

APPENDIX 4.10  
*(referred to in paragraph 4.25)*

**Text of the statement on the broad principles of cost allocation included in the information provided by BAA in accordance with the conditions imposed by the CAA under section 40(1)(a) and (2) of the Airports Act**

1. Costs have been allocated into the following categories:

- (a)* Airport charges;
- (b)* Other operational activities;
- (c)* Non operational activities.

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

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

- (a)* Direct expenditure excluding depreciation;
- (b)* Area occupied;
- (c)* Staff deployed.

4. Total costs include costs incurred by BAA plc. Those costs which are assessed according to use 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.