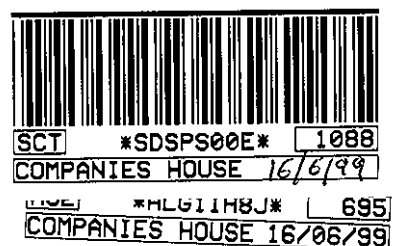


EDINBURGH AIRPORT LIMITED

**Report and Financial Statements
for the Year Ended 31 March 1999**

Company Registration Number ^{SC}96623

11



REPORT AND FINANCIAL STATEMENTS 1999

CONTENTS	Page
Officers and Professional Advisers	1
Directors' Report	2
Statement of Directors' Responsibilities	6
Auditors' Report	7
Profit and Loss Account	8
Statement of Total Recognised Gains and Losses	9
Reconciliation of Movements in Shareholders' Funds	9
Balance Sheet	10
Notes to the Financial Statements	11
Accounts Conditions Disclosures	23

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Vernon L Murphy	Chairman
Donal Dowds	Managing Director
G Douglas Dewar	Finance Director

SECRETARY

Maria B Lewis

REGISTERED OFFICE

St Andrew's Drive
Glasgow Airport
Paisley PA3 2SW

AUDITORS

Deloitte & Touche
Chartered Accountants

BANKERS

Barclays Bank Plc

REPORT OF THE DIRECTORS 1999

The directors present their annual report and the audited financial statements for Edinburgh Airport Limited ("the Company") for the year ended 31 March 1999 ("the year").

PRINCIPAL ACTIVITIES

The Company owns and is the licensed operator of Edinburgh Airport.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Passenger growth at the airport was very strong, with overall growth of 8.3% taking total terminal passengers to 4.6 million. UK passenger numbers grew by 6.8% to 3.6 million and international passengers by 14.1% to 1.0 million.

Income from airport charges excluding baggage handling grew by 8.3% in line with traffic growth and the company is committed to its policy of reducing airport charges in real terms. Retail income grew by 14.6% as a result of increased customer parking facilities, new terminal outlets and overall passenger growth. Overall company income grew by 9.7%.

Excluding last year's windfall tax of £2.5 million, operating costs grew by 11.1%. Resources were increased to cater for strong airport growth within a terminal which is undergoing a state of transition. At the end of last financial year, baggage handling activities were sub-contracted in preparation for the introduction of competition to comply with the EU ground handling directive.

During the year the company invested £32 million in capital expenditure focusing on the improvement of passenger facilities. £26 million was spent on the airport's £54 million terminal redevelopment and the next stage is due to open as planned in early summer. This will provide extensive new departure and domestic arrivals facilities. A further £15 million of capital expenditure is planned for the project for 1999/2000 with completion in spring 2000. Also, during the year, the new long stay car park was completed at a cost of £2 million.

The company is continuing to take steps to mitigate the anticipated loss of income in the event that sales of duty and tax free goods to travellers within the European Union end on 30 June 1999.

The year ahead will be one of significant operational change, with the opening of the new terminal extension and extensive refurbishment of the existing building. However the directors anticipate another year of strong passenger growth and are committed to providing a successful operation with significantly improved passenger facilities.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £12.6 million (1998: £9.0 million). A dividend of £6.126 million in respect of 1998 retained profits was declared on 27 May 1999.

BOARD OF DIRECTORS

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

Vernon L Murphy	Chairman
Donal Dowds	Managing Director
G Douglas Dewar	Finance Director

DIRECTORS' INTERESTS

The interests of the directors holding office at the year end in the ordinary shares of BAA plc are set out in the accounts of the parent company, Scottish Airports Limited.

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 "Better Payment Practice Code" which is reproduced in the report and accounts of BAA plc. The Company had 21 days purchases outstanding at 31 March 1999 (31 March 1998: 20 days) based on the average daily amount invoiced by suppliers during the year ended 31 March 1999.

DONATIONS

Charitable donations for the year amounted to £5,000. No donations were made for political purposes.

MILLENNIUM

In recognition of the serious implication of the millennium date change BAA began a year 2000 programme in January 1997 covering all Group companies. This programme is following a well-established project management process using external consultants and a dedicated internal team.

During the year the main focus has been on remediation and testing of our assets and systems - concentrating on those most critical to safety and to the continuity of our business. To date, 98% of the Company's systems are considered Year 2000 ready, following assessment, fix and test programmes. Final testing is underway for the remainder.

The aim of all our Year 2000 preparations is to minimise risk to acceptable levels for all the Company's stakeholders. To further this, we have introduced a moratorium on implementing new projects with significant information technology content from 1 April 1999 to 31 January 2000. This requires specific approval according to strong criteria before a project can be considered for implementation in that time period.

During the remainder of 1999 we will concentrate on business continuity planning, much of which is already well advanced. This comprises reviewing existing contingency and recovery plans, creating staffing, communication and training plans and having continuous contact with our business partners and suppliers. We are putting plans in place to ensure that the necessary staff will be in place over the millennium.

The greatest uncertainties which remain are those relating to the Company's reliance on third parties. Primarily, we are dependent on the operation of world wide infrastructure and the continuity of the whole air transport industry, from airlines to air traffic control. BAA and Edinburgh Airport Limited are promoting in depth reviews with critical business partners including CAA/NATS, British Airways and our utility providers. This contact will continue and expand in scope throughout 1999.

IATA and the CAA's independent assessor has recently carried out a review of the Company's programme and our state of readiness. Both expressed confidence in the quality and scope of our works. We will continue to work with government and other international bodies towards resolving the Year 2000 issue across the industry.

Our own assurance process will include detailed validation reviews of all projects and sign-off of operational readiness by the Board of Directors. The BAA plc Group Board and Audit Committee will review the readiness status of the company during the Autumn.

Whilst the Year 2000 continues to represent a wide range of risks, our intent remains to operate a safe and secure business without significant disruption.

The Company has incurred £255,000 of revenue expenditure during 1998/99 (in addition to £134,000 spend in the year to 31 March 1998). We estimate that a further £100,000 will be spent during the year March 2000.

EUROPEAN MONETARY UNION

The work of the EMU Steering Group established in 1997 has continued. A high level impact study completed in the year is being developed into an implementation strategy for the introduction of the euro if and when the UK elect to join EMU.

During the period while sterling is floating freely against the euro Edinburgh Airport Limited's policy is to:

- treat the euro as another foreign currency.
- continue to raise invoices and require settlement in sterling.
- settle liabilities according to the currency of contract.

We continue to consult with our customers. Passengers are able to pay for goods in euro at the prevailing sterling/euro exchange rate by using credit cards or traveller cheques within our airport terminals.

The costs of transition from sterling to the euro have not been fully quantified pending completion of the detailed implementation strategy.

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.

St Andrew's Drive
Glasgow Airport
PAISLEY
PA3 2SW

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



27 May 1999

Maria 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 7.

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 8 to 22 which have been prepared under the accounting policies set out on pages 11 to 13.

Respective responsibilities of directors and auditors

As described on page 6, 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.

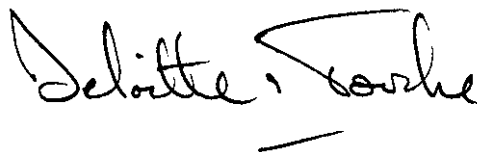
Basis of opinion

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 1999 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
39 St Vincent Place
Glasgow
G1 2QQ

27 May 1999

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 1999

	Note	1999 £'000	1998 £'000
Revenue from continuing operations	1,2	42,936	39,141
Operating costs (including in 1998 an exceptional intra group management charge of £2.5m for Windfall Tax)	3	(28,238)	(27,904)
		<hr/>	<hr/>
Operating profit from continuing operations		14,698	11,237
Net interest payable	5	(2,145)	(2,287)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		12,553	8,950
Tax on profit on ordinary activities	6	(2,685)	(3,024)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		9,868	5,926
Dividends	7	(6,126)	(7,843)
		<hr/>	<hr/>
Retained profit/(loss) for the financial year	14	3,742	(1,917)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 22 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 1999

	Note	1999 £'000	1998 £'000
Profit for the financial year		9,868	5,926
Unrealised revaluation surplus	14	4,866	2,266
		<hr/>	<hr/>
Total gains relating to the year		<u>14,734</u>	<u>8,192</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS'
FUNDS**
For the year ended 31 March 1999

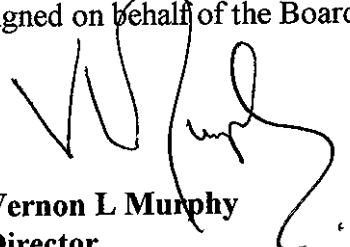
	Note	1999 £'000	1998 £'000
Profit for the financial year		9,868	5,926
Dividends	7	(6,126)	(7,843)
Other recognised gains relating to the year	14	<u>4,866</u>	<u>2,266</u>
Net addition to shareholders' funds		8,608	349
Opening shareholders' funds		<u>41,196</u>	<u>40,847</u>
Closing shareholders' funds		<u>49,804</u>	<u>41,196</u>

BALANCE SHEET AT 31 MARCH 1999


	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible assets	8	115,876	84,461
CURRENT ASSETS			
Stock	9	245	295
Debtors	10	7,687	5,428
Cash at bank and in hand		-	-
TOTAL CURRENT ASSETS		7,932	5,723
CREDITORS: amounts falling due within one year	11	(74,004)	(48,988)
NET CURRENT LIABILITIES		(66,072)	(43,265)
NET ASSETS		<u>49,804</u>	<u>41,196</u>
CAPITAL AND RESERVES			
Called up share capital	13	6,500	6,500
Revaluation reserve	14	33,258	28,570
Profit and loss account	14	10,046	6,126
EQUITY SHAREHOLDERS' FUNDS		<u>49,804</u>	<u>41,196</u>

The notes on pages 11 to 22 form part of these financial statements.

These financial statements were approved by the Board of Directors on 27 May 1999 and signed on behalf of the Board.



Vernon L Murphy
Director



G Douglas Dewar
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1999

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 historic cost convention, as modified by the revaluation of certain tangible fixed assets, as noted separately. The directors have prepared the accounts on the going concern basis because the ultimate parent company has agreed to continue to support the Company.

Revenue

Revenue comprises:

- Airport and traffic charges: the invoiced value of sales from airport activities net of value added tax;
- Property: gross rents receivable 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) 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 1999

1. ACCOUNTING POLICIES (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 building, pier and satellite structures	50 - 60 years
• Terminal fixtures and fittings	5 - 20 years
• Airport plant and equipment	
♦ Baggage systems	15 years
♦ Screening equipment	7 years
♦ other plant and equipment including runway lighting and building plant	5 - 20 years
• Airport 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 except where the expenditure represents an asset improvement when the cost is capitalised and written off over the asset's estimated useful economic life.

Capitalisation of interest

Interest on loans obtained to finance capital projects 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 1999

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

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 lease.

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 schemes are given in the financial statements of BAA plc.

2. SEGMENTAL ANALYSIS

Revenue	1999 £'000	1998 £'000
Airport and other traffic charges	29,424	26,849
Retail	10,022	8,744
Property	2,964	2,921
Other	526	627
	<u>42,936</u>	<u>39,141</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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1999

3. OPERATING COSTS FROM CONTINUING OPERATIONS

	1999 £'000	1998 £'000
Staff costs:		
Wages and salaries	8,432	8,478
Social security costs	575	614
Pension costs	365	313
	<u>9,372</u>	<u>9,405</u>
Retail Expenditure	105	87
Depreciation	3,831	3,216
Maintenance expenditure	3,329	2,741
Rent and rates	1,194	935
Utility costs	1,493	1,680
Police costs	766	749
General Expenses	3,962	2,669
Intra-group charge: Windfall tax	-	2,500
Other intra-group charges	3,967	3,585
	<u>28,019</u>	<u>27,567</u>
Loss on disposals	219	337
	<u>28,238</u>	<u>27,904</u>

In 1999, wages and salaries costs include a recharge of £0.516 million (31 March 1998: £0.319) 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 Edinburgh Airport Limited.

The intra-group recharge in 1998 for Windfall Tax allocated the Windfall Tax charge, borne by BAA plc, to the subsidiaries whose profits generated this charge. This charge was non-recurring.

	1999 £'000	1998 £'000
Operating costs include:		
Training expenditure	157	148
Rentals under operating leases		
- Hire of plant and machinery	88	56
- Other operating leases	9	20
Charitable donations	5	8
Auditors' remuneration		
- Audit fees	15	15
Legal and other professional fees	21	15

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1999

3. OPERATING COSTS FROM CONTINUING OPERATIONS (continued)

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 above.

The average number of employees of BAA plc engaged in the operation of Edinburgh Airport during the year was 339 (1998: 356).

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

4. DIRECTORS' EMOLUMENTS

	1999 £'000	1998 £'000
Directors' emoluments		
Aggregate emoluments	112	109
(excluding pension contributions and awards under share option schemes and other long term incentive schemes)		
Awards		
(other than shares and share options) receivable during the year under long-term incentive schemes)	-	-
	1999 No.	1998 No.
Number of directors who:		
• are members of a defined benefit pension scheme	1	1
• exercised share options	1	-
• have received awards during the year in the form of shares under long-term incentive schemes	-	-

All of the directors were also directors of Scottish Airports Limited for both financial years, and two directors are paid by Scottish Airports Limited. Their remuneration is disclosed in its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1999

5. NET INTEREST PAYABLE

	1999 £'000	1998 £'000
Interest payable		
Payable to ultimate parent company:		
On current loans	(3,754)	(2,287)
Interest Capitalised	1,567	-
Interest Receivable	<u>42</u>	<u>-</u>
Net interest payable	<u>(2,145)</u>	<u>(2,287)</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
United Kingdom Corporation tax at 31% (1998: 31%)	2,685	3,308
Prior period adjustment	-	(284)
	<u>2,685</u>	<u>3,024</u>

The effective tax rate is lowered by the excess of capital allowances over depreciation and capitalised interest.

7. DIVIDENDS

	1999 £'000	1998 £'000
Interim (paid):	-	7,843
Interim (proposed):	<u>6,126</u>	<u>-</u>
	<u>6,126</u>	<u>7,843</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1999

8. TANGIBLE ASSETS

Valuation

Investment properties and development land were valued at open market value by Drivers Jonas, Chartered Surveyors at £40.24 million. 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 surplus of £4.866 million has been transferred to revaluation reserve.

Remaining freehold properties, terminal complexes, airfield infrastructure, plant and equipment and other assets have been shown as at 31 March 1999 at historic cost.

Fully depreciated assets

Cost and accumulated depreciation include £6.8 million (1998: £8.0 million) in respect of fully depreciated assets still in use.

Capitalised Interest

The amount of interest included in the cost of assets after depreciation was £1.6 million (1998: £nil)

Historic Cost

The historic cost of investment properties and land held for development at 31 March 1999 was £8.3 million (1998: £9.0 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1999

8. TANGIBLE ASSETS (continued)

Gross Cost or Valuation

	Investment Properties £'000	Terminal Complexes £'000	Airfields £'000	Other Properties £'000	Plant, equipment & other assets £'000	Assets in the course of Construction £'000	Total £'000
1 April 1998	35,969	36,194	8,205	2,913	8,612	6,174	98,067
Additions at cost	-	-	-	-	1,149	30,426	31,575
Transfers to completed assets	1,719	954 (461)	497	39	131	(3,340)	-
Disposals	-	-	-	-	(1,204)	-	(1,665)
Interest capitalised	-	-	-	-	-	1,567	1,567
Intercompany transfers	(2,310)	-	-	-	-	-	(2,310)
Reclassifications	-	-	-	-	-	-	-
Revaluation	4,866	-	-	-	-	-	4,866
31 March 1999	40,244	36,687	8,702	2,952	8,688	34,827	132,100

Depreciation

1 April 1998	-	7,304	1,335	122	4,845	-	13,606
Charge for the year	-	2,419 (217)	209	138	1,065 (996)	-	3,831
Disposals	-	-	-	-	-	-	(1,213)
Intercompany transfers	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
31 March 1999	-	9,506	1,544	260	4,914	-	16,224

Net book value

31 March 1999	40,244	27,181	7,158	2,692	3,774	34,827	115,876
31 March 1998	35,969	28,890	6,870	2,791	3,767	6,174	84,461

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1999

8. TANGIBLE ASSETS (continued)

Leased assets

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

	1999 £'000	1998 £'000
Cost or valuation	39,700	34,500
Accumulated depreciation	<u>-</u>	<u>-</u>
Net book amount	<u>39,700</u>	<u>34,500</u>

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

Transfer of assets

On 1 July 1998, investment properties were transferred to BAA plc, a fellow Group Company. These properties were held at valuation of £2.31 million at 31 March 1998. Prior years' revaluation surpluses of £0.178 million are the subject of a reserve adjustment. (See Note 14).

9. STOCKS

	1999 £'000	1998 £'000
Raw materials and consumables	<u>245</u>	<u>295</u>

The replacement cost of raw materials and consumables at 31 March 1999 and 1998 was not materially different from the amount at which they are included in the accounts.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 1999

10. DEBTORS

	1999	1998
	£'000	£'000
Due within one year:		
Trade debtors	3,812	4,347
Prepayments and accrued income	1,124	469
Due after one year:		
Loan to ultimate parent company	2,376	-
Pension prepayments	338	554
Other debtors	37	58
	<u>7,687</u>	<u>5,428</u>

Prepayments and accrued income included stocks at 31 March 1998. Stocks are now disclosed in Note 9.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999	1998
	£'000	£'000
Bank overdraft	21	300
Trade creditors	2,699	2,434
Capital creditors	5,982	2,684
Amount owed to ultimate parent company	55,066	39,182
Amount due to fellow subsidiaries	342	77
Corporation tax payable	3,067	3,638
Other tax and social security	190	214
Accruals and deferred income	511	459
Dividend Payable	6,126	-
	<u>74,004</u>	<u>48,988</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1999

12. DEFERRED TAXATION

	Provided		Not Provided	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Excess of capital allowances over depreciation	-	-	5,494	4,378
Revaluation surplus on tangible assets	-	-	6,860	6,027
	<u>-</u>	<u>-</u>	<u>12,354</u>	<u>10,405</u>

The deferred taxation liabilities have been computed at the expected long term rate of 30% (1998 : 31%).

13. CALLED UP SHARE CAPITAL

	1999	1998
	£'000	£'000
Authorised:		
6,550,000 ordinary shares of £1 each	<u>6,550</u>	<u>6,550</u>
Called up, allotted and fully paid:		
6,500,000 ordinary shares of £1 each	<u>6,500</u>	<u>6,500</u>

14. RESERVES

	Total	Profit and	Revaluation
	£'000	loss account	reserve
	£'000	£'000	£'000
1 April 1998	34,696	6,126	28,570
Profit for year	3,742	3,742	-
Gain on revaluation	4,866	-	4,866
Realisation	<u>-</u>	<u>178</u>	<u>(178)</u>
31 March 1999	<u>43,304</u>	<u>10,046</u>	<u>33,258</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1999

15. FUTURE COMMITMENTS

Capital

Future capital expenditure commitment amounts to £7.3 million (1998: £9.8 million).

Commitments under operating leases

The company has no material finance or operating lease commitments.

16. ULTIMATE PARENT COMPANY

Edinburgh Airport Limited is a wholly owned subsidiary of Scottish Airports Limited. The ultimate parent company 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.

17. RELATED PARTY TRANSACTIONS

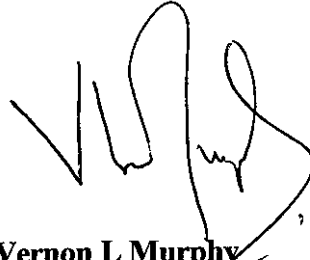
The Company has taken advantage of the exemption granted by paragraph 3c of Financial Reporting Standard No. 8 not to disclose related party transactions with BAA plc group companies.

**PERMISSION TO LEVY CHARGES
Year Ended 31 March 1999**


The following information is disclosed in accordance with the accounts conditions imposed under section 41(1) of the Airports Act 1986.

Statement A:	Operational/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 27 May 1999 and signed on their behalf



Vernon L Murphy
Director



G Douglas Dewar
Director

**PERMISSION TO LEVY CHARGES
STATEMENT A**

**Operational/Non Operational Trading Results in Accordance with
Conditions 3 and 4 for the year ended 31 March 1999**

	<u>Income</u> £'000	<u>Expenditure</u> £'000	<u>Profit before tax and interest</u> £'000
Operational Activities:			
Airport Charges	26,331	18,820	7,511
Other Operational Activities	15,665	9,117	6,548
Total Operational Activities	41,996	27,937	14,059
 Non-Operational Activities	 940	 301	 639
 TOTAL	 42,936	 28,238	 14,698

PERMISSION TO LEVY CHARGES STATEMENT B

Broad Principles of Cost Allocation in Accordance with Conditions 2 and 3 For the Year Ended 31 March 1999

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 a weight and passenger related departure charge and aircraft parking charges. All other activities are classified as other operational activities except for the provision and operation of facilities for commercial advertising and spectator areas.

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 and Scottish Airports Limited. Those BAA plc 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. The costs of Scottish Airports Ltd are allocated to airports according to each airport's appropriate share of the individual costs involved. Within the airport, these costs are allocated between activities as overheads.

PERMISSION TO LEVY CHARGES STATEMENT C

Disclosure Transactions in Accordance with Condition 1 for the Year Ended 31 March 1999

BAA plc Costs

The Company is charged by BAA plc 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 Edinburgh 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 derived from Barclay's Bank base rate plus 1.5%.

The interest rate prevailing on this account at 31 March 1999 was 7.0%.

During the year ended 31 March 1999, the aggregate maximum borrowing was £56.1m at 28 February 1999.

The aggregate minimum borrowing was £39.5m at 30 April 1998.

Other Transactions

As at 1 July 1998 the following properties were transferred at Net Book Value to BAA plc a fellow Group Company:

Hotel Development Site
Spitfire House

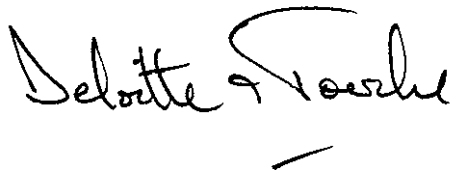
The total Net Book Value at transfer was £2.31m.

**PERMISSION TO LEVY CHARGES
STATEMENT D**

Auditors' Special Report
To The Civil Aviation Authority (CAA)

We have reviewed the financial information on pages 24 to 26 for which the Directors of Edinburgh Airport Limited are solely responsible.

In our opinion, the schedules A to C on pages 24 to 26 present fairly the information set forth therein and are in accordance with the requirements of the Accounts Conditions imposed by the CAA under Section 41 (1) of the Airports Act 1986.

A handwritten signature in dark ink, appearing to read 'Deloitte & Touche', with a horizontal line underneath.

Deloitte & Touche
Chartered Accountants and Registered Auditors
39 St Vincent Place
GLASGOW
G1 2QQ

27 May 1999