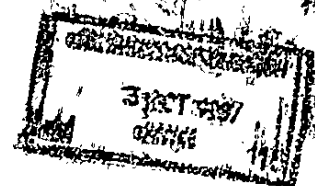


Stansted Airport Limited

Report and Financial Statements for the
Period Ended 31 March 1987



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STANSTED AIRPORT LIMITED

REPORT AND FINANCIAL STATEMENTS 1987

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STANSTED AIRPORT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	Mr A J Munds	Chairman and Managing Director
	Mr G J Ambrose	Operations Director
	Mr R L Everitt	Non-Executive
	Mr J Grice	Non-Executive
	Mr A R Westbrook	Development Director
Secretary	Mr J Grice	
Registered office	130 Wilton Road London SW1V 1LQ	
Auditors	Touche Ross & Co. Chartered Accountants	
Bankers	Barclays Bank PLC	
Solicitors	Herbert Smith	

STANSTED AIRPORT LIMITED

REPORT OF THE DIRECTORS 1987

The Directors present their first annual report for Stansted Airport Limited ("the Company") from its incorporation to 31 March 1987. The Company commenced trading on 1 August 1986 and presents its audited accounts for the eight months to 31 March 1987. Proforma figures for revenue, operating costs and operating loss are provided for each of the years ended 31 March 1987 and 1986 respectively in accordance with Note 2 to the Accounts.

AIRPORTS ACT 1986

The Company was incorporated on 19 February 1986. On 31 July 1986 the property, rights and liabilities of the former British Airports Authority in the business at Stansted Airport were transferred to the Company under the British Airports Authority Transfer Scheme 1986 (the "Scheme") pursuant to the provisions of the Airports Act 1986 and the Company commenced trading on 1 August 1986.

ACTIVITIES

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

AIRPORT DEVELOPMENT

Traffic increased by about 10% to 556,000 terminal passengers for the year. A number of new services were commenced towards the end of the year. Considerable emphasis was given to the marketing of the airport to new operators with the objective of increasing the traffic level and reducing the operating loss in the period leading up to the opening of the new terminal.

Good progress was made on the new developments to increase the capacity of the airport to eight million passengers per annum (8mppa) by 1991, and the project is on programme.

DIRECTORS

The Directors are:

Mr A J Munds	-	Chairman and Managing Director
Mr G J Ambrose	-	Operations
Mr A R Westbrook	-	Development
Mr R L Everitt	-	Non-Executive
Mr J Grice	-	Non-Executive

Since the incorporation of the Company the following persons have also been Directors:

Mr B Ratzke	-	Appointed 19 February 1986, ceased 26 March 1986
Mr L Neal	-	Appointed 19 February 1986, ceased 26 March 1986

No Director has an interest in any shares or debentures in the Company or had a beneficial interest in any significant contract or arrangement to which the Company was a party during the year.

RESULTS AND DIVIDEND

The profit and loss account for the period from incorporation to 31 March 1987 shows the Company's results for the eight months to 31 March 1987 and proforma figures for revenue, operating costs and operating loss for each of the years ended 31 March 1987 and 1986 respectively in accordance with Note 2 to the Accounts.

The net loss for the eight months to 31 March 1987 after taxation on a current cost accounting basis was £1,562,000. The Directors, therefore, do not recommend the payment of a dividend.

STANSTED AIRPORT LIMITED

REPORT OF THE DIRECTORS 1987

SHARE CAPITAL

Since the incorporation of the Company the authorised share capital was increased from £100 to £17,800,100 of which £17,800,000 was issued and allotted as fully paid shares on 31 July 1986 under the Scheme resulting in a total issued share capital of £17,800,002.

UNSECURED LOAN NOTE

On 31 July 1986 an unsecured loan note to the value of £1,100,000 was issued under the Scheme.

FIXED ASSETS

Construction of the new development for increased capacity has continued. Apart from this, no significant changes in the fixed assets of the Company have occurred during the eight months of trading. Details of changes in fixed assets are shown in Note 9 to the Accounts.

EMPLOYEES

The Company has no direct employees. The staff are employed by BAA plc which is the Company's holding company. The Company administers the following BAA plc employee policies:

Employee Involvement

Joint negotiations and consultations with the Trades Unions play an important part in making changes and improving efficiency. The Company regards training as crucial to its success.

Equal Opportunities and Employment of Disabled Persons

Employment policies are designed to provide equal opportunity, irrespective of sex, religion, race or marital status. Applications for employment by disabled persons are given full and fair consideration and, wherever practicable, provision is made for their special needs. The Company applies the same criteria to disabled persons for training and promotion as to any other employee. If existing employees become disabled every effort is made to ensure their continued employment.

Occupational Health and Safety

The Company continues to promote all aspects of safety in the interests of airport employees and the public.

AUDITORS

Touche Ross & Co. have signified their willingness to continue in office as Auditors and under the Companies Act 1985 their reappointment will be proposed at the Annual General Meeting.

130 Wilton Road
London SW1V 1LQ

8 June 1987

By Order of the Board

J Grice
Secretary

Touche Ross & Co.
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1 Little New Street
London EC4A 3TR
Telephone: National 01 353 3011
International +44 1 353 8011
Telex: 884739 TRLNDN G
Telecopier (Gp. 3): 01 583 8517

 **Touche Ross**

Chartered Accountants

STANSTED AIRPORT LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 16 in accordance with approved Auditing Standards.

In our opinion the financial statements on pages 5 to 16 give, under the current cost accounting principles and methods outlined in Note 3, a true and fair view of the state of affairs of the company at 31 March 1987 and of its loss and source and use of funds of the company for the eight month period then ended and comply with the Companies Act 1985.

Touche Ross & Co.

Chartered Accountants
London

8 June 1987

Aberdeen, Birmingham, Bracknell, Bristol, Cardiff, Chepstow, Crawley, Dartford, Edinburgh,
Glasgow, Leeds, Leicester, Liverpool, London, Luton, Luton, Luton, Luton, Luton, Luton, Luton, Luton,
Newcastle upon Tyne, Newport, Plymouth, Swansea, and Wolverhampton

Principal place of business at which a list of partners' names is available:
Hill House 1 Little New Street, London EC4A 3TR

Touche Ross International

STANSTED AIRPORT LIMITED

CURRENT COST PROFIT AND LOSS ACCOUNT

	<u>Note</u>	8 months to	Year to 31 March	
		31 March	Proforma (note 2)	
		<u>1987</u>	<u>1987</u>	<u>1986</u>
		£000	£000	£000
Revenue	4	2,896	4,689	3,918
Operating costs	4	<u>5,555</u>	<u>8,229</u>	<u>8,234</u>
Operating loss	4	<u>2,659</u>	<u>3,540</u>	<u>4,316</u>
Interest	7	<u>90</u>		
Loss on ordinary activities before taxation		2,749		
Taxation	8	<u>(1,187)</u>		
Loss for the financial period		1,562		
Dividends paid and proposed		<u>-</u>		
Loss, transferred to general reserve	16	<u>1,562</u>		

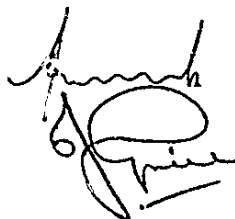
The notes on pages 8 to 16 form part of these financial statements.

STANSTED AIRPORT LIMITED
CURRENT COST BALANCE SHEET

	<u>Note</u>	31 March 1987 £000	31 July 1986 (note 2) £000
FIXED ASSETS			
Tangible assets	9	67,120	40,383
		<u>67,120</u>	<u>40,383</u>
CURRENT ASSETS			
Debtors	10	758	1,123
Cash at bank and in hand		142	279
		<u>900</u>	<u>1,402</u>
CREDITORS: due within one year	11	36,411	7,708
NET CURRENT LIABILITIES		<u>(35,511)</u>	<u>(6,306)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>31,609</u>	<u>34,077</u>
CREDITORS: amounts falling due after more than one year	12	1,100	1,100
PROVISION FOR LIABILITIES AND CHARGES	13	<u>(3)</u>	<u>(3)</u>
		<u>30,512</u>	<u>32,980</u>
CAPITAL AND RESERVES			
Called up share capital	15	17,800	17,800
Revaluation	16	14,274	15,180
General	16	<u>(1,562)</u>	<u>-</u>
		<u>30,512</u>	<u>32,980</u>

The notes on pages 8 to 16 form part of these financial statements.

These financial statements were approved by the Board of Directors on 8 June 1987.



)
) Directors
)

STANSTED AIRPORT LIMITED

CURRENT COST SOURCE AND USE OF FUNDS STATEMENT

8 months to
31 March
1987
£000

SOURCE OF FUNDS

Loss on ordinary activities before taxation (2,749)

Items not involving the movement of funds:

Depreciation 1,033

Gain on disposal of fixed assets (19)

FUNDS GENERATED BY OPERATIONS (1,735)

Proceeds from tax losses surrendered 1,187

Proceeds from disposal of fixed assets 50

(498)

USE OF FUNDS

Purchase of fixed assets 28,707

28,707

WORKING CAPITAL

Reduction in debtors (365)

Increase in creditors (28,703)

(29,068)

NET LIQUID FUNDS MOVEMENT

Reduction in cash at bank and in hand (137)

(498)

The notes on pages 8 to 16 form part of these financial statements.

STANSTED AIRPORT LIMITED

NOTES ON THE CURRENT COST FINANCIAL STATEMENTS

1. BASIS OF THE ACCOUNTS

Corporate reorganisation

In preparation for the privatisation of British Airports Authority (BAA) its structure was reorganised by the creation of eight wholly owned subsidiary companies in accordance with the Airports Act 1986, Stansted Airport Limited being one of these.

The company was incorporated on 19 February 1986 as Precis (495) Limited and on 14 July 1986 changed its name to Stansted Airport Limited. The company did not trade during the period from incorporation to 31 July 1986 on which date the existing business, assets, liabilities, rights and obligations of Stansted Airport were transferred to Stansted Airport Limited by BAA in exchange for fully paid shares in Stansted Airport Limited in accordance with the Scheme for its restructuring under Section 1 of the Airports Act 1986 approved by the Secretary of State during July 1986.

Current cost convention

These financial statements have been prepared under the current cost convention in accordance with the accounting policies set out in note 3 below.

2. COMPARATIVE FIGURES

As a result of the corporate reorganisation outlined above, and to reflect the continuation of the business, comparative figures have been presented as follows:

Profit and loss account

Proforma figures for revenue, operating costs and operating profit are provided for each of the years ended 31 March 1987 and 1986 respectively. They are based on information prepared in accordance with accounting procedures and requirements appropriate to BAA prior to its reorganisation and no adjustments have been made to reflect the impact that the changed structure might now have on these figures. No comparatives are given for other profit and loss items as these were incurred on a central basis prior to the reorganisation.

Balance sheet

Comparatives at 31 July 1986 are given as these form the opening balance sheet of Stansted Airport Limited under the Scheme of Restructuring of BAA in accordance with Section 1 of the Airports Act 1986.

Current cost

No adjustment is made to comparative figures to take account of the change in the value of money over the year.

STANSTED AIRPORT LIMITED

NOTES ON THE CURRENT COST FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES

Revenue

Revenue represents the turnover derived from amounts, net of VAT, in respect of traffic or commercial operations.

Tangible fixed assets

Gross current cost

Gross current cost of fixed assets is derived as follows:

Freehold property At valuation by the Chief Estates Surveyor of BAA plc or independent professional valuers.

Runways, lighting, plant and equipment At estimated current cost based on cost or valuation updated from externally compiled indices.

Motor vehicles and office equipment At estimated current cost based on cost or valuation updated from appropriate government indices.

Assets under construction and other assets At historical cost.

Depreciation

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

Freehold property Over expected useful life as follows:

Land - not depreciated
Terminals - 16 years
Others - 40 years

Runways, lighting, plant and equipment Over expected remaining useful life which in most cases is 15 - 25 years.

Motor vehicles and office equipment Over expected useful life which in most cases is 4 - 8 years.

Furniture and fittings Charged to profit and loss account on a replacement basis.

Other assets Over a period of 10 years.

STANSTED AIRPORT LIMITED

NOTES ON THE CURRENT COST FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES

(continued)

Monetary working
capital adjustment

No monetary working capital adjustment has been made in these financial statements in line with normal practice for subsidiary companies with working capital substantially governed by the parent company.

Gearing adjustment

No gearing adjustment has been made in these financial statements in line with normal practice for Nationalised industries.

Taxation

Provision is made at appropriate rates for deferred taxation arising from the excess of capital allowances over depreciation charged and other timing differences to the extent that it is considered the liability will crystallise in the foreseeable future.

Reserves

Stansted Airport Limited is a subsidiary of BAA plc. Group policy is that each subsidiary shall pay to the parent a dividend equivalent to the highest multiple of £500,000 below its retained profits subject to the availability of sufficient distributable reserves.

STANSTED AIRPORT LIMITED

NOTES ON THE CURRENT COST FINANCIAL STATEMENTS

4. REVENUE AND OPERATING COSTS

Revenue

The Company derives its revenue from two major sources; traffic income from the provision of aircraft landing facilities, passenger facilities, parking and apron services and commercial income from concessions, rents and services within the airport. This may be analysed as follows:

	8 months to 31 March 1987	Proforma (note 2) Year to 31 March 1987	1986
	£000	£000	£000
Traffic	987	1,771	1,545
Commercial	1,909	2,918	2,373
Total revenue	2,896	4,689	3,918

Operating costs

External charges			
Management charges (including staff costs)	2,486		
Other	2,055		
	4,541		
Depreciation of fixed assets			
Tangible	1,033		
Gain on disposals	(19)		
Total operating costs	5,555	8,229	8,234
	2,659	3,540	4,316

Operating loss

8 months to
31 March 1987
£000

The external charges include:

Auditors' remuneration	8
Hire charges for equipment	7
UK charitable contributions	2

5. DIRECTORS' EMOLUMENTS

Directors' emoluments amounted to £1,089 in aggregate and included:

	£
Chairman	333
Highest paid director	333

The number of directors with gross emoluments for the 8 months to 31 March 1987 in the bands stated were:

	Number
£0 - 5,000	5

STANSTED AIRPORT LIMITED

NOTES ON THE CURRENT COST FINANCIAL STATEMENTS

6. EMPLOYEE INFORMATION The Company has no employees. All staff costs are borne by BAA plc, which levies a management charge inclusive of these costs as shown at note 4.

Employee information is disclosed in the financial statements of BAA plc.

7. INTEREST

Interest payable during the period is as follows:

	8 months to 31 March 1987
	£000
Parent	90
Other	-
	<hr/>
	90
	<hr/>

8. TAXATION

The taxation credit comprises:

	8 months to 31 March 1987
	£000
Corporation tax:	
Current at 35%	1,187
Deferred at 35%	-
	<hr/>
	1,187
	<hr/>

The tax benefits of £1,187,000 arising from the losses incurred have been surrendered to the Parent Company in exchange for a payment of the same amount.

STANSTED AIRPORT LIMITED

NOTES ON THE CURRENT COST FINANCIAL STATEMENTS

9. TANGIBLE FIXED ASSETS

	Freehold property £000	Runways and lighting £000	Motor vehicles plant and equipment £000	Office equipment £000	Other assets £000	Assets under construction £000	Total £000
GROSS CURRENT COST							
Transferred from BAA on 31 July 1986	41,352	41,871	16,099	935	541	12,393	113,191
Additions at cost	8,146	-	495	42	2,903	17,121	28,707
Disposals	-	-	(53)	(12)	-	-	(65)
Change in value during period	(392)	1,373	526	27	-	-	1,534
31 March 1987	49,106	43,244	17,067	992	3,444	29,514	143,367
DEPRECIATION							
Transferred from BAA on 31 July 1986	26,206	32,540	13,860	17	185	-	72,808
Change in value during period	908	1,078	453	1	-	-	2,440
Charge for the period	279	415	298	5	36	-	1,033
Disposals	-	-	(34)	-	-	-	(34)
31 March 1987	27,393	34,033	14,577	23	221	-	76,247
VALUE TO THE BUSINESS							
31 March 1987	21,713	9,211	2,490	969	3,223	29,514	67,120
31 July 1986	15,146	9,331	2,239	918	356	12,393	40,383
						31 March 1987 £000	31 July 1986 £000
COST (NET OF GRANTS)							
Assets under construction						29,514	12,393
Other assets						3,223	356
Revalued assets						26,215	17,203
Historical cost of assets						58,952	29,952
Revaluation surplus						8,168	10,431
Value to the business						67,120	40,383

STANSTED AIRPORT LIMITED

NOTES ON THE CURRENT COST FINANCIAL STATEMENTS

9. TANGIBLE FIXED ASSETS (continued)

Freehold land

Freehold property includes land amounting to £8.7 million (31 July 1986 £9.1M) which is not depreciated.

Other assets

Expenditure incurred on soundproofing grants, Land Compensation Act payments, road diversions and other measures outside airports is classified as other assets and recorded in the financial statements at historical cost and depreciated over a period of ten years. In previous periods these have been disclosed as intangible assets.

Fully depreciated assets

Both gross current cost and accumulated depreciation include £51.7 million (31 July 1986 £46.5M) in respect of fully depreciated assets still in use. These assets are not considered essential and produce an insignificant amount of income and it is not the company's intention that they should be replaced. Consequently no current cost value has been attributed to them.

Independent valuations

At 1 April 1986 the WT Partnership, Quantity Surveyors and Construction Cost Consultants valued buildings, runways, plant and equipment at £86.1M on the basis of its current replacement cost.

Freehold and leasehold interests in operational airport land as then defined by BAA (excluding all buildings, structures and metalled surfaces) were professionally valued as at 1 April 1986 by Debenham Tewson & Chinnocks Ltd, International Property Advisers, at the cost of its notional replacement on existing sites at that date, prior to the transfer of these assets to the Company.

Leased assets

The Company has assets rented to third parties under operating leases as at 31 March 1987 as follows:

	<u>£000</u>
Gross current cost	15,918
Accumulated depreciation	<u>14,475</u>
Net book amount	<u><u>1,443</u></u>

STANSTED AIRPORT LIMITED

NOTES ON THE CURRENT COST FINANCIAL STATEMENTS

10. DEBTORS

Debtors at 31 March 1987 and 31 July 1986 are as follows:

	<u>1987</u>	<u>1986</u>
	£000	£000
Due within one year:		
Trade debtors	480	796
Other debtors	191	204
Prepayments and accrued income	29	82
Due after more than one year:		
Other debtors	58	41
	<u>758</u>	<u>1,123</u>

11. CREDITORS

Creditors falling due within one year at 31 March 1987 and 31 July 1986 are as follows:

	<u>1987</u>	<u>1986</u>
	£000	£000
Other creditors:		
Trade	708	586
Capital expenditure	7,116	3,007
Tax and social security	-	70
Deferred income	98	134
Amounts due to parent company	28,489	3,911
	<u>36,411</u>	<u>7,708</u>

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

These may be analysed at 31 March 1987 and 31 July 1986 as follows:

	<u>1987</u>	<u>1986</u>
	£000	£000
Loan notes due to parent company	1,100	1,100

The loan notes due to the parent company are repayable on 31 July 1996.

Interest is payable on the loan notes at 2% above the bank interest rate applicable to six month sterling deposits.

13. PROVISION FOR LIABILITIES AND CHARGES

The provision for liabilities and charges is analysed as follows:

	Transferred from BAA on 31 July 1986	Profit/loss charge	Applied in period	31 March 1987
	£000	£000	£000	£000
Deferred taxation (note 14)	(3)	-	-	(3)

STANSTED AIRPORT LIMITED

NOTES ON THE CURRENT COST FINANCIAL STATEMENTS

14. DEFERRED TAXATION	Deferred taxation at 31 March 1987 is as follows:		
	<u>Provided</u>	<u>Not provided</u>	
	£000	£000	
	Excess of tax allowances over depreciation		
	-	2,915	
	Other timing differences		
	(3)	-	
	(3)	2,915	
		£000	
15. CALLED UP SHARE CAPITAL	Authorised, allotted and fully paid Ordinary shares of £1 each		
		17,800	
16. RESERVES	Opening reserves at 31 July 1986 represent the amount transferred to the company in accordance with the Scheme for the Restructuring of the British Airports Authority approved by the Secretary of State in accordance with Section 1 of the Airports Act 1986. Subsequent movements in reserves are summarised below:		
	<u>Total</u>	<u>General</u>	<u>Revaluation</u>
	£000	£000	£000
Transferred from BAA 31 July 1986	15,180	-	15,180
Revaluation deficit	(906)	-	(906)
Loss for the period	(1,562)	(1,562)	-
	12,712	(1,562)	14,274
31 March 1987	12,712		
Realised	4,544		
Unrealised	8,168		
	12,712		
17. FUTURE COMMITMENTS	<u>Capital</u>		
	Future capital expenditure authorised amounts to £45.6M (31 July 1986 £58.0M) of which £20.5M (31 July 1986 £4.1M) represents contracts already placed but not dealt with in these financial statements.		
	<u>Leases</u>		
	The company has no material finance or operating lease commitments.		
18. ULTIMATE HOLDING COMPANY	The ultimate holding company is BAA plc a company incorporated in Great Britain.		