		**(30,599)**	(18,709)
Equity Dividends Paid		**(11,456)**	(11,292)
Cash (Outflow)/Inflow before management of Liquid Resources and Financing		**(5,152)**	5,015
Management of Liquid Resources			
Decrease/(increase) in short term deposits		**3,056**	(3,075)
Financing			
Decrease in long term borrowings	14	**-**	(800)
Capital element of finance lease rental payments	14	**(43)**	(38)
Lease and leaseback premium	14	**(200)**	(250)
Net sale of own shares from share trust		**178**	363
Net Cash Outflow from Financing		**(65)**	(725)
(Decrease)/Increase in Cash	14	**(2,161)**	1,215

Notes to the Accounts

1. Accounting Policies

Accounting Convention

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

Basis of Preparation

These accounts have been prepared to give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2006 and of the profit or loss of the Group for the year then ended. The accounts have consequently been prepared to comply with all accounting standards and Schedule 4 of the Companies Act 1985.

Changes in Accounting Policy

FRS 17 'Retirement Benefits' has been adopted by the Group in these accounts. This requires pension surpluses/(deficits) and the associated funding and movements in these to be incorporated into the Group's financial statements. The adoption of this FRS represents a change in accounting policy and the comparative figures have been restated accordingly. The effect of the change in accounting policy to adopt FRS 17 was to increase profit before taxation in the year to 31 March 2005 by £367,000 and to reduce net assets at 31 March 2005 by £15.454 million. The FRS 17 prior period adjustment is the opening balance sheet SAP24 provision less deferred tax (Note 20), replaced by the opening FRS 17 pension deficit net of deferred tax.

FRS 21 'Events after the balance sheet date' has been adopted by the Group in these accounts. This states dividends should only be accounted for when declared unconditionally and therefore prevents the accrual of proposed dividends. The adoption of this FRS represents a change in accounting policy and the comparative figures have been restated accordingly. The effect of the change in accounting policy to adopt FRS 21 in the year to 31 March 2005 was to leave profit before tax unchanged and to increase net assets at 31 March 2005 by £5.980 million.

FRS 25 'Financial Instruments: Disclosure and presentation' has been adopted by the Group in these accounts. This requires that the preference shares which are redeemable for cash are reclassified as financial liabilities and the associated preference dividend is shown as finance income/cost. Although FRS 25 does not require the restatement of comparatives, it does allow it and therefore these accounts have been restated accordingly. The effect of the change in accounting policy to adopt FRS 25 in the year to 31 March 2005 is a reduction in profit before tax of £971,000 and a reduction in net assets of £15.384 million.

The Group has previously revalued fixed assets (except short leasehold land and assets in the course of construction) in accordance with Financial Reporting Standard 15 ('FRS 15') 'Tangible Fixed Assets', with Independent valuations being undertaken every five years. The Group has reviewed this policy and determined that it is uneconomic to revalue plant and machinery assets due to the complex nature of such equipment in the business. The accounting policy has therefore being changed to remove plant and machinery from the revaluation process and to restate such assets to historical cost with comparative figures being restated accordingly. The effect of the change in accounting policy to restate plant and machinery to historical costs was to increase profit before taxation in the year to 31 March 2005 by £976,000 and to reduce net assets at 31 March 2005 by £4.009 million.

Basis of Consolidation

The Group accounts consolidate the accounts of Birmingham Airport Holdings Limited and its subsidiary undertakings drawn up to 31 March 2006. No profit and loss account is presented for Birmingham Airport Holdings Limited as permitted by section 230 of the Companies Act 1985.

Goodwill

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

1. 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'), 'Retirement Benefits' which was published on 30 November 2000. For accounting periods ending on or after 22 June 2001, the Standard requires progressively increasing disclosure. For the year ending March 2006, it requires any pension surplus or deficit to be fully accounted for on the balance sheet of the entity. The Group has complied with the requirements of this FRS and consolidated the pension deficit into its accounts. The adoption of this FRS represents a change in accounting policy and the comparative figures have been restated accordingly.

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

European Regional Development Fund (ERDF) grants, Trans European Networks (TENS) grants and Local Transport Plan (LTP) grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Tangible Fixed Assets and Depreciation

Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost or valuation, less estimated residual value of each asset evenly over its expected useful life. In addition, the carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The principal useful lives are as follows:

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

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

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

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.

1. Accounting Policies (continued)

Deferred Taxation

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

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

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

Stocks and Development Land

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

Debt Issue Costs

Debt issue costs are initially deducted from the carrying value of the related debt instrument and are subsequently charged to the profit and loss account over the term of the instrument at a constant rate on the carrying amount.

Provisions

Provisions will be recognised relating to any present obligation in respect of the development of the airport site, where it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the expected value can be made. The effect of the time value of money is not material and therefore the provisions are not discounted.

Accounting For Leases

Assets obtained under finance lease contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and are depreciated over the shorter of the lease term or their useful lives. An exception to this is an on-site office block where a subsidiary company has a call option on the lease (Note 24). The asset is therefore being depreciated over its useful life. The interest element of such contracts is charged to the profit and loss account over the period of the lease in proportion to the outstanding balance of repayments. Payments under contract hire agreements and operating leases are charged to the profit and loss account as incurred.

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

2. Turnover

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

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

	2006 £000	2005 £000
Aeronautical income	**62,863**	65,358
Concession and property income and recharges	**48,246**	44,837
	111,109	110,195

3. Operating Profit

	2006 £000	As restated 2005 £000
a) This is stated after charging / (crediting):		
Auditors' remuneration		
Audit services	**65**	55
Non-audit services	**24**	9
Depreciation		
Owned assets	**16,260**	15,644
Assets held under finance leases	**252**	241
Amortisation		
European Regional Development Fund grants	**(38)**	(38)
Trans European Networks grants	**(46)**	(46)
Local Transport Plan grant	**(104)**	(104)
Department of Transport Grant	**-**	(84)
Operating lease rentals		
Plant and equipment	**128**	138
Land and buildings	**447**	447
Reorganisation charges	**-**	2,242
Rents	**(6,258)**	(6,082)
Concessions	**(35,529)**	(31,925)
Loss on disposal of fixed assets	**251**	68

b) Reconciliation of operating profit to net cash inflow from operating activities.

	2006 £000	As restated 2005 £000
Operating profit	**35,477**	36,403
Depreciation	**16,512**	15,885
Loss on disposals of fixed assets	**251**	68
Amortisation of deferred income and grants	**(188)**	(372)
(Increase)/decrease in stocks	**(20)**	(89)
Difference between pension charge and cash contribution	**(1,326)**	(1,023)
(Increase)/decrease in debtors and prepayments	**168**	390
Increase/(decrease) in creditors and accruals	**966**	(924)
Increase/(decrease) in provisions	**17**	549
Net cash inflow from operating activities	**51,857**	50,887

4. Directors' Emoluments

	2006 £000	2005 £000
Emoluments (excluding pension contributions)	**345**	320

Retirement benefits are accruing to 2 Directors (2005: 2) under a defined benefit pension scheme.
Emoluments in respect of the highest paid director are:

	2006 £000	2005 £000
Total emoluments (excluding pension contributions)	**177**	162
The amount of accrued pension for the defined benefit pension scheme	**20**	18
The amount of accrued lump sum for the defined benefit pension scheme	**60**	54

The highest paid director has 15 years qualifying service in the defined benefit pension scheme.

5. Staff Costs

	2006 £000	As restated 2005 £000
Wages and salaries	**17,960**	21,277
Social security costs	**1,457**	1,442
Other pension costs	**2,982**	2,895
	22,399	25,614

The above includes £nil (2005: £2.242 million) for reorganisation costs associated with restructuring of both the administration function and the cleaning operation.

Notes to the Accounts (continued)

5. Staff Costs (continued)

The average monthly number of employees during the year comprised:

	2006 Number	2005 Number
Engineering	**73**	67
Operations and security	**392**	370
Support services	**115**	127
Terminal services	**65**	127
	645	691

6. Interest Payable

	2006 £000	As restated 2005 £000
Bank loans and overdrafts	**239**	241
Preference share dividend	**971**	971
Corporate bond	**6,663**	6,663
Loan stock interest	**1,613**	1,613
Other interest	**550**	528
Finance lease	**24**	28
FRS 17 finance expenses	**643**	854
Capitalised	**(818)**	(333)
	9,885	10,565

7. Tax on Profit on Ordinary Activities

	2006 £000	As restated 2005 £000
UK Corporation Tax – current year	**9,021**	9,580
UK Corporation Tax – adjustment in respect of prior years	**(668)**	(405)
	8,353	9,175
Deferred tax – current year	**1,333**	817
Deferred tax – adjustment in respect of prior years	**(161)**	388
Deferred tax – on pension deficit movement	**205**	50
Tax on profit on ordinary activities	**9,730**	10,430
Deferred tax charged to Statement of Total Recognised Gains and Losses	**863**	102
Total tax charged in financial statements	**10,593**	10,532

7. Tax on Profit on Ordinary Activities (continued)

	2006 £000	As restated 2005 £000
Deferred tax credited to provisions for liabilities and charges (Note 20)		
Deferred tax – current year	**1,333**	817
Deferred tax – adjustment in respect of prior years	**(161)**	388
	1,172	1,205
Deferred tax credited to pension liability (Note 25)		
Deferred tax on pension deficit movement charged in the profit and loss account	**205**	50
Deferred tax charged to Statement of Total Recognised Gains and Losses	**863**	102
	1,068	152

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 than the ordinary rate of Corporation Tax in the UK of 30% (2005: 30%). The differences are reconciled below:

	2006 £000	As restated 2005 £000
Profit on ordinary activities before tax	**29,188**	29,457
Profit on ordinary activities at the standard rate of tax of 30% (2005:30%)	**8,756**	8,837
Effects of:		
Disallowed expenses	**1,804**	1,596
Capital allowances in advance of depreciation	**(801)**	(925)
Short term timing differences	**(736)**	55
Chargeable gains	**-**	17
Small companies rate relief	**(2)**	-
Adjustments in respect of prior year periods - consortium relief	**(406)**	-
Adjustments in respect of prior year periods	**(262)**	(405)
Current tax charge for year	**8,353**	9,175

The disallowable expenses include £1.270 million (2005: £1.555 million) relating to non qualifying depreciation.

8. Profit attributable to members of the parent undertaking

The profit dealt with in the accounts of the parent undertaking was £14.516 million (2005: £15.283 million).

9. Dividends

	2006 £000	As restated 2005 £000
2005 final dividend paid at 1.87p per share (2004: 1.90p)	**5,980**	6,054
2006 interim dividend paid at 1.71p per share (2005: 1.64p)	**5,476**	5,241
	11,456	11,295

The ESOP Trust waived its right to the payment of a dividend in the year on the 3,633,368 ordinary shares that it owns (Note 23).

A dividend of 1.73p per share will be proposed at the Annual General Meeting to be paid in July 2006.

10. Tangible Fixed Assets - Group

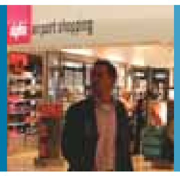
Tangible fixed assets (excluding assets in the course of construction, plant and equipment, short leasehold land and investment properties held by a subsidiary company, First Castle Developments Limited) were valued as at 31 March 2006 by Atisreal Limited, Chartered Surveyors. The valuation was undertaken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

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 2005 by Chesterton Ltd. The valuation of £5.575 million identified impairments of £54,260 and gains of £1,014,816 giving a net gain of £960,556. This valuation has been reviewed internally during the year and the Directors feel the carrying values brought forward are still appropriate.

10. Tangible Fixed Assets - Group (continued)

	Land & Buildings Freehold £000	Leasehold £000	Runways, Taxiways, Infrastructure £000	Plant and Equipment £000	Assets in Course of Construction £000	Total £000
Cost or Valuation						
At 1 April 2005 as previously reported	217,505	202	88,789	66,507	9,335	382,338
Prior year adjustment	-	-	-	19,221	-	19,221
At 1 April 2005 as restated	217,505	202	88,789	85,728	9,335	401,559
Additions	-	-	-	4	31,478	31,482
Capitalised Interest	-	-	-	-	818	818
Transfer	11,188	-	3,136	5,800	(20,124)	-
Disposals	(164)	-	-	(351)	-	(515)
Reclassification	(493)	-	166	327	-	-
Asset revaluation	20,463	(2)	(4,320)	-	-	16,141
At 31 March 2006	**248,499**	**200**	**87,771**	**91,508**	**21,507**	**449,485**

	Land & Buildings Freehold £000	Leasehold £000	Runways, Taxiways, Infrastructure £000	Plant and Equipment £000	Assets in Course of Construction £000	Total £000
Depreciation						
At 1 April 2005 as previously reported	20,006	-	14,157	26,939	-	61,102
Prior year adjustment	-	-	-	23,230	-	23,230
At 1 April 2005 as restated	20,006	-	14,157	50,169	-	84,332
Provided in the Year	8,072	-	2,466	5,974	-	16,512
Disposals	(36)	-	-	(220)	-	(256)
Reclassification	(148)	-	51	97	-	-
Asset revaluation	(27,763)	-	(16,674)	-	-	(44,437)
At 31 March 2006	**131**	**-**	**-**	**56,020**	**-**	**56,151**
Net Book Value						
At 31 March 2006	**248,368**	**200**	**87,771**	**35,488**	**21,507**	**393,334**
At 31 March 2005 as restated	197,499	202	74,632	39,568	9,335	317,227



10. Tangible Fixed Assets - Group (continued)

A cumulative amount of £6.887 million (2005: £6.069 million) relating to capitalised interest is included within the cost of fixed assets. Interest capitalised during the year amounted to £0.818 million (2005: £0.333 million) at a capitalisation rate of 6.5% (2005: 6.5%).

Included in land and buildings is land at a value of £38.076 million (2005: £31.793 million) and investment properties at a value of £5.190 million (2005: £5.190 million) which are not depreciated (Note 1). The net book value includes the following for assets held under finance leases and hire purchase contracts.

		As restated
	2006	2005
Net Book Value	**£000**	£000
Land and Buildings	**9,834**	7,673

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

	Land & Buildings		Runways, Taxiways,	Plant and	Assets in Course of	
	Freehold	**Leasehold**	**Infrastructure**	**Equipment**	**Construction**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 March 2006						
Cost	191,831	202	111,979	91,508	21,507	**417,027**
Depreciation	(46,746)	-	(48,031)	(56,020)	-	**(150,797)**
Net Book Value	**145,085**	**202**	**63,948**	**35,488**	**21,507**	**266,230**
At 31 March 2005						
Cost	181,431	202	108,677	85,728	9,335	**385,373**
Depreciation	(40,976)	-	(46,122)	(50,169)	-	**(137,267)**
Net Book Value	**140,455**	**202**	**62,555**	**35,559**	**9,335**	**248,106**

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 and Operation	Holding	Proportion Held	Year End	Nature of Business
Birmingham International Airport Limited	England	Ordinary Shares	100%	31/03/06	Airport Terminal Management & Operation
Euro-Hub (Birmingham) Limited	England	Ordinary Shares	100% *(a)*	31/03/06	Non Trading
		Preference Shares	100% *(b)*		
Birmingham Airport (Finance) PLC	England	Ordinary Shares	100%	31/03/06	Financing
First Castle Developments Limited	England	Ordinary Shares	100% *(c)*	31/03/06	Property Holding Company
Birmingham Airport Developments Limited	England	Ordinary Shares	100% *(c)*	05/04/06	Site Development

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

Company	**Subsidiary Undertakings £000**
Shares	143,745
Loans	83,136
At 1 April 2005	226,881
Movement during year	
Additional loans	5,327
Investment at 31 March 2006	**232,208**
Comprising	
Shares	**143,745**
Loans	**88,463**
Net Book Value at 31 March 2006	**232,208**

The loans of £88.463 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.

Notes to the Accounts (continued)

12. Stocks and Development Land

	Group	
	2006	2005
	£000	£000
Consumables	**402**	382
Development land	**700**	700
	1,102	1,082

13. Debtors

	Group		Company	
				As restated
	2006	2005	**2006**	2005
	£000	£000	**£000**	£000
Trade debtors	**7,083**	**8,174**	**-**	**-**
Other debtors	**1,064**	**482**	**-**	**-**
Prepayments and accrued income	**5,860**	**5,600**	**676**	**811**
	14,007	**14,256**	**676**	**811**

There are no debtors falling due after more than one year (2005: £nil).

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

	2006	2005
	£000	£000
(Decrease)/ Increase in cash in year	**(2,161)**	1,215
Movement in short term deposits	**(3,056)**	3,075
Net movement in long term borrowings	**-**	800
Capital element of finance lease rental payments	**43**	38
Lease and leaseback premium	**200**	250
Change in net debt resulting from cashflows	**(4,974)**	5,378
Lease and leaseback - accrued interest	**(549)**	(555)
Movement in corporate bond – non cash	**(101)**	(100)
Movement in Net Debt in the year	**(5,624)**	4,723
Opening Net Debt	**(70,061)**	(74,784)
Closing Net Debt at 31 March	**(75,685)**	(70,061)

14. Reconciliation of Net Cashflow to movement in Net Debt & Analysis of changes in Net Debt (continued)

	As restated 1 April 2005	**Cashflow**	**Non-cash Movements**	**31 March 2006**
	£000	**£000**	**£000**	**£000**
Cash at bank and in hand	**1,351**	(2,161)	-	**(810)**
Short term deposits	**70,106**	(3,056)	-	**67,050**
Finance lease obligations	**(240)**	43	-	**(197)**
Lease and leaseback premium	**(3,983)**	200	(549)	**(4,332)**
Corporate bond	**(103,411)**	-	(101)	**(103,512)**
Redeemable Preference Shares	**(15,384)**	-	-	**(15,384)**
Loan stock	**(18,500)**	-	-	**(18,500)**
Net Debt	**(70,061)**	(4,974)	(650)	**(75,685)**

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	
		As restated		As restated
	2006	2005	**2006**	2005
	£000	£000	**£000**	£000
Obligations under finance leases	**47**	43	**-**	-
Trade creditors	**1,260**	2,138	**-**	-
Corporation Tax	**4,886**	5,766	**-**	-
Other taxes and social security costs	**503**	487	**-**	-
Deferred income	**4,870**	3,825	**-**	-
ERDF, LTP and TENS grants	**188**	188	**-**	-
Loan stock (Note 17)	**18,500**	-	**18,500**	-
Accruals	**22,658**	20,964	**1,515**	1,723
	52,912	33,411	**20,015**	1,723

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

	Group		Company	
		As restated		As restated
	2006	2005	**2006**	2005
	£000	£000	**£000**	£000
Preference shares	**15,384**	15,384	**15,384**	15,384
Obligations under finance leases	**150**	197	**-**	-
Amounts owed to group undertakings	**-**	-	**139,926**	140,721
Net premium arising on lease and leaseback (Note 26)	**4,332**	3,983	**-**	-
Deferred income	**744**	768	**-**	-
Corporate bond (Note 17)	**103,512**	103,411	**-**	-
Loan stock (Note 17)	**-**	18,500	**-**	18,500
ERDF, LTP and TENS grants	**5,880**	6,068	**-**	-
	130,002	148,311	**155,310**	174,605

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	
	2006	2005	**2006**	2005
	£000	£000	**£000**	£000
Loans falling due in one year or less	**18,500**	-	**18,500**	-
Loans falling due in two to five years	**-**	18,500	**139,926**	123,414
Loans falling due in over five years	**105,000**	105,000	**-**	-
	123,500	123,500	**158,426**	123,414
Less un-amortised issue costs and discount	**(1,488)**	(1,589)	**-**	-
	122,012	121,911	**158,426**	123,414

17. Loans (continued)

Loans not wholly repayable within 5 years

	Group		Company	
	2006	2005	**2006**	2005
	£000	£000	**£000**	£000
Bonds repayable on 22 February 2021	**105,000**	105,000	**-**	-
Less un-amortised issue costs and discount	**(1,488)**	(1,589)	**-**	-
	103,512	103,411	**-**	-

The loan stock was issued in connection with the restructuring of the share ownership of the Company and the Group and the raising of debt finance to fund a development programme. It is subordinated to both the corporate bond and the syndicated loan facility and is redeemable at the holders' discretion on the tenth anniversary of its issue. If not redeemed on the tenth anniversary, it becomes redeemable on the fifteenth anniversary. It is therefore currently shown as a creditor due in less than one year.

The corporate bonds will mature, unless previously redeemed or purchased or cancelled, on 22 February 2021. Interest on the bonds is payable annually on 22 February at a fixed rate of 6.25 per cent on the par value. The bonds are listed on the London Stock Exchange. The bonds were issued at a discount of 1.102 per cent, which, if amortised into the cashflow, gives an interest rate of 6.349 per cent.

18. Derivatives and other Financial Instruments

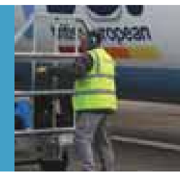
The Group's principal financial instruments comprise bonds, bank loans, loan stock and cash. The main purpose of these financial instruments is to raise and provide finance for the Group's operations. The Group does not enter into any form of derivative financial instruments. As permitted by FRS 13 'Derivatives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

Funding

The Group's funding is provided by its £105 million bond issue, £18.5 million loan stock, £40.0 million syndicated loan facility, £1 million overdraft facility and £66.2 million cash reserves.

Interest rate risk

The Group's borrowings are a combination of fixed and floating rate liabilities. The bond is at a fixed interest rate of 6.25 per cent equating to a rate of 6.349 per cent if the launch discount of 1.102 per cent is amortised back into the cashflow. The loan stock carries a fixed interest rate until 2007 after which, if not repaid, it becomes variable at a fixed margin above LIBOR. The syndicated facility is based upon LIBOR (fixed at each draw-down) and a defined mark up.



18. Derivatives and other Financial Instruments (continued)

Currency exposures

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

Borrowing facilities

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

	2006	2005
	£000	£000
Expiring in one year or less	**1,000**	1,000
Expiring in more than one year but not more than two years	**-**	-
Expiring in more than two years	**40,000**	103,000
	41,000	104,000

Non-equity shares

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

Interest rate risk and profile of financial assets

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

	Floating Rate £000	**No Interest Is Earned £000**	**Total £000**
2006 Sterling	**68,839**	**139**	**69,978**
2005 Sterling	73,012	78	73,090

Floating rate financial assets comprise surplus cash balances deposited on the overnight and short term money markets. The interest rate is based upon prevailing market rates and is set upon deposit. The financial assets on which no interest is earned comprise surplus cash balances and uncleared transactions. The £69.978 million above includes £3.738 million (2005: £1.633 million) of funds held on overnight deposits to cover uncleared payments.

18. Derivatives and other Financial Instruments (continued)

Interest rate risk and profile of financial liabilities

	Financial Liabilities				**Fixed Rate Liabilities Weighted Average**	
	Fixed Rate £000	**Floating Rate £000**	**No Rate £000**	**Total £000**	**Interest Rate %**	**Fixed Period Years**
2006 Sterling	**143,413**	**-**	**5,133**	**148,546**	**6.83%**	**16**
2005 Sterling	143,107	-	5,115	148,222	6.81%	17

The above financial liabilities do not include a deduction for the un-amortised issues costs and discount of £1.488 million (2005: £1.589 million).

Maturity profile of the Group's financial liabilities

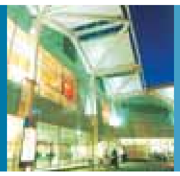
	2006	2005
	£000	£000
In one year or less, or on demand	**18,747**	243
In more than one year but not more than two years	**52**	18,547
In more than two years but not more than five years	**5,031**	5,065
In more than five years	**124,716**	124,367
	148,546	148,222

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 2006.

	Book Value 2006 £000	**Fair Value 2006 £000**	Book Value 2005 £000	Fair Value 2005 £000
Cash (including short term deposits)	**66,240**	**66,240**	71,457	71,457
Loan stock	**(18,500)**	**(19,185)**	(18,500)	(19,678)
Bonds	**(103,512)**	**(113,791)**	(103,411)	(110,242)
Non-equity shares	**(15,384)**	**(15,505)**	(15,384)	(15,179)
Finance leases	**(197)**	**(208)**	(240)	(257)
Retirement provisions	**(171)**	**(171)**	(171)	(171)
Development provisions	**(5,133)**	**(5,133)**	(5,115)	(5,115)
Pension scheme liability	**(14,546)**	**(14,546)**	(17,038)	(17,038)

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



19. Obligations under Lease Contracts (Group)

	2006 £000	2005 £000
a) Finance lease obligations: amounts payable		
Within one year	**47**	43
In the second to fifth year inclusive	**150**	197
After five years	**-**	-
	197	240

	Land & Buildings		Other	
	2006 £000	2005 £000	**2006 £000**	2005 £000
b) Non-cancellable operating leases				
Annual commitments under leases which expire:				
Within one year	-	**-**	40	43
In the second to fifth year inclusive	-	-	75	197
After five years	447	447	-	-
	447	447	**115**	240

20. Provisions for Liabilities and Charges (Group)

	Development Related £000	Retirement Benefits £000	Deferred Tax £000	Total £000
At 1 April 2005 as previously stated	5,115	2,433	15,670	23,218
Prior year adjustment – FRS 17	-	(2,262)	678	(1,584)
At 1 April 2005 restated	5,115	171	16,348	21,634
Provided during the year	216	(1)	1,172	1,387
Utilised during the year	(198)	-	-	(198)
At 31 March 2006	**5,133**	**170**	**17,520**	**22,823**

Development Related Provisions

The Group is fully committed to a positive environmental policy including the provision of a defined noise insulation scheme, financial penalties to support night flying restrictions and provisions for payments under the Land Compensation Act 1973. Provisions are made in line with foreseen liabilities. An element of the development related provision relates to potential claims which, by their nature are uncertain, arising under the Land Compensation Act as a result of certain developments being undertaken at the Airport. The timing for the transfer of the related economic benefits are therefore not expected to be significant within the next 12 months. With regards to the Noise Insulation scheme, the future liability for the next twelve months for the Noise Insulation scheme is estimated at £200,000 (2005: £200,000).

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

Retirement Benefits

The provision relates to a claim for pension benefit enhancements which is currently under review. If the claim is ultimately found to be valid, it will fall within the FRS 17 pension valuation, however, it is not included within the 2006 FRS 17 valuation.

Deffered taxation provided

	2006 £000	As restated 2005 £000
At 1 April 2005 as previously stated	**18,617**	17,793
Prior year adjustment – FRS 17	**(1,097)**	(1,445)
	17,520	16,348

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.

21. Share Capital

Authorised, allotted, called up and fully paid	Group & Company		Group & Company	
	2006 Number	2005 Number	**2006 £000**	2005 £000
'A' ordinary shares of 1p each	**315,082,900**	315,082,900	**3,151**	3,151
'B' ordinary shares of 1p each	**8,909,700**	8,909,700	**89**	89
1 special (non-participating) voting share of £1	**1**	1	**-**	-
	323,992,601	323,992,601	**3,240**	3,240
6.31% cumulative redeemable preference shares of 1p each	**1,538,360,000**	1,538,360,000	**15,384**	15,384

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

22. Reconciliation of Shareholders' Funds and Movement on Reserves

Group

	Share Capital £000	Share Premium Account £000	Merger Reserve £000	Revaluation Reserve £000	Profit & Loss Account £000	Total Shareholders Funds £000
At 1 April 2004 as previously reported	**18,624**	**43,644**	**25,588**	**76,791**	**40,913**	**205,560**
Prior year adjustment – FRS 17	-	-	-	-	(15,949)	(15,949)
Prior year adjustment – FRS 21	-	-	-	-	6,054	6,054
Prior year adjustment – FRS 25	(15,384)	-	-	-	-	(15,384)
Prior year adjustment – restate Plant and Machinery to historic cost	-	-	-	(4,985)	-	(4,985)
At 1 April 2004 as restated	**3,240**	**43,644**	**25,588**	**71,806**	**31,018**	**175,296**
Retained Profit for the year	-	-	-	-	7,732	7,732
Actuarial gain on pension scheme	-	-	-	-	339	339
Movement on deferred tax on pension scheme	-	-	-	-	(102)	(102)
Transfer of excess depreciation on asset revaluation	-	-	-	(2,791)	2,791	-
Net sales of own shares from share trust	-	-	-	-	363	363
At 31 March 2005	**3,240**	**43,644**	**25,588**	**69,015**	**42,141**	**183,628**
Retained Profit for the year	-	-	-	-	8,002	8,002
Actuarial gain on pension scheme	-	-	-	-	2,877	2,877
Movement on deferred tax on pension scheme	-	-	-	-	(863)	(863)
Transfer of excess depreciation on asset revaluation	-	-	-	(2,600)	2,600	-
Gain on asset Revaluation	-	-	-	60,578	-	60,578
Net sales of own shares from share trust	-	-	-	-	178	178
At 31 March 2006	**3,240**	**43,644**	**25,588**	**126,993**	**54,935**	**254,400**

The cumulative amount of Goodwill charged to the Merger Reserve is £25.792 million (2005: £25.792 million).

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

Company

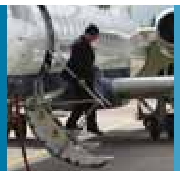
	Share Capital £000	Share Premium Account £000	Merger Reserve £000	Profit & Loss Account £000	Total Shareholders Funds £000
At 1 April 2004 as previously reported	**18,624**	**43,644**	**51,380**	**21,550**	**135,198**
Prior year adjustment – FRS 21	-	-	-	(2,694)	(2,694)
Prior year adjustment – FRS 25	(15,384)	-	-	-	(15,384)
At 1 April 2004 as restated	**3,240**	**43,644**	**51,380**	**18,856**	**117,120**
Retained Profit for the year	-	-	-	3,987	3,987
Net sales of own shares from share trust	-	-	-	363	363
At 31 March 2005	**3,240**	**43,644**	**51,380**	**23,206**	**121,470**
Retained Profit for the year	-	-	-	3,059	3,059
Net sales of own shares from share trust	-	-	-	178	178
At 31 March 2006	**3,240**	**43,644**	**51,380**	**26,443**	**124,707**

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 Number
Investment at 1 April 2005	4,209,165	1,299
Shares vested in employees	(575,797)	(178)
Investment at 31 March 2006	**3,633,368**	**1,121**



Notes to the Accounts (continued)

23. Capital Commitments

Group	2006 £000	2005 £000
Amounts contracted but not provided for in the accounts	**7,561**	17,325

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 2006 would have been £196,728 (2005: £239,506). This reduces to £1,000 over the 10 year lease agreement such that the compound return to the pension scheme at any point in time is 10%.

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

Guarantees have previously been provided by Birmingham Airport Holdings Limited, Birmingham International Airport Limited and Euro-Hub (Birmingham) Limited to a syndicate of banks led by The Royal Bank of Scotland plc. This was in support of a £103 million facility made available to Birmingham Airport Holdings Limited and the trustees for the employee share scheme in Birmingham Airport Holdings Limited, Mourant & Co Trustees Limited. This facility and the associated guarantees were cancelled on 16 December 2005.

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

25. Pension Commitments

A subsidiary undertaking of the Group operates a defined benefit pension scheme for permanent employees, which is funded by the payment of contributions to a separately administered trust fund. The pension cost is determined with the advice of an independent qualified actuary on the basis of a triennial valuation using the projected unit credit method. The most recent full actuarial valuation at 31 October 2003 identified an increase in the total funding requirement from 19.5% to 30.0% to be effective from 1 April 2004. Of this, the Group contributes 24.5% with the employees contributing 5.5%. The principal methods and assumptions used and the results of the valuation are shown below:

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

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

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

	2006	2005	2004
Rate of inflation	**3.00%**	3.00%	2.90%
Rate of increase of salaries	**4.00%**	4.00%	3.90%
Rate of increase in actual pensions	**2.95%**	2.80%	2.90%
Rate of increase in deferred pensions	**3.00%**	3.00%	2.90%
Discount rate	**5.00%**	5.40%	5.40%

25. Pension Commitments (continued)

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

	2006	**2006**	2005	2005	2004	2004
	%	**£000**	%	£000	%	£000
Equities	**7.25%**	**44,985**	7.25%	33,141	7.00%	27,455
Corporate Bonds	**5.00%**	**13,384**	5.40%	10,681	5.40%	8,874
Cash	**4.25%**	**420**	4.50%	440	4.00%	302
Other Investments	**10.0%**	**196**	10.0%	238	10.0%	277
Market value of scheme's assets		**58,985**		44,500		36,908
Actuarial value of scheme's liabilities		**(79,765)**		(68,840)		(61,756)
Deficit in scheme		**(20,780)**		(24,340)		(24,848)
Related deferred tax asset		**6,234**		7,302		7,454
Net Pension Liability		**(14,546)**		(17,038)		(17,394)

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

	2006	2005
	£000	£000
Liability at the beginning of the year	**24,340**	24,848
Current service cost	**2,395**	2,505
Contributions	**(4,281)**	(3,900)
Past service cost	**290**	372
Impact of settlements and curtailments	**270**	0
Interest cost/(net return on assets)	**643**	854
Actuarial (gain)/loss	**(2,877)**	(339)
Liability at the end of the year	**20,780**	24,340

Analysis of the amounts charged to operating profit:

	2006	2005
	£000	£000
Current service cost	**2,395**	2,505
Past service cost	**290**	372
Curtailments and settlements	**270**	0
Total charged to operating profit	**2,955**	2,877
Expected return on pension scheme assets	**3,133**	2,558
Interest on pension scheme liabilities	**(3,776)**	(3,412
Total (charged)/credited to other financial income	**(643)**	(854)

25. Pension Commitments (continued)

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

	2006	2005
	£000	£000
Actual return less expected return on pension scheme assets	**8,048**	1,451
Experience gains and losses arising on the scheme liabilities	**(217)**	(168)
Changes in assumptions underlying the present value of the scheme liabilities	**(4,954)**	(944)
Actuarial gain/(loss) recognised in the Statement of Total Recognised Gains and Losses	**2,877**	339

History of experience gains and losses:

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

26. Transactions with Related Parties

The Company has taken advantage of the exemption in FRS 8, Related Party Transactions, from disclosing the transactions with related parties between members of the Group. With regards to other related parties, all the existing shareholders except the ESOP Trust have rights to appoint Directors and have done so. They have therefore been considered as related parties under FRS 8 and any transactions between them and the Birmingham Airport Holdings Limited Group during the year ended 31 March 2006 are disclosed below.

Aer Rianta International cpt

Birmingham International Airport Limited has a contract with Aer Rianta International cpt (a shareholder of the Company) for the latter to supply consultancy and support services to the Company. The fee payable for such services consists of both a fixed and a performance related element and amounted to £240,928 in the year (2005: £234,080). The amount outstanding at the balance sheet date was £nil (2005: £nil).

Notes to the Accounts (continued)

26. Transactions with Related Parties (continued)

West Midland District Councils

Birmingham City Council, Coventry City Council, Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council, Walsall Metropolitan Borough Council and Wolverhampton City Council ("The Districts") are shareholders. The dividends paid to The Districts in the year amounted to £6.654 million (2005: £6.591 million).

In 1995 Birmingham International Airport Limited entered into arms-length lease arrangements with Solihull Metropolitan Borough Council on behalf of the West Midlands District Councils, all of which were shareholders in the Company at that time. Under such arrangements, the Company granted a 999 year lease over land and buildings situated at Birmingham International Airport in exchange for a total fair value premium of £100 million and a peppercorn rent. At the same time the shareholders granted Birmingham International Airport Limited a 150 year lease over the same property for a total fair value premium of £96.500 million.

In accordance with SSAP 21 "Accounting for leases and hire purchase contracts", the net premium arising as adjusted for associated stamp duty and legal costs has been treated as a finance lease in the accounts of the Group and is disclosed at Note 16.

Under the lease arrangement the Group will pay a basic rent of £200,000 p.a. until 31 March 2007. Such rent shall then be increased to £600,000 p.a. and subsequently index linked for the remaining lease period. In addition, a turnover based rent is payable after 31 March 2007, calculated as 0.4% of turnover less the basic rent paid in the year. The total amount paid in 2005/06 was £200,000 (2005: £200,000). The amount at the end of the year was £4.332 million (2005: £3.983 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.

26. Transactions with Related Parties (continued)

Birmingham City Council

On 26 March 1997, as part of the Group restructuring, the Company issued £18.5 million of subordinated loan stock. The loan stock carries an interest rate of 8.72% for the first 10 years after which it can be redeemed at the holders’ discretion. Otherwise, the redemption will be delayed for a further 5 years during which the interest rate changes to a fixed margin applied to LIBOR. Birmingham City Council acts as Trustee for the loan stock holders and is also a shareholder in the Company. Gross interest payments made to Birmingham City Council acting in its capacity of Trustee amounted to £1.613 million in the year (2005: £1.613 million).

Solihull Metropolitan Borough Council

Solihull Metropolitan Borough Council provided a grant during 2002/03 of £5.237 million from the West Midlands Local Transport Plan fund towards the cost of building a Multi Modal Interchange. The building has been capitalised in the Company's accounts and the grant will be released to income on a straight line basis over the life of the asset. At the 31 March 2006, £4.914 million was held within deferred income (2005: £5.019 million).

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

Birmingham International Airport Limited Pension Scheme

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

In accordance with SSAP21 “Accounting for leases and hire purchase contracts”, the lease payments have been treated as a finance lease in the accounts of the Group and are disclosed in Notes 15 and 16. The amount due at the end of the year was £196,728 (2005: £239,506).

2005 – 2006

Scheduled Airlines & Destinations

Summer 2006 – Frequencies per day

ADRIA AIRWAYS		
Ljubljana	1	weekly
AER LINGUS		
Dublin	3	
Cork	3	weekly
AEROSVIT		
Kiev	2	weekly
A-Jet		
Larnaca	1	weekly
AIR FRANCE		
Paris[1]	6	
AIR INDIA		
Delhi/Amritsar/Toronto	5	weekly
AIR MALTA		
Malta	2	weekly
AIR SLOVAKIA		
Bratislava (onward Amritsar)	1	weekly
BMIBABY		
Alicante	1	
Amsterdam	2	
Belfast	4	
Bordeaux	1	
Cork	1	
Edinburgh	4	
Knock	5	weekly
Malaga	8	weekly
Nice	8	weekly
Palma	1	
Prague	1	
BA CONNECT		
Aberdeen	3	
Barcelona[2]	1	
Belfast City	4	
Berlin	1	
Dusseldorf	4	
Edinburgh	6	
Frankfurt	4	
Geneva	1	
Glasgow	6	
Hamburg	2	
Hanover	1	
Lyon	2	
Madrid[2]	1	
Milan	2	
Nice	1	weekly
Paris	5	
Stuttgart	3	
CITY AIRLINE		
Gothenburg/Helsinki[3]	2	
CONTINENTAL AIRLINES		
New York - Newark[4]	10	weekly
CYPRUS AIRWAYS		
Larnaca	2	weekly
Paphos	1	weekly
EASTERN AIRWAYS		
Inverness	3	
Isle of Man	3	
Newcastle	4	
EMIRATES		
Dubai	2	
FIRST CHOICE AIRWAYS		
Paphos	1	weekly
flybe		
Alicante	5	weekly
Belfast City	6	
Bergerac	5	weekly
Brest	4	weekly
Edinburgh	6	
Faro	3	weekly
Glasgow	6	
Guernsey	7	weekly
Isle of Man	1	
Jersey	1	
La Rochelle	4	weekly
Malaga	3	weekly
Murcia	3	weekly
Perpignan	4	weekly
Toulouse	1	
HLX		
Cologne	5	weekly
KLM		
Amsterdam	6	
LUFTHANSA[5]		
Dusseldorf[6]	4	
Frankfurt	4	
Munich[6]	3	
MAHAN AIR		
Tehran	2	weekly
MONARCH SCHEDULED		
Alicante	4	weekly
Almeria	3	weekly
Arecife	1	
Faro	1	weekly
Mahon	4	weekly
Malaga	11	weekly
Murcia	4	weekly
Palma	1	weekly
Tenerife	4	weekly
PAKISTAN INT. AIRLINES		
Islamabad	5	weekly
RYANAIR		
Dublin	2	
SAS		
Copenhagen[7]	2	
SKYEurope		
Krakow	2	weekly
SN BRUSSELS AIRLINES		
Brussels[8]	5	
SUN AIR		
Billund	5	weekly
SWISS INT. AIRLINES		
Zurich	3	
TURKMENISTAN AIRLINES		
Ashkhabad (Onward Delhi /Amritsar)	4	weekly
UZBEKISTAN AIRWAYS		
Tashkent (Onward Amritsar / Delhi)	3	weekly

1 operated by CityJet under a franchise agreement with Air France
2 operated by BA in a codeshare with Iberia
3 operated by City Airline in codeshare with bmi
4 operated by CO in a codeshare with flybe
5 operated by LH in a codeshare with bmi
6 operated by Lufthansa Regional
7 operated by SK in a codeshare with bmi
8 operated by SN Brussels in a codeshare with British Airways