



Internal Audit Report

Anton Airfood of Seattle, Inc.
Lease and Concession Compliance Audits

July 1, 2005 through June 30, 2008

Issue Date: May 5, 2009
Report No. 2009-05



Internal Audit
Anton Airfood of Seattle, Inc. (Agreement No. 374)
Audit Period: July 1, 2005 – June 30, 2008

Table of Contents

Internal Auditor's Report.....	3
Executive Summary	4
Background	5
Audit Objectives	5
Audit Scope	6
Audit Approach.....	6
Conclusion.....	6



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Internal Auditor's Report

We audited the Lease and Concession Agreement between the Port of Seattle (Port) and Anton Airfood of Seattle, Inc., for the period July 1, 2005 through June 30, 2008. The purpose of the audit was to determine whether the lessee properly reported gross revenue and that the provisions of the lease and the concession agreement were adequately monitored by Port management.

We conducted our audit using due professional care, and we planned and performed the audit to obtain reasonable assurance as to whether the Port and the lessee had complied with the provisions of the agreement.

The lessee materially complied with the terms of conditions of the agreement including, but not limited to, the proper reporting of gross receipts and accurate/timely remittance of the concession fees. Additionally Port management effectively monitored the agreement to ensure compliance.

We extend our appreciation to the management and staff of the Aviation Business Development and Accounting Financial Reporting (AFR) for their assistance and cooperation during the audit.

A handwritten signature in black ink that reads "Kirangi".

Joyce Kirangi, CPA
Internal Audit Manger

Executive Summary

Audit Scope and Objective The purpose of our audit was to determine the level of compliance with the provisions of the Anton Airfood of Seattle, Inc (Lessee) Lease and Concession Agreement No. 374. We examined the books and records of the Lessee in order to verify reported gross receipts and concession fees paid from July 1, 2005 through June 30, 2008. We also evaluated Port controls in order to determine whether lease and concession contract provisions were adequately monitored. The Aviation Business Development Department has the primary responsibility for monitoring and implementing effective controls for the Anton Airfood lease agreement.

Agreement Terms Lease and Concession Agreement No. 374 authorizes Anton Airfood of Seattle, Inc. to operate a food and beverage concession at the Airport. In accordance with the terms of the lease, the Lessee pays the Port eight percent (8%) of gross receipts for food and beverage, alcohol beer & wine, as well as any other gross receipts from the concession.

Audit Result Summary The lessee materially complied with the terms of conditions of the agreement including, proper reporting of gross receipts, and accurate/timely remittance of the concession fees. Additionally Port management effectively monitored the agreement to ensure compliance.

Background

The Port's lease and concession agreement with Anton Airfood of Seattle, Inc. authorizes the Lessee to operate an Anthony's branded restaurant pursuant to an agreement with Mad Anthony's Inc. Mad Anthony's is a family owned restaurants located in the Puget Sound region.

In July of 2005, the Port of Seattle consented to the transfer of controlling interest in Anton Airfood of Seattle, Inc. to Anton Airfood Investments, Inc.; a wholly owned subsidiary of Autogrill Group, Inc. The Autogrill Group is a wholly owned subsidiary of Autogrill Overseas (SA). Host International, Inc. is another subsidiary of Autogrill Overseas, SA that operates a number of food and beverage concessions at the Sea-Tac International Airport.

The food and beverage concession agreement with the Lessee stipulates that eight percent (8%) of gross receipts are to be paid to the Port for food and beverage, alcohol beer & wine, as well as any other gross revenue from the concession. The agreement requires one-twelfth monthly payments of a Minimum Annual Guarantee (MAG) due in advance by the first of each month.

The gross revenue information as reported by the Lessee to the Port for the respective lease years under review is as follows:

Year Ended June 30	Amount
2006	\$ 9,500,711
2007	10,382,424
2008	11,202,633
Total	\$ 31,085,768

Source: PeopleSoft and Anton Investments, Inc. reporting

Audit Objectives

We reviewed Lessee's accounting records in order to verify that the company had:

- Properly reported its gross sales to the Port in accordance with the terms of the lease and concession agreement.
- Properly calculated and paid the appropriate concession fee due to the Port.
- Paid its concession fee on time and in accordance with the terms of the agreement.

We also reviewed the effectiveness of the Port management's monitoring system over the lease agreement.



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Audit Scope

The scope of the audit covered the period of July 1, 2005 through June 30, 2008.

Audit Approach

To achieve our audit objectives, we performed the following procedures:

- Obtained an understanding of the lease agreement and the significant compliance requirements
- Reviewed Port internal controls and monitoring activities over lease requirements
- Obtained relevant financial data from the Lessee
- Analyzed data (internal & external) to determine completeness & compliance

Conclusion

The lessee materially complied with the terms and conditions of the agreement including, the proper reporting of gross receipts and accurate/timely remittance of the concession fees.

Additionally Port management effectively monitored the agreement to ensure compliance.