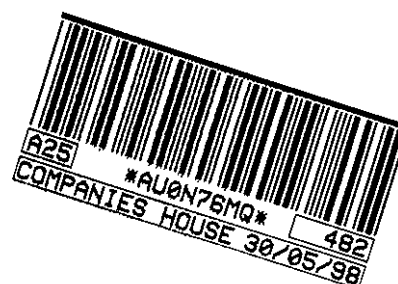


# **SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED**

## **Report and Financial Statements for the Year Ended 31 March 1998**



Company Registration Number 2431858

**REPORT AND FINANCIAL STATEMENTS 1998**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Mrs J C Kong	Chairman
C E Hobbs	Managing Director
J R Bullen	Director
D G Dalglish	Director
M S Hodgkinson	Director

**SECRETARY**

M B Lewis

**REGISTERED OFFICE**

130 Wilton Road  
London  
SW1V 1LQ

**AUDITORS**

Deloitte & Touche  
Chartered Accountants & Registered Auditors

**BANKERS**

Barclays Bank Plc

**SOLICITORS**

Herbert Smith

## **REPORT OF THE DIRECTORS 1998**

The directors present their annual report and the audited financial statements for Southampton International Airport Limited ("the Company") for the year ended 31 March 1998 ("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, passenger traffic increased by 13% to 631,000 passengers. New routes to Zurich and Dublin began and Thomson Holidays confirmed its first regular programme for the Airport, commencing in May 1998.

The Company's financial performance continued to show significant improvement with a doubling of operating profit for the year to £1.3m. The Quality of Service also continues to improve.

For 1998/99 passenger growth is expected to continue at the same level as the previous year and will be achieved through a combination of new routes and moderately expanded inclusive tour operations, with new routes to Germany as the highest priority. The five year marketing plan, now entering its second year, will continue to position Southampton International Airport as the primary business airport for central southern England.

### **RESULTS AND DIVIDENDS**

Profit for the year before taxation amounted to £650,000 (1997: £3,014,000 loss). The directors do not recommend the payment of a dividend.

### **BOARD OF DIRECTORS**

The following persons were directors of the Company during the year:

Mrs J C Kong	(appointed 1 April 1997)	-	Chairman
C E Hobbs		-	Managing Director
J R Bullen			
D G Dalgleish	(appointed 18 December 1997)		
M S Hodgkinson			
J D Long	(resigned 18 December 1997)		

## **REPORT OF THE DIRECTORS 1998**

### **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 3 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 CBI's Prompt Payers Code of Good Practice which is reproduced in the report and accounts of BAA plc. The Company had 24.6 days purchases outstanding at 31 March 1998 (1997: 26.1 days) based on the average daily amount invoiced by suppliers during the year ended 31 March 1998.

### **DONATIONS**

Charitable donations for the year amounted to £3,000 (1997: £2,000). No donations were made for political purposes.

### **MILLENNIUM**

In recognition of the serious implications of the millennium date change BAA began a Year 2000 programme in January 1997. A full time Programme Director was appointed reporting to the Group Airports Director. The Programme Director has been tasked with assessing the scale and impact of the change as well as co-ordinating the resolution of all identified problems in business critical areas.

The Year 2000 programme includes all BAA Group companies and business units and follows a well established project management process. The process involves the following stages:

- increasing awareness of the issue at all levels of management;
- assessing existing inventory;
- assessing impact of the date change;
- prioritising actions;
- contacting suppliers and business partners;
- fixing problems and testing the solutions;

**REPORT OF THE DIRECTORS 1998 (continued)**

**MILLENNIUM (continued)**

The assessment stages are now substantially complete and an inventory of systems and products has been established. Supplier contact is currently well in hand. In certain areas, particularly those concerning the IT legacy and key engineering systems, solutions have been identified and work is progressing within the agreed timetable. BAA's primary concern is always safety and security and the major risks in this area which are within BAA's direct control have largely been identified.

A programme of critical business partner contact is also under way. This involves the identification of all companies that are critical to the successful and safe operation of the airports. Given the number of systems involved and the inter-dependencies with external organisations, contingency plans will be put into place wherever possible, even where a solution has been implemented, to guard against failure in business critical areas.

The key risks associated with Year 2000 are the immovable nature of the deadline, the need to focus resources quickly and the reliance on suppliers to provide solutions to problems once they are identified. The greatest uncertainties arise from the inter-connectivity common to most modern businesses, whereby BAA relies on the successful operation of the telecommunications companies, the utilities operators and the general national infrastructure, to operate successfully. Specifically BAA relies on the successful continuity of all major operations within air transport from airlines and Air Traffic Control.

Although the year 2000 represents a wide range of risks it is our intent to ensure that no significant disruption to business occurs. The programme is well advanced and to date no significant issues have been identified which cannot be rectified in time to avoid disruption to passengers.

BAA has incurred £6.4 million to 31 March 1998 on the Year 2000 programme. It is estimated that a further £40 million will be spent over the next two financial years of which up to £20m may be capitalised. These estimates are based upon the annual budget cycle prepared in late 1997 by local project and specialist managers to assess the scale of the costs.

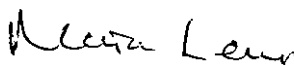
**RE-APPOINTMENT OF AUDITORS**

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meeting and the appointment of auditors annually are currently in force, therefore the auditors, Deloitte & Touche, will be deemed to have been re-appointed.

130 Wilton Road  
London  
SW1V 1LQ

Approved by the Board of Directors  
on and signed on behalf of the Board

22 May 1998

  
**M B Lewis**  
Secretary

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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;
- 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 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.

## AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 7 to 21 which have been prepared under the accounting policies set out on pages 10 to 12.

### Respective responsibilities of directors and auditors

As described on page 5, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

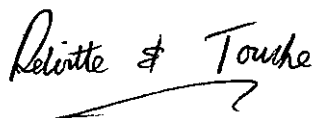
### Basis of opinion

We conducted our audit in accordance with 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.

### 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche  
Chartered Accountants and Registered Auditors  
63 High Street  
Crawley  
W Sussex  
RH10 1BQ

22 May 1998



**SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 1998**

	<b>Note</b>	<b>1998 £'000</b>	<b>1997 £'000</b>
Revenue - continuing operations	1	10,368	10,328
Operating costs	2,3	(9,085)	(9,687)
		<hr/>	<hr/>
Operating profit - continuing operations		1,283	641
Net interest payable	4	(633)	(3,655)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		650	(3,014)
Tax credit on profit/(loss) on ordinary activities	5	39	1,696
		<hr/>	<hr/>
Profit/(loss) for the financial year	11	<u>689</u>	<u>(1,318)</u>

The notes on pages 10 to 21 form part of these financial statements.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 March 1998**

	Note	1998 £'000	1997 £'000
Profit/(loss) for the financial year	11	689	(1,318)
Unrealised revaluation surplus/(deficit)	11	1,761	(500)
		<hr/>	<hr/>
Total gains/(losses) relating to the year		<u>2,450</u>	<u>(1,818)</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

**For the year ended 31 March 1998**

	Note	1998 £'000	1997 £'000
Profit/(loss) for the financial year	11	689	(1,318)
Other recognised gains/(losses) relating to the year	11	1,761	(500)
Issue of share capital		<hr/> -	<hr/> 40,000
Net addition to shareholders' funds		2,450	38,182
Opening shareholders' funds		<hr/> 40,148	<hr/> 1,966
Closing shareholders' funds		<u>42,598</u>	<u>40,148</u>

## BALANCE SHEET AT 31 MARCH 1998

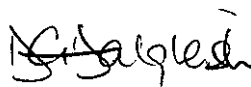
	Note	1998 £'000	1997 £'000
<b>FIXED ASSETS</b>			
Tangible assets	6	50,673	48,657
<b>CURRENT ASSETS</b>			
Debtors	7	1,569	2,584
<b>CREDITORS: amounts falling due within one year</b>	8	(9,644)	(11,093)
<b>NET CURRENT LIABILITIES</b>		<u>(8,075)</u>	<u>(8,509)</u>
<b>NET ASSETS</b>		<u>42,598</u>	<u>40,148</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	40,000	40,000
Revaluation reserve	11	6,456	4,695
Profit and loss account (deficit)	11	<u>(3,858)</u>	<u>(4,547)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>42,598</u>	<u>40,148</u>

The notes on pages 10 to 21 form part of these financial statements.

These financial statements were approved by the Board of Directors on 22 May 1998 and signed on behalf of the Board.



**C E HOBBS**  
Director



**D G DALGLEISH**  
Director

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended 31 March 1998**

#### **1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below:

##### **Basis of accounting**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, as noted separately. The directors have prepared the accounts on a going concern basis because the ultimate parent has agreed to continue to support the Company.

##### **Revenue**

Revenue comprises the invoiced value of sales from airport activities and of property and concession rentals due and agreed, net of value added tax. All revenue is derived from operations within the UK.

##### **Fixed assets**

###### **(i) Investment properties**

Freestanding, 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.

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 1998

#### 1. ACCOUNTING POLICIES (continued)

##### Fixed assets (continued)

##### (ii) Operational assets

Terminal complexes, airfield assets, plant and equipment, fixtures and fittings and Group occupied properties are stated at historic cost less accumulated depreciation.. Assets in the course of construction are stated at historic cost less provision for permanent diminution in value 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.

##### (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 buildings, pier and satellite structures	50 years
• Terminal fixtures and fittings	5-20 years
• Airport plant and equipment including runway lighting and building plant	5-20 years
• Baggage systems	15 years
• Screening equipment	7 years
• Tunnels, bridges and subways	50 years
• Runways, taxiways and aprons	up to 100 years
• Motor vehicles	4 - 8 years
• Office equipment	5 - 10 years
• Computer equipment	4 years
• Short leasehold properties	Over period of lease

Major periodic maintenance expenditure on runways, taxiways and aprons, is charged to the profit and loss account as incurred.

##### Capitalisation of interest

Interest on borrowings which finance tangible fixed assets in the course of construction is capitalised, subject to valuation exceeding cost. 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 income producing and is then written off by way of depreciation of the relevant asset.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1998

### 1. ACCOUNTING POLICIES (continued)

#### Deferred taxation

Provision is made for timing differences on the liability method to the extent that it is probable that a liability will crystallise in the foreseeable future. No provision for deferred tax is made in respect of the surplus arising on the revaluation of investment properties.

#### Leases

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

#### Pension costs

The Group's UK pension fund is a defined benefit scheme which is self administered. In accordance with SSAP 24, Accounting for Pension Costs, pension costs are charged to the profit and loss account on a basis that spreads the cost of pensions over the anticipated working lives of employees. Differences between the amount charged in the profit and loss account and payments made to the fund are treated as assets or liabilities in the balance sheet. Independent actuarial valuations on a going concern basis are carried out every three years. Particulars of the actuarial valuation of the scheme is given in the financial statements of BAA plc.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1998

## 2. OPERATING COSTS FROM CONTINUING OPERATIONS

	1998 £'000	1997 £'000
Staff costs:		
Wages and salaries	4,122	3,693
Social security costs	288	268
Pension costs	138	133
	<u>4,548</u>	<u>4,094</u>
Retail expenditure	4	990
Depreciation	1,414	1,407
Maintenance expenditure	567	691
Rent and rates	359	386
Other property costs	312	362
General expenses	1,881	1,753
Loss on disposal of fixed assets	-	4
	<u>9,085</u>	<u>9,687</u>

Retail expenditure includes the cost of tax and duty free goods purchased under the management contracts entered into with Allnu UK Limited and Alpha Airports Group plc together with the management and incentive fees payable under the contracts.

In 1998, wages and salaries costs include a recharge of £41,000 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.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 1998****2. OPERATING COSTS FROM CONTINUING OPERATIONS (continued)**

	1998 £'000	1997 £'000
<b>Operating costs include:</b>		
Training expenditure	141	39
Rentals under operating leases		
- Hire of plant and machinery	15	8
Charitable donations	3	2
Auditors' remuneration		
- Audit fees	12	14
Legal and other professional fees	42	37

**3. DIRECTORS' EMOLUMENTS**

	1998 £'000	1997 £'000
<b>Directors' emoluments</b> (excluding pension contributions and awards under share option schemes and other long term incentive schemes)	<u>144</u>	<u>132</u>

**Awards**(other than shares and share options) receivable during  
the year under long-term incentive schemes

<u>-</u>	<u>-</u>
----------	----------

	1998 No.	1997 No.
<b>Number of directors who:</b>		
• are members of a defined benefit pension scheme	5	5
• exercised share options	3*	3*
• have received awards during the year in the form of shares under long-term incentive schemes	-	-

\* includes highest paid director

One of the directors was also a director of BAA plc for both financial years and his remuneration is paid by BAA plc and disclosed in its financial statements.



**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 1998****3. DIRECTORS' EMOLUMENTS (continued)**

	1998 £'000	1997 £'000
<b>Highest paid director's remuneration</b>		
Aggregate of emoluments and awards under long-term incentive schemes (excluding pension contributions, share options, gains and awards in the form of shares).	<u>88</u>	<u>46</u>
<b>Highest paid director's pension</b>		
Accrued pension	<u>-</u>	
Accrued lump sum	<u>-</u>	

**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 1997 (or date of appointment if later)	31 March 1998	1 April 1997 (or date of appointment if later)	Granted during the year	Exercised during the year	31 March 1998
Mrs J C Kong	772	782	21,999	52,412	2,424	71,987
C E Hobbs	16,137	18,978	31,209	29,109	27,174	33,144
D G Dalglish	0	0	44,538	0	0	44,538
J R Bullen	4,168	2,267	10,945	7,205	2,424	15,726

The interests of M S Hodgkinson in the ordinary shares of BAA plc are disclosed in the report and accounts of that 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.

**Employee information**

The Company has no employees. All staff costs are borne by BAA plc which levies a management charge inclusive of staff costs as shown in note 2.

The average number of employees of BAA plc engaged in the operation of Southampton International Airport during the year was 223 (1997: 210).

Other employee information is disclosed in the financial statements of BAA plc.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 March 1998

### 4. NET INTEREST PAYABLE

	1998 £'000	1997 £'000
<b>Interest payable</b>		
Payable to ultimate parent company:		
On current loans	1,041	3,655
<b>Interest receivable</b>		
Payable by ultimate parent company:	(408)	-
<b>Net interest payable</b>	<u>633</u>	<u>3,655</u>

### 5. TAX CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
United Kingdom Corporation tax credit at 31 % (1997: 33%)	18	1,308
Adjustment in respect of prior years	21	388
	<u>39</u>	<u>1,696</u>

The tax benefits of £18,000 (1997: £1,308,000) arising from the taxable losses incurred will be surrendered to a fellow subsidiary company in exchange for a payment of the same amount.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended 31 March 1998**

#### **6. TANGIBLE ASSETS**

##### **Valuation**

Investment properties include properties valued at open market value at 31 March 1998 by Drivas Jonas, Chartered Surveyors at £9.7 million. The valuation was 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 surplus of £1.76 million has been transferred to revaluation reserve.

All of the investment properties are freehold assets.

Remaining group occupied properties, terminal complexes, airfield infrastructure, plant and equipment, and other assets, have been shown as at 31 March 1998 at historic cost.

##### **Fully depreciated assets**

Cost and accumulated depreciation include £0.7 million (1997: £0.9 million) in respect of fully depreciated assets still in use.

##### **Historic Cost**

The historic cost of investment properties at 31 March 1998 was £3.3 million (1997: £1.8 million).

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 March 1998

### 6. TANGIBLE ASSETS (continued)

	Runways & Lighting £'000	Buildings & Services £'000	Furniture & Fittings £'000	Plant & Equipment £'000	Land £'000	Assets in the course of construction £'000	Investment Properties £'000	Total £'000
<b>Gross Replacement Cost</b>								
1 April 1997	9,240	10,935	730	11,975	13,714	281	6,500	53,375
Transfers	-	(467)	-	(43)	-	-	510	-
Additions	3	117	30	160	-	-	1,078	1,388
AICC	1	139	-	3	-	148	125	416
Disposals	-	(93)	(9)	(233)	-	(132)	-	(467)
Change in value during year	-	213	-	-	-	-	1,527	1,740
31 March 1998	9,244	10,844	751	11,862	13,714	297	9,740	56,452
<b>Depreciation</b>								
1 April 1997	776	739	312	2,891	-	-	-	4,718
Transfers	-	7	-	(7)	-	-	-	-
Disposals	-	(94)	(9)	(229)	-	-	-	(332)
Change in value during year	-	(21)	-	-	-	-	-	(21)
Charge for the year	125	207	143	939	-	-	-	1,414
31 March 1998	901	838	446	3,594	-	-	-	5,779
<b>Net book value</b>								
31 March 1998	8,343	10,006	305	8,268	13,714	297	9,740	50,673
31 March 1997	8,464	10,196	418	9,084	13,714	281	6,500	48,657

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 March 1998

### 7. DEBTORS

	1998 £'000	1997 £'000
Due within one year:		
Trade debtors	1,131	893
Group relief receivable	18	1,308
Prepayments and accrued income	420	383
	<u>1,569</u>	<u>2,584</u>

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

	1998 £'000	1997 £'000
Bank overdraft	22	225
Trade creditors	296	527
Amount owed to ultimate parent company	8,421	9,806
Other creditors	905	535
	<u>9,644</u>	<u>11,093</u>

### 9. DEFERRED TAXATION

	Provided		Not provided	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Excess of capital allowances over depreciation	-	-	3,729	3,727
Revaluation surplus on tangible assets	-	-	1,897	1,513
	<u>-</u>	<u>-</u>	<u>5,626</u>	<u>5,240</u>

The deferred taxation liabilities have been computed at the expected long-term rate of 31% (1997 : 33%).

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 March 1998

### 10. CALLED UP SHARE CAPITAL

	1998 £	1997 £
<b>Authorised</b>		
50,000,000 ordinary shares of £1 each	<u>50,000,000</u>	<u>50,000,000</u>
<b>Called up, allotted and fully paid</b>		
40,000,002 ordinary shares of £1 each	<u>40,000,002</u>	<u>40,000,002</u>

### 11. RESERVES

	Profit and loss account £'000	Revaluation reserve £'000	Total £'000
1 April 1997	(4,547)	4,695	148
Retained profit for the financial year	689	-	689
Revaluation surplus	-	1,761	1,761
31 March 1998	<u>(3,858)</u>	<u>6,456</u>	<u>2,598</u>

### 12. FUTURE COMMITMENTS AND CONTINGENCIES

#### Capital

Future capital expenditure commitments contracted for but not provided amount to £0.1 million (1997: £0.3 million)

#### Guarantee

The Company has an unlimited guarantee in favour of the Civil Aviation Authority in respect of the trading of an airport operative, Suckling Airways.

#### Commitments under operating leases

The Company has no material finance or operating lease commitments.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 1998**

**13. ULTIMATE PARENT COMPANY**

The parent company and controlling entity is BAA plc, a company registered and incorporated 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.

**14. 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.

# **SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED**

## **AIRPORTS ACT 1986**

### **PERMISSION TO LEVY CHARGES YEAR ENDED 31 MARCH 1998**

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 and non-operational trading results
Statement B:	Principles of cost allocation
Statement C:	Connected party transactions
Statement D:	Audit Report

The information in Statements A, B and C attached was approved by the Board of Directors on 22 May 1998 and signed on behalf of the Board.



D G DALGLEISH

}



C E HOBBS

}

Directors

}



# SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED

## PERMISSION TO LEVY CHARGES

### STATEMENT A

#### OPERATIONAL AND NON-OPERATIONAL TRADING RESULTS IN ACCORDANCE WITH CONDITIONS 3 AND 4 FOR THE YEAR ENDED 31 MARCH 1998

	Income	Expenditure	Profit before tax and interest
	£000	£000	£000
Operational activities:			
Airport charges	5,918	5,426	492
Other operational activities	4,450	3,659	791
	-----	-----	-----
Total operational activities	10,368	9,085	1,283
Non-operational activities	-	-	-
	-----	-----	-----
Total	<u>10,368</u>	<u>9,085</u>	<u>1,283</u>

# **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 1998**

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, aircraft parking charges and extension fees. All other activities are classified as other operational activities except for the provision and operation of facilities for commercial advertising and non-aviation related property rentals.

All 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 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**

#### **DISCLOSED TRANSACTIONS IN ACCORDANCE WITH CONDITION 1 FOR THE YEAR ENDED 31 MARCH 1998**

##### **1. BAA plc Costs**

The Company is charged by BAA plc £296,000 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.

##### **2. Inter Company Account**

The Company's funding is met by an inter-company account.

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 1998 was 8.75%.

During the year ended 31 March 1998, the minimum borrowing was £8,255,151 at 31 December 1997.

The maximum borrowing was £10,626,138 at 30 June 1997.

##### **3. 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  
FOR THE YEAR ENDED 31 MARCH 1998**

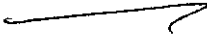
**STATEMENT D**

**AUDIT REPORT**

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

We have reviewed the financial information on pages 22 to 25 for which the directors of Southampton International Airport Limited are solely responsible.

In our opinion, the schedules A to C on pages 23 to 25 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*  


Deloitte & Touche  
Chartered Accountants and Registered Auditors  
63 High Street  
Crawley  
West Sussex  
RH10 1BQ