

# **SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED**

**Report and Financial Statements  
for the Year Ended 31 March 2002**



Company Registration Number 2431858

## REPORT AND FINANCIAL STATEMENTS 2002

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## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

R Cato	Chairman
D J Cumming	Managing Director
M Clasper	Director
D G Dalgleish	Finance Director
J Fletcher	Director
R D Herga	Alternate Director

### **SECRETARY**

M B Lewis

### **REGISTERED OFFICE**

130 Wilton Road  
London  
SW1V 1LQ

### **AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Global House  
High Street  
Crawley  
West Sussex RH10 1DL

### **BANKERS**

Barclays Bank Plc  
P.O. Box 544  
54 Lombard Street  
London EC3V 9EX

### **SOLICITORS**

Herbert Smith  
Exchange House  
Primrose Street  
London EC2A 2HS

## **REPORT OF THE DIRECTORS**

The directors present their annual report and the audited financial statements for Southampton International Airport Limited ("the Company") for the year ended 31 March 2002 ("the year").

### **PRINCIPAL ACTIVITIES**

The Company owns and is the licensed operator of Southampton International Airport.

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

During the year, commercial passenger numbers fell by 3% to 841,000, while commercial aircraft movements were fairly static at 28,400. The reduction was mainly due to the aftermath of the terrible events of September 11, together with the fact that in the previous financial year the airport benefited from the turmoil on the railways following the Hatfield crash.

Capital expenditure for the year was £7.7 million of which £7.0 million was for the completion of a new multi-storey car park providing 450 new spaces for customers. Southampton International Airport continually ranks highest amongst all BAA UK airports within BAA QSM (Quality of Service Monitor). These service levels illustrate the high standards of customer service delivered by the employees of Southampton International Airport to the passengers who use it.

Looking to the future, uncertainty in the world economy, plus the ramifications of September 11, make passenger numbers for the coming year difficult to predict. However, new charter operations will commence during Summer 2002 and with continued tight control of expenditure, the Company faces the coming year with optimism.

### **RESULTS AND DIVIDENDS**

The profit for the year before taxation amounted to £3.2 million (2001 restated: £3.0 million). The Company adopted FRS 19 Deferred Tax during the year with a reduction of £4.4 million in shareholders' funds at 31 March 2001 and an increase in the tax charge of £0.3 million in the year under review compared to the amount that would have been charged under SSAP 15. Further details are set out in note 2.

As set out in note 4, BAA plc has adopted FRS 17 Retirement Benefits and, accordingly, adjusted the management charge to its airport subsidiaries to reflect the full service cost of pension provision together with the cost of benefits relating to past service as set out under the new standard.

The directors do not recommend the payment of a dividend (2001: £nil).

## **REPORT OF THE DIRECTORS (continued)**

### **BOARD OF DIRECTORS**

The directors who served during the year and since the year end are as follows:

R Cato	Chairman, appointed 8 October 2001
D J Cumming	Managing Director, appointed 1 April 2002
M Clasper	appointed 20 July 2001
D G Dalglish	
J Fletcher	
R D Herga	Alternate to M Clasper
C E Hobbs	ceased 1 January 2002
M S Hodgkinson	ceased 20 July 2001
J C Kong	ceased 8 October 2001

### **DIRECTORS' INTERESTS**

The interests of the directors holding office at the year end in the ordinary shares of BAA plc are set out in Note 5 to the financial statements.

### **EMPLOYEES**

The Company has no direct employees. The staff are employed by BAA plc which is the Company's ultimate parent company.

### **PAYMENT PRACTICE**

The Company's policy is to follow the DTI's Better Payment Practice Code which is reproduced in the report and accounts of BAA plc. The Company had 19 days purchases outstanding at 31 March 2002 (2001: 31 days) based on the average daily amount invoiced by suppliers during the year ended 31 March 2002.

### **ECONOMIC AND MONETARY UNION**

With effect from 1 January 2002 those European Union member states who have previously adopted the euro as a common national currency withdrew their former national currencies from circulation and introduced euro notes and coins into circulation.

The Company's policy is that while the UK remains outside of the euro and sterling is floating freely the Company will

- Treat the euro as another foreign currency;
- Raise invoices and require settlement in sterling;
- Settle liabilities according to the currency of the contract.

## **REPORT OF THE DIRECTORS (continued)**

### **ECONOMIC AND MONETARY UNION (continued)**

During introduction of euro notes and coins the Company worked closely with its key suppliers, retailers and airport passengers to ensure a smooth transition and enabling all passengers to pay for goods with euro currency at the prevailing sterling/euro exchange rate within our airport terminal.

The main impact of the euro on the Company has been a reduction in the volume of transactions within the airport Bureaux de Change in the currencies of those countries who have adopted the euro. In the period immediately following the introduction of the euro any reductions have been offset by residual trading in legacy currency and re-stocking in euro and at this stage it is too early to predict reliably the longer term impact on the business.

An outline implementation strategy for the introduction of the euro if and when the UK elects to join EMU has been developed and is under continual review. It is too early to estimate the costs to the Company of the UK joining the euro, however the Company continues to ensure that new systems being introduced to the business are euro compliant.

### **AUDITORS**

In accordance with Section 386 of the Companies Act 1985 a resolution has been passed to dispense with the obligation to appoint auditors annually. Accordingly, Deloitte & Touche shall be deemed to be re-appointed as auditors 28 days after the accounts are sent to the members.

By order of the Board



**M B Lewis**  
Company Secretary

31 May 2002

Registered Office:  
130 Wilton Road  
London  
SW1V 1LQ

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the systems of internal financial control and for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The above statement should be read in conjunction with the statement of the auditors' responsibilities set out on page 6.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED**

We have audited the financial statements of Southampton International Airport Limited for the year ended 31 March 2002 which comprise the profit and loss account, the balance sheet, the note of historical cost profits and losses, the statement of total recognised gains and losses, reconciliation of movements in shareholders' funds and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

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

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

We have read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards 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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

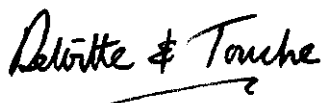
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED (continued)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads "Deloitte & Touche". The signature is written in a cursive style, with a horizontal line underneath the text.

Deloitte & Touche  
Chartered Accountants and Registered Auditors  
Global House  
High Street  
Crawley  
West Sussex RH10 1DL

31 May 2002

**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 2002**

	Note	2002 £000	2001 restated (see note 2) £'000
Revenue – continuing operations	3	14,672	14,498
Operating costs	4	(11,399)	(11,141)
Operating profit – continuing operations		<u>3,273</u>	<u>3,357</u>
Net interest payable	6	(31)	(366)
Profit on ordinary activities before taxation		<u>3,242</u>	<u>2,991</u>
Tax on profit on ordinary activities	7	(985)	(917)
Retained profit for the financial year after taxation	15	<u><u>2,257</u></u>	<u><u>2,074</u></u>

The notes on pages 12 to 27 form part of these financial statements.

**NOTE OF HISTORICAL COST PROFITS AND LOSSES****For the year ended 31 March 2002**

	<b>2002</b>	<b>2001</b> <b>restated</b> <b>(see note 2)</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before taxation	3,242	2,991
Historical cost profit on ordinary activities before taxation	<u>3,242</u>	<u>2,991</u>
Historical cost profit for the year retained after taxation and dividends	<u>2,257</u>	<u>2,074</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****For the year ended 31 March 2002**

	<b>Note</b>	<b>2002</b>	<b>2001</b> <b>restated</b> <b>(see note 2)</b>
		<b>£'000</b>	<b>£'000</b>
Profit for the financial year		2,257	2,074
Unrealised revaluation (deficit)/surplus	15	<u>(3,940)</u>	<u>1,754</u>
Total recognised gains and losses relating to the year		(1,683)	<u>3,828</u>
Prior year adjustment - adoption of FRS 19		<u>(4,407)</u>	
Total recognised gains and losses recognised since the last annual report		<u>(6,090)</u>	

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**For the year ended 31 March 2002**

	Note	2002 £'000	2001 restated (see note 2) £'000
Profit for the financial year	15	2,257	2,074
Other net recognised gains and losses relating to the year		<u>(3,940)</u>	<u>1,754</u>
Net (reduction)/addition to shareholders' funds		(1,683)	3,828
Opening shareholders' funds (originally £51.4 million before deducting prior year adjustment of £4.4 million)		<u>47,016</u>	<u>43,188</u>
Closing shareholders' funds		<u>45,333</u>	<u>47,016</u>

**BALANCE SHEET AT 31 MARCH 2002**

	Note	2002 £'000	2001 restated (see note 2) £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	58,949	56,266
<b>CURRENT ASSETS</b>			
Stocks	9	165	188
Debtors	10	1,857	1,885
<b>TOTAL CURRENT ASSETS</b>		<u>2,022</u>	<u>2,073</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(10,962)</u>	<u>(6,582)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(8,940)</u>	<u>(4,509)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		50,009	51,757
<b>CREDITORS: amounts falling due after more than one year</b>	12	-	(334)
<b>Provisions for liabilities and charges</b>	13	<u>(4,676)</u>	<u>(4,407)</u>
<b>NET ASSETS</b>		<u>45,333</u>	<u>47,016</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	40,000	40,000
Revaluation reserve	15	6,187	10,127
Profit and loss account	15	<u>(854)</u>	<u>(3,111)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>45,333</u>	<u>47,016</u>

The notes on pages 12 to 27 form part of these financial statements.

These financial statements were approved by the Board of Directors on 31 May 2002 and signed on behalf of the Board.



**D J Cumming**  
Managing Director



**D G Dalglish**  
Finance Director

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2002

#### 1. ACCOUNTING POLICIES

##### Basis of accounting

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with all applicable accounting standards.

The Company has applied three new accounting standards, FRS 17, FRS 18 and FRS 19, during the year. The adoption of FRS 19 Deferred Tax has required a change to the accounting treatment of deferred tax, and the prior year results have been restated accordingly (see note 2). The adoption of FRS 18 Accounting Policies has not had a significant impact on the Company's results or financial position. As the Company has no employees, the adoption of FRS 17 Retirement Benefits by BAA plc does not have a material effect on the Company other than changing the basis on which the management charge is calculated.

##### Revenue

Revenue comprises:

- Airport and other traffic charges: the invoiced value of sales from airport activities net of value added tax;
- Property and operational facilities: revenues from property letting, usage charges for operational systems and other invoiced sales, net of value added tax;
- Retail: concession rentals from airport retailers due and agreed, net of value added tax.

##### Fixed assets

###### (i) Operational assets

Terminal complexes, airfield assets, plant and equipment, fixtures and fittings and Group occupied properties are stated at historical cost less accumulated depreciation. Assets in the course of construction are stated at historical cost less provision for impairment and assume that projects in early planning stages will receive the consents necessary to achieve a successful outcome. Where appropriate, cost includes interest, own labour and associated overheads.

###### (ii) Investment properties

Fully completed properties let to, and operated by, third parties and held for long term retention, are accounted for as investment properties and valued at the balance sheet date at open market value. All investment properties are revalued annually and by external valuers at least once every five years. Any surplus or deficit on revaluation is transferred to revaluation reserve except that deficits below original cost which are expected to be permanent are charged to the profit and loss account.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2002

#### 1. ACCOUNTING POLICIES (continued)

##### Fixed assets (continued)

Profits or losses arising from the sale of investment properties are calculated by reference to book value and treated as exceptional items. Profits are recognised on completion.

In accordance with SSAP No. 19, Accounting for Investment Properties, no depreciation is provided in respect of freehold or long leasehold investment properties. This is a departure from the Companies Act 1985 which requires all properties to be depreciated. Such properties are not held for consumption but for investment and the directors consider that to depreciate them would not give a true and fair view. Depreciation is only one amongst many factors reflected in the annual valuation of properties and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified. The directors consider that this policy results in the accounts giving a true and fair view.

##### (iii) Depreciation

Depreciation is provided on operational assets, other than land, to write off the cost of the assets by equal instalments over their expected useful lives as follows:

• Terminal building, pier and satellite structures	up to 60 years
• Terminal fixtures and fittings	5 - 20 years
• Airport plant and equipment:	
• baggage systems	15 years
• screening equipment	7 years
• lifts, escalators, travelators	25 years
• other plant and equipment including runway lighting and building plant	5 - 20 years
• Airport tunnels, bridges and subways	up to 100 years
• Runway surfaces	10 - 15 years
• Runway bases	up to 100 years
• Taxiways and aprons	50 years
• Motor vehicles	4 - 8 years
• Office equipment	5 - 10 years
• Computer equipment	4 - 5 years
• Computer software	3 - 7 years
• Short leasehold properties	over period of lease

##### Capitalisation of interest

Interest payable is charged as incurred except where the borrowing finances tangible fixed assets in the course of construction. Such interest is capitalised once planning permission has been obtained and a firm decision to proceed has been taken until the asset is complete and ready for use. It is charged to the profit and loss account as depreciation over the life of the relevant asset.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended 31 March 2002**

#### **1. ACCOUNTING POLICIES (continued)**

##### **Stocks**

Raw materials and consumables consist of engineering spares and other consumable stores and are valued at the lower of cost and net realisable value.

##### **Deferred taxation**

In accordance with FRS 19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of investment properties where there is no commitment to sell the asset.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

##### **Leases**

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

##### **Cash flow statement**

The Company is a wholly-owned subsidiary of BAA plc and is included in the consolidated financial statements of BAA plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

##### **Comparative figures**

Certain comparative figures have been re-presented to be consistent with the current year's presentation. This change in presentation has no effect on the net assets of the Company.



# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 March 2002

### 2. RESTATEMENT OF COMPARATIVES

The adoption of FRS 19 Deferred Tax has required a change to the accounting treatment of deferred tax and the prior year results have been restated accordingly as follows:

#### (a) Balance sheet

	Deferred tax provision £'000	Profit and loss account £'000
As previously reported at 31 March 2001	-	1,296
Adoption of FRS 19 at 31 March 2001	<u>4,407</u>	<u>(4,407)</u>
<b>31 March 2001 restated</b>	<u><b>4,407</b></u>	<u><b>(3,111)</b></u>

Under FRS 19 the Company is required to make full provision for deferred tax in respect of timing differences recognising in total the potential future tax impact of past transactions. Under SSAP 15 provision for deferred tax was only required if it was expected that timing differences would reverse in the foreseeable future.

#### (b) Profit and loss account

	Taxation £'000	Profit on ordinary activities after taxation £'000
Year ended 31 March 2001 as previously reported	782	2,209
Adoption of FRS 19	<u>135</u>	<u>(135)</u>
<b>Year ended 31 March 2001 restated</b>	<u><b>917</b></u>	<u><b>2,074</b></u>

The adoption of FRS 19 has resulted in increasing the profit and loss account tax charge and reducing profit after tax by £269,000 in the year ended 31 March 2002.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2002****3. SEGMENTAL ANALYSIS**

	2002	2001
Revenue	£'000	£'000
Airport and other traffic charges	8,366	7,758
Retail	2,456	2,603
Property and operational facilities	862	772
Other	2,988	3,365
	<u>14,672</u>	<u>14,498</u>

All revenue arises in the United Kingdom. The majority of the operating costs and net assets relate to more than one segment. In the opinion of the directors it would be misleading to apportion operating costs and net assets to individual segments.

**4. OPERATING COSTS FROM CONTINUING OPERATIONS**

	2002	2001
	£'000	£'000
Staff costs:		
Wages and salaries	3,401	3,343
Social security costs	231	245
Pension costs	534	105
SSAP 24 adjustment	(334)	-
	<u>3,832</u>	<u>3,693</u>
Retail expenditure	19	19
Depreciation	1,298	1,270
Maintenance expenditure	776	614
Rent and rates	539	482
Utility costs	299	277
General expenses	4,399	4,511
Other intra-group charges	136	137
	<u>11,298</u>	<u>11,003</u>
Loss on disposals of tangible fixed assets	101	138
	<u>11,399</u>	<u>11,141</u>

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2002****4. OPERATING COSTS FROM CONTINUING OPERATIONS (continued)**

<b>Operating costs include:</b>	<b>2002 £'000</b>	<b>2001 £'000</b>
Training expenditure	91	98
Rentals under operating leases		
- Hire of plant and machinery	17	10
- Other operating leases	29	43
Charitable donations	9	11
Auditors' remuneration		
- Audit fees	11	15
Legal and other professional fees	112	240

**Employee information**

The Company has no employees. All staff costs are borne by BAA plc which levies a management charge inclusive of staff costs other than in respect of the SSAP 24 adjustment as shown above.

The average number of employees of BAA plc engaged in the operation of Southampton International Airport during the year was 153 (2001: 149).

As announced on 30 July 2001, BAA plc adopted FRS 17 Retirement Benefits and, at that time, adjusted the management charge to its airport subsidiaries to reflect the full service cost of pension provision together with the cost of benefits relating to past service as calculated under FRS 17 for the year ended 31 March 2002. The management charge for the year ended 31 March 2001 includes a charge calculated under the previous pension standard, SSAP 24, and amounts included in creditors at 31 March 2001, which had been apportioned by BAA plc to its subsidiaries, have been written off in the current year and shown separately above.

In 2002, wages and salaries costs include a recharge of £53,000 (2001: £69,000) in respect of contributions made to the BAA Qualifying Employee Share Ownership Trust in connection with the satisfaction of sharesave options held by BAA plc employees engaged in the business of Southampton International Airport Limited.

Other employee information including disclosure relating to FRS 17 and BAA plc's pension schemes is disclosed in the financial statements of BAA plc.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2002

#### 5. DIRECTORS' EMOLUMENTS

	2002 £'000	2001 £'000
<b>Directors' emoluments</b> (excluding pension contributions and awards under share option schemes and other long term incentive schemes).	<u>152</u>	<u>192</u>
<b>Number of directors who:</b>	<b>2002 No.</b>	<b>2001 No.</b>
· are members of a defined benefit pension scheme	2	5
· exercised share options	4	3

M S Hodgkinson was a director of BAA plc during both financial years and his remuneration is paid by BAA plc and disclosed in its financial statements. M Clasper was also a director of BAA plc during the financial year and his remuneration is paid by BAA plc and disclosed in its financial statements.

Three of the directors were directors of Gatwick Airport Limited and their remuneration are shown in that Company's financial statements.

One director did not receive any emoluments in his capacity as a director of the Company.

#### Directors' interests

The interests of the directors holding office at the year end in the ordinary shares of BAA plc are set out below:

	<b>SHARES</b>		<b>OPTIONS</b>			
	1 April 2001 (or date of appointment if later)	31 March 2002	1 April 2001 (or date of appointment if later)	Granted during the year	Exercised during the year	31 March 2002
R Cato	440	2,200	123,987	18,352	1,760	140,579
D G Dalglish	1,778	0	69,240	16,422	16,453	69,209
J Fletcher	3,542	8,995	21,232	2,979	5,453	18,758
R D Herga	7,260	3,476	83,838	21,938	22,906	82,870

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2002

#### 5. DIRECTORS' EMOLUMENTS (continued)

In addition, the interests of the directors holding office at the year end in the ordinary shares of BAA plc held under the BAA Deferred Annual Bonus Plan ("DAB") are set out below:

	1 April 2001 (or date of appointment if later)		31 March 2002	
	No. of shares purchased	No. of matching shares to be awarded at end of 3 year qualifying period	No. of shares purchased	No. of matching shares to be awarded at end of 3 year qualifying period
R Cato	7,065	11,774	7,065	11,774
R D Herga	0	0	1,334	2,223

Details of the DAB are given in the Annual Report of the ultimate parent company, BAA plc.

#### BAA Employee Share Trust ("BEST")

The BEST is a discretionary trust which acquires and holds ordinary shares in BAA plc for subsequent transfer to employees who exercise share options or receive share awards under the BAA plc employee share schemes. By virtue of the provisions of the Companies Act 1985, each director, as a potential beneficiary of the BEST, is deemed to have an interest in the ordinary shares in the Company in which the BEST is interested as shown in the table below:

	1 April 2001	31 March 2002
Number of shares held	3,222,808	8,608,635
Interest in shares through derivative contracts	4,017,794	-
	<u>7,240,602</u>	<u>8,608,635</u>

The number of shares held by the BEST, in which the directors were interested, had reduced to 8,600,725 by 24 May 2002.

The interests of M Clasper are disclosed in the Report and Accounts of BAA plc, the Company's ultimate parent company.

No director had any interest in the shares of the Company or any other subsidiary of BAA plc at any time during the year.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 March 2002

### 6. NET INTEREST PAYABLE

	2002 £'000	2001 £'000
Interest payable		
Payable to ultimate parent undertaking:		
On current loans	(307)	(391)
Interest capitalised	276	25
	<hr/>	<hr/>
Net interest payable	<u>(31)</u>	<u>(366)</u>

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £'000	2001 restated £'000
United Kingdom Corporation tax		
Current at 30% (2001: 30%)	716	784
Prior year adjustment	-	(2)
Total current tax	<hr/> 716	<hr/> 782
Deferred - origination and reversal of timing differences	276	135
- prior year adjustment	<hr/> (7)	<hr/> -
	<u>985</u>	<u>917</u>

Adoption of FRS 19 has required a change in the method of accounting for deferred tax. Full details of the impact of this on current and prior year results are given in note 2.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2002****7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)****Reconciliation of tax charge**

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2001 - 30%). The actual tax charge for the current and prior years is less than 30% for the reasons set out in the following reconciliation:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	<u>3,242</u>	<u>2,991</u>
Tax on profit on ordinary activities at 30%	973	897
Factors affecting charge:		
Permanent differences	19	22
Capital allowances for the year in excess of depreciation	(262)	(124)
Capitalised interest	(83)	(7)
Other short term timing differences	69	(4)
Prior year adjustment	<u>-</u>	<u>(2)</u>
Current tax charge for the year	<u><u>716</u></u>	<u><u>782</u></u>

# **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 31 March 2002**

## **8. TANGIBLE ASSETS**

<b>Cost or valuation</b>	<b>Investment properties £'000</b>	<b>Terminal complexes £'000</b>	<b>Airfields £'000</b>	<b>Group occupied properties £'000</b>	<b>Plant, equipment &amp; other assets £'000</b>	<b>Assets in the course of construction £'000</b>	<b>Total £'000</b>
1 April 2001	13,530	6,759	12,611	18,326	13,229	1,142	65,597
Additions at cost	-	8	-	1	311	7,420	7,740
Transfers to completed assets	8,190	32	88	-	52	(8,362)	-
Interest capitalised	-	-	-	-	-	276	276
Disposals	-	(15)	(10)	(170)	(441)	-	(636)
Reclassifications	-	87	-	(103)	(3)	19	-
Revaluation	(3,940)	-	-	-	-	-	(3,940)
31 March 2002	17,780	6,871	12,689	18,054	13,148	495	69,037
<b>Depreciation</b>							
1 April 2001	-	761	1,434	767	6,369	-	9,331
Charge for the year	-	156	253	72	817	-	1,298
Disposals	-	(1)	(7)	(112)	(398)	-	(518)
Reclassifications	-	45	(5)	(45)	(18)	-	(23)
31 March 2002	-	961	1,675	682	6,770	-	10,088
<b>Net book value</b>							
31 March 2002	17,780	5,910	11,014	17,372	6,378	495	58,949
31 March 2001	13,530	5,998	11,177	17,559	6,860	1,142	56,266



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2002

#### 8. TANGIBLE ASSETS (continued)

##### Valuation

Investment properties and land held for development were valued at open market value by Drivers Jonas, Chartered Surveyors at £17.8 million at 31 March 2002. These valuations were prepared in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors taking account, inter alia, of planning constraints and reflecting the demand for airport related uses. As a result of the valuation, a deficit of £3.9 million has been transferred to revaluation reserve.

Remaining group occupied properties, terminal complexes, airfield infrastructure, plant and equipment, and other assets, have been shown at historical cost.

##### Fully depreciated assets

Cost and accumulated depreciation include £2.9 million (2001: £3.2 million) in respect of fully depreciated assets still in use.

##### Capitalised interest

Included in the cost of assets after depreciation are interest costs of £0.5 million (2001: £0.2 million). £0.3 million (2001: £nil million) has been capitalised in the year at a capitalisation rate of 7.125% (2001: 8.0%) based on a weighted average of general borrowings.

##### Historical cost

The historical cost of investment properties and land held for development at 31 March 2002 was £11.6 million (2001: £3.4 million).

##### Leased assets

The Company had assets rented to third parties under operating leases as follows:

	2002 £'000	2001 £'000
Cost or valuation	17,780	13,530
Accumulated depreciation	-	-
Net book amount	17,780	13,530

A significant proportion of freehold property is occupied by third parties under concession and management agreements.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 March 2002

### 9. STOCKS

	2002 £'000	2001 £'000
Goods for resale	54	78
Raw materials and consumables	111	110
	<u>165</u>	<u>188</u>

The replacement cost of raw materials and consumables at 31 March 2002 and 2001 was not materially different than the amount at which they are included in the accounts.

### 10. DEBTORS

	2002 £'000	2001 £'000
<b>Due within one year:</b>		
Trade debtors	1,674	1,634
Amounts owed by group undertakings	69	53
Other debtors	114	198
	<u>1,857</u>	<u>1,885</u>

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Trade creditors	1,841	1,414
Capital creditors	753	1,161
Amount owed to ultimate parent undertaking	7,964	3,445
Corporation tax payable	404	485
Other tax and social security	-	72
Deferred income	-	5
	<u>10,962</u>	<u>6,582</u>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 March 2002

### 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £'000	2001 £'000
Pensions creditor	<u>-</u>	<u>334</u>

### 13. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £'000
1 April 2001 previously reported	-
Prior year adjustment	<u>4,407</u>
1 April 2001 restated	4,407
Charge to profit and loss account - current year	276
- prior year	<u>(7)</u>
31 March 2002	<u>4,676</u>

Analysis of the deferred tax balances are as follows:

	2002 £'000	2001 restated £'000
Excess of capital allowances over depreciation	4,684	4,409
Other timing differences	<u>(8)</u>	<u>(2)</u>
	<u>4,676</u>	<u>4,407</u>

	Unprovided 2002 £'000	2001 restated £'000
Surplus on revaluation of tangible fixed assets	<u>1,637</u>	<u>2,865</u>

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2002****13. PROVISIONS FOR LIABILITIES AND CHARGES (continued)**

The deferred taxation liabilities have been computed at the expected long term rate of 30% (2001 : 30%).

Provision has been made for deferred taxation in accordance with FRS 19. Full details of the impact of this on current and prior year results are given in note 2.

**14. CALLED UP SHARE CAPITAL**

	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
<b>Authorised</b>		
50,000,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
<b>Called up, allotted and fully paid</b>		
40,000,002 ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>

**15. RESERVES**

	<b>Profit and loss account</b> <b>£'000</b>	<b>Revaluation reserve</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
1 April 2001 as previously reported	1,296	10,127	11,423
Prior year adjustment (see note 2)	<u>(4,407)</u>	<u>-</u>	<u>(4,407)</u>
1 April 2001 restated	(3,111)	10,127	7,016
Retained profit for financial year	2,257	-	2,257
Revaluation deficit	<u>-</u>	<u>(3,940)</u>	<u>(3,940)</u>
31 March 2002	<u>(854)</u>	<u>6,187</u>	<u>5,333</u>

**16. FUTURE COMMITMENTS****Capital**

Future capital expenditure commitments amount to £nil (2001: £0.8 million).

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2002****16. FUTURE COMMITMENTS (continued)****Commitments under operating leases**

At 31 March 2002, the Company was committed to making the following payments during the next year in respect of operating leases.

	<b>Land &amp; Buildings 2002 £'000</b>	<b>Other Leases 2002 £'000</b>	<b>Land &amp; Buildings 2001 £'000</b>	<b>Other Leases 2001 £'000</b>
Leases which expire:				
-within two to five years	<u>-</u>	<u>12</u>	<u>23</u>	<u>8</u>

**17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY**

The ultimate parent undertaking and controlling entity is BAA plc, a company registered in England and Wales.

The only group of companies which includes the Company and for which group accounts are prepared, is the BAA plc group. Copies of the financial statements of BAA plc may be obtained by writing to the Company Secretary at 130 Wilton Road, London, SW1V 1LQ.

**18. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption granted by paragraph 3c of Financial Reporting Standard No. 8 not to disclose related party transactions with BAA plc group companies.

# **AIRPORTS ACT 1986**

## **SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED**

### **PERMISSION TO LEVY CHARGES**

#### **YEAR ENDED 31 MARCH 2002**

The following information is disclosed in accordance with the accounts conditions imposed under Section 40(1)(a) of the Airports Act 1986.

Statement A: Operational/Non - Operational Trading Results

Statement B: Principles of Cost Allocation

Statement C: Connected Party Transactions

Statement D: Auditors' Special Report

The information in Statements A, B and C attached, was approved by the Board of Directors on 27 May 2002.

Directors:

.....  
D J Cumming

Date: 31 May 2002

.....  
D G Dalgleish

Date: 31 May 2002

# **SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED**

## **PERMISSION TO LEVY CHARGES**

### **STATEMENT A**

**Operational/Non-operational trading results in accordance with Conditions 3 and 4 for the year ended 31 March 2002.**

	<b>Income</b>	<b>Expenditure</b>	<b>Profit before tax and interest</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Operational activities</b>			
Airport charges	7,025	5,723	1,302
Other operational activities	7,647	5,676	1,971
<b>Total operational activities</b>	<b>14,672</b>	<b>11,399</b>	<b>3,273</b>
<b>Non operational activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>14,672</b>	<b>11,399</b>	<b>3,273</b>

These disclosures have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets and are in accordance with the accounting policies disclosed within the *Southampton International Airport Limited financial statements* for the year ended 31 March 2002.

# **SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED**

## **PERMISSION TO LEVY CHARGES**

### **STATEMENT B**

**Broad principles of cost allocation in accordance with Conditions 2 and 3 for the year ended 31 March 2002.**

Costs have been allocated into the following categories:

- Airport charges
- Other operational activities
- Non-operational activities

Airport charges comprise all activities in respect of which airport charges are levied. Airport charges comprise landing charges, passenger charges, and aircraft parking charges. All other activities are classified as other operational activities except for the provision and operation of facilities for commercial advertising, spectator areas and some miscellaneous services.

The majority of the income and direct costs are directly allocated to each activity. Other support costs which cannot be directly attributed are allocated between activities as indirect charges or overheads on appropriate bases. These include:

- Direct expenditure excluding depreciation
- Area occupied
- Staff deployed

Total costs include costs incurred by BAA plc. Those costs which are assessed according to the usage are attributed to subsidiaries on that basis. The remaining BAA plc costs are allocated to subsidiaries proportionately on the basis of operating profit subject to a minimum charge of £100,000. Within the Company these costs are allocated between activities as overheads.



# **SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED**

## **PERMISSION TO LEVY CHARGES**

### **STATEMENT C**

**Disclosure transactions in accordance with Condition 1 for the year ended 31 March 2002.**

#### **BAA plc Costs**

The Company is charged by BAA plc £100,000 for services supplied in carrying out the Company's business. This charge includes those costs which are assessed according to usage and are attributed to Southampton International Airport Limited and other fellow subsidiaries on that basis. Other parent company charges include items of expenditure relating directly to the Company which have been charged to the Company. The remaining BAA plc costs cannot be separately attributed on a usage basis because of the nature of the services supplied and have therefore been allocated proportionately on the basis of operating profit subject to a minimum charge of £100,000.

#### **Inter Company account**

The Company's funding is met by an inter-company account with BAA plc. Interest on the current account is charged or credited to the net borrowing calculated at the last day of each month on the balance at the beginning of the month at a percentage rate derived from Barclays Bank plc base rate plus 1.5%.

The interest rate prevailing on the account at 31 March 2002 was 6.5%

During the year ended 31 March 2002, the aggregate minimum borrowing was £3.4m at 1 April 2001. The aggregate maximum borrowing was £8.0m at 31 March 2002.

#### **Other transactions**

There were no other material transactions which would require disclosure under Condition 1 of the accounts conditions.

**SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED**

**PERMISSION TO LEVY CHARGES**

**STATEMENT D**

**AUDITORS' SPECIAL REPORT TO THE  
CIVIL AVIATION AUTHORITY (CAA)**

We have reviewed the financial information on pages 28 to 31 for which the Directors of Southampton International Airport Limited are solely responsible.

In our opinion, Statements A, B and C on pages 29 to 31 present fairly the information set forth therein and are in accordance with the requirements of the Accounts Conditions imposed by the CAA under Section 40(1)(a) of the Airports Act 1986.

*Deloitte & Touche*  
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Deloitte & Touche  
Chartered Accountants  
and Registered Auditors  
31 May 2002