

Company No. 2431858

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)
REPORT AND FINANCIAL STATEMENTS 1995

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SOUTHAMPTON INTERNATIONAL AIRPORT

(formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

E G Lomas	-	Chairman
P J Barlow	-	Managing Director
J Goodhind		
M S Hodgkinson		
A J Mears	-	Finance Director

SECRETARY

P J Lott

REGISTERED OFFICE

130 Wilton Road
London
SW1V 1LQ

AUDITORS

Touche Ross & Co.
Chartered Accountants

BANKERS

Barclays Bank plc

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)

REPORT OF THE DIRECTORS 1995

The directors present their annual report and the audited financial statements for the year ended 31 March 1995 (the "year").

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Company changed its name from Airports UK (Southampton) Limited to Southampton International Airport Limited on 1 December 1994. The new Terminal was opened by HRH The Duke of York on 9 December 1994 and opened to the public one week later. At 31 March 1995 the Company acquired the debtors, creditors and fixed assets of Skycare Management Services Limited, a fellow subsidiary Company, and of Airports UK Limited, its parent Company. In both cases these were transferred at book value.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £423,000 (1994 - £74,000) which has been transferred to reserves. The directors do not recommend the payment of a dividend.

FIXED ASSETS

Details of changes in tangible fixed assets during the year are shown in note 6 to the financial statements.

BOARD OF DIRECTORS

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

E G Lomas	-	Chairman - appointed 1 May 1994
P J Barlow	-	Managing Director
J Goodhind	-	appointed 1 September 1994
M S Hodgkinson		
A J Mears	-	Finance Director
A J Munds	-	ceased 1 May 1994

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
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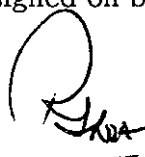
DIRECTORS' INTERESTS

The interests of the directors holding office at the year end in the ordinary shares of BAA plc are set out in note 3(b) to the financial statements.

130 Wilton Road
London
SW1V 1LQ

Date: 2 June 1995

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

A handwritten signature in black ink, appearing to be 'P J Lott', with a horizontal line underneath.

P J Lott
Secretary

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)

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 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.

AUDITORS' REPORT TO THE MEMBERS OF

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED (formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)

We have audited the financial statements on pages 6 to 17 which have been prepared under the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4, 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 of 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 mis statement, 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 affairs of the company as at 31 March 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co

Touche Ross & Co
Chartered Accountants and Registered Auditors
Mountbatten House
1 Grosvenor Square
Southampton SO15 2BE

2 June 1995

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1995

	<u>Note</u>	<u>1995</u>	<u>1994</u>
		£000	£000
Revenue from continuing operations		6,207	5,609
Operating costs from continuing operations	3	<u>(4,844)</u>	<u>(3,628)</u>
Operating Profit from continuing operations		1,363	1,981
Net Interest payable	4	<u>(2,328)</u>	<u>(2,213)</u>
Loss on ordinary activities before taxation		(965)	(232)
Tax Credit on loss on ordinary activities	5	<u>1,388</u>	<u>306</u>
Profit for the financial year		423	74
Accumulated Losses brought forward		<u>(3,688)</u>	<u>(3,762)</u>
Accumulated Losses carried forward		<u>(3,265)</u>	<u>(3,688)</u>

There are no recognised gains or losses and no movements in the shareholders' funds for the current or previous financial year other than those shown above.

The notes on pages 9 to 17 form part of these financial statements.

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
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NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 1995

	1995 £000	1994 £000
Reported loss on ordinary activities before taxation	(965)	(232)
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount	46	(13)
Realisation of property revaluation losses	(472)	94
	<hr/>	<hr/>
Historical cost loss on ordinary activities before taxation	(1,391)	(151)
	<hr/>	<hr/>
Historical cost (Loss)/Profit for the year retained after taxation	(2)	155
	<hr/>	<hr/>

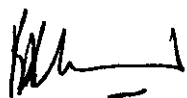
SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
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BALANCE SHEET AT 31 MARCH 1995

	<u>Note</u>	<u>1995</u> £000	<u>1994</u> £000
Fixed assets			
Tangible assets	6	41,021	30,790
Current assets			
Debtors	7	4,813	3,307
Creditors: amounts falling due within one year	8	<u>49,099</u>	<u>37,785</u>
Net current liabilities		<u>(44,286)</u>	<u>(34,478)</u>
Total assets less current liabilities		<u>(3,265)</u>	<u>(3,688)</u>
Net liabilities		<u>(3,265)</u>	<u>(3,688)</u>
CAPITAL AND RESERVES			
Called up share capital	9	-	-
Profit and loss account		<u>(3,265)</u>	<u>(3,688)</u>
Shareholders' funds		<u>(3,265)</u>	<u>(3,688)</u>

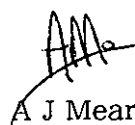
The notes on pages 9 to 17 form part of these financial statements.

These financial statements were approved by the Board of Directors on 2 June 1995 and signed on behalf of the Board.



Director

P J Barlow



Director

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995

1. ACCOUNTING POLICIES

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

(a) Accounting convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of tangible fixed assets, as separately noted. In the opinion of the directors, the modified historical cost basis is more relevant to the accounts of the company.

(b) Turnover

Turnover consists of amounts falling due to the company in respect of consultancy services, management fees and airport activities. Turnover is stated net of value added tax.

(c) Tangible fixed assets

Gross cost of fixed assets is derived as follows:

Runways, buildings and
services, furniture and
fittings, plant and
machinery

At depreciated replacement costs or
valuation updated from appropriate
indices.

Land

At open market valuation by independent
professional valuers. The directors consider that
there has been no change in value since the last
independent professional open market valuation
which was performed at 31 March 1994.

Cost of assets have been apportioned between categories based on professional valuations and adjusted for the expected remaining useful lives of the assets.

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995

(d) Depreciation

Depreciation is calculated to write down assets to their residual values in equal instalments on the following bases:-

	Asset Life Years
Runways and lighting	15 - 100
Buildings and services	5 - 100
Plant and equipment	5 - 40

No depreciation is provided on freehold land and assets in course of construction.

(e) Deferred taxation

Deferred taxation arises in respect of items where there is a timing difference between their treatment for accounting purposes and their treatment for taxation purposes. Provision is made at the appropriate rates for deferred taxation to the extent that it is considered the liability or asset will arise in the foreseeable future.

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995

f) PENSION COSTS

The BAA plc pension scheme is a defined benefit scheme which is self administered. The pension cost charged to the profit and loss account is such as to spread the cost of pensions over employees' working lives with the company.

g) Leases

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

h) Capitalisation of interest

From 1 April 1993 the directors decided that interest would no longer be capitalised into the cost of assets in the course of construction.

2. PENSIONS

Employees of Airports UK group companies are members of the BAA plc group schemes. Details of these schemes are disclosed in the accounts of the ultimate parent company.

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995

3. OPERATING COSTS FROM CONTINUING OPERATIONS

	<u>1995</u> £000	<u>1994</u> £000
External charges:		
Staff costs	2,666	1,926
Property rent and rates	112	147
Other property costs	315	232
Maintenance expenditure	377	293
Retail expenditure	660	515
General expenses	485	(38)
Depreciation of fixed assets	705	460
(Increase)/decrease in valuation of tangible assets	(472)	94
(Profit) on disposals	<u>(4)</u>	<u>(1)</u>
	<u>4,844</u>	<u>3,628</u>

(a) External charges include:

Auditors' remuneration	<u>1</u>	<u>5</u>
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(b) Directors' emoluments

	<u>1995</u> £000	<u>1994</u> £000
Fees	-	-
Other emoluments	130	72

The emoluments of the directors, excluding pension scheme contributions, were as follows:

	<u>Number</u>	<u>Number</u>
Chairman	-	-
Highest paid director	68	72

The number of directors whose emoluments, excluding pension contributions, fell within the following ranges was:

	<u>Number</u>	<u>Number</u>
£0 - £5,000	4	3
£50,001 - £55,000	1	-
£65,001 - £70,000	1	-
£70,001 - £75,000	-	1

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995

3. OPERATING COST FROM CONTINUING OPERATIONS (continued)

Directors' Interests

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

	SHARES *		OPTIONS *			
	1 April 1994 (or date of appointment if later)	31 March 1995	1 April 1994 (or date of appointment if later)	Granted during the year	Exercised during the year	31 March 1995
E G Lomas	806	3,732	135,620	6,723	30,570	111,773
P J Barlow	10,700	10,223	36,160	1,525	2,570	35,115
J Goodhind	18,730	38,902	28,350	6,426	20,140	14,636
M S Hodgkinson	9,976	10,916	219,800	7,852	-	227,652
A J Mears	3,758	4,670	26,238	350	1,542	25,046

* The number of shares and options shown are after adjustment for the one for one Capitalisation issue in July 1994.

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

(c)	Employee information	1995	1994
	Employee costs during the year were:	£000	£000
	Wages & salaries	2,051	1,485
	Social security costs	155	123
	Pension costs	<u>232</u>	<u>136</u>
		<u>2,438</u>	<u>1,774</u>

The average number of persons employed was 133 (1994 - 107)

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995

4. NET INTEREST PAYABLE

	<u>1995</u>	<u>1994</u>
	£000	£000
Interest payable:		
Group	(2,330)	(2,213)
Interest receivable:		
External	2	-
Group	-	-
	<u>(2,328)</u>	<u>(2,213)</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1995</u>	<u>1994</u>
	£000	£000
United Kingdom corporation tax at 33%		
(1994 - 33%) based on loss for the year	1,388	306
	<u>1,388</u>	<u>306</u>

The tax benefits of £1,388,000 (1994 - £306,000) arising from the losses incurred will be surrendered to a fellow subsidiary company in exchange for a payment of the same amount.

Tax losses exceed accounting losses in 1995, primarily due to the effect of timing differences of Southampton International Airport Limited for which no deferred taxation provision is required.

**SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995**

6. TANGIBLE ASSETS	Land £000	Runways & lighting £000	Buildings & services £000	Plant & equipment £000	Assets in course of construction £000	Total £000
COST OR VALUATION						
At 1 April 1994	12,552	5,753	3,943	4,178	10,016	36,442
Additions at cost	-	26	40	339	9,955	10,360
Assets under construction completed	1,148	194	11,122	6,367	(18,831)	-
Intra-company transfers	-	-	-	93	-	93
Disposals	-	(5)	(2,488)	(422)	-	(2,915)
Change in value during year	-	926	(1,146)	772	-	552
At 31 March 1995	<u>13,700</u>	<u>6,894</u>	<u>11,471</u>	<u>11,327</u>	<u>1,139</u>	<u>44,531</u>
DEPRECIATION						
At 1 April 1994	-	1,123	2,788	1,741	-	5,652
Disposals	-	(5)	(2,488)	(422)	-	(2,915)
Change in value during year	-	174	(248)	153	-	79
Charge for the year	-	143	101	461	-	705
Inter-company transfers	-	-	-	(11)	-	(11)
At 31 March 1995	<u>-</u>	<u>1,435</u>	<u>153</u>	<u>1,922</u>	<u>-</u>	<u>3,510</u>
NET BOOK VALUE						
At 31 March 1995	<u>13,700</u>	<u>5,460</u>	<u>11,318</u>	<u>9,404</u>	<u>1,139</u>	<u>41,021</u>
At 31 March 1994	<u>12,552</u>	<u>4,630</u>	<u>1,155</u>	<u>2,437</u>	<u>10,016</u>	<u>30,790</u>

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995

7. DEBTORS

	1995	1994
	£000	£000
Due within one year:		
Trade debtors	424	367
Amount owed by subsidiary companies	2,937	2,111
Other debtors and prepayments	452	629
Group relief	1,000	200
	<u>4,813</u>	<u>3,307</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995	1994
	£000	£000
Bank Loans and overdraft	28	97
Trade creditors	230	201
Amounts owed to fellow subsidiaries	47,029	35,514
Other creditors	1,812	1,973
	<u>49,099</u>	<u>37,785</u>

9. CALLED UP SHARE CAPITAL

	<u>1995</u>	<u>1994</u>
	£	£
Authorised: 100 shares of £1 each	<u>100</u>	<u>100</u>
Authorised, allotted and fully paid 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1995

10. CAPITAL COMMITMENTS

	<u>1995</u> £000	<u>1994</u> £000
The following contractual commitments have been made at 31 March 1995:		
Contracted for but not provided	1,386	5,561
Capital expenditure authorised but not contracted	—	<u>723</u>
	<u>1,386</u>	<u>6,284</u>

11. DEFERRED TAXATION

In accordance with the accounting policy stated in Note 1(e) no provision for deferred taxation is required. The unprovided deferred tax liabilities, computed at the expected long term rate of 33% are as follows:

	<u>1995</u> £000	<u>1994</u> £000
Excess of capital allowances over depreciation	3,313	1,870
Other timing differences	<u>(8)</u>	—
	<u>3,305</u>	<u>1,870</u>

12. ULTIMATE PARENT COMPANY

The ultimate parent company is BAA plc. The ultimate parent company is registered in England and Wales. The company is included in the group accounts of BAA plc.

Copies of the financial statements of BAA plc may be obtained by writing to the Company Secretary at 130 Wilton Road, London SW1V 1LQ.

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)

AIRPORTS ACT 1986


PERMISSION TO LEVY CHARGES


For the Year Ended 31 March 1995

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

Statement A:	Operational and non-operational trading results
Statement B:	Basis 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 2 June 1995.


P J Barlow
Director


A J Mears
Director

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) 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 1995

	Income	Expenditure	Profit before tax and interest
	£000	£000	£000
Operational activities:			
Airport charges	3,997	3,424	573
Other operational activities	2,167	1,385	782
	<hr/>	<hr/>	<hr/>
Total operational activities	6,164	4,809	1,355
Non-operational activities	43	35	8
	<hr/>	<hr/>	<hr/>
	6,207	4,844	1,363

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) 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 1995

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. These are 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 of overheads on appropriate bases. These include:

Area occupied
Staff deployed
Direct expenditure

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
(formerly AIRPORT UK (SOUTHAMPTON) LIMITED)

PERMISSION TO LEVY CHARGES

STATEMENT C

Disclosed transactions in accordance with Condition 1

For the Year ended 31 March 1995

1. Intercompany account and short-term loan (£20m, repayable 31 May 1995)

The company's funding is met by a short-term loan from BAA plc and by a short-term loan from a fellow subsidiary company, London Airports Ltd. 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 derived from Barclays Bank base rate plus 1.5%. Interest on the short-term loan is calculated on a daily basis at a percentage derived from Barclays Bank base rate plus 1.5%. The interest rate prevailing on this account as at 31 March 1995 was 8.25%. During the year ended 31 March 1995, the minimum borrowing was £28,522,001 at 1 April 1994. The maximum borrowing was £34,185,409 at 31 March 1995.

2. SkyCare Management Services Limited

The Company has a concessionaire, SkyCare Management Services Limited, which sells aviation fuel and provides aircraft handling services at Southampton International Airport. This company is a fellow subsidiary of Southampton International Airport Limited and pays a fee, currently £306,000 per annum, in respect of this concession.

3. Airport redevelopment

The Technical Services Division of BAA plc provides services to the company in respect of the redevelopment of Southampton International Airport. During the year fees amounting to £340,000 were charged in respect of these services.

4. BAA plc costs

The company is charged by BAA plc £328,000 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 subsidiaries on that basis. 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.

5. Other Transactions

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

SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED
(formerly AIRPORTS UK (SOUTHAMPTON) LIMITED)

PERMISSION TO LEVY CHARGES

For the Year ended 31 March 1995

STATEMENT D: AUDIT REPORT

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

We have reviewed the financial information pages 18 to 21 for which the directors of Southampton International Airport Limited are solely responsible.

In our opinion, the schedules A to C on Pages 19 to 21 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(i)(a) of the Airports Act 1986.

Touche Ross & Co.

Touche Ross & Co.
Chartered Accountants and Registered Auditors
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BE

2 June 1995