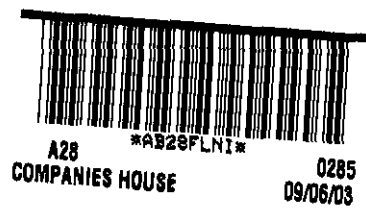


LYNTON HOTELS INVESTMENT MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS
for the year ended
31 MARCH 2003



LYNTON HOTELS INVESTMENT MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

<u>CONTENTS</u>	<u>PAGE</u>
Officers and professional advisers	1
Report of the directors	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 9

OFFICERS AND PROFESSIONAL ADVISERS

Directors

J C B Boyes
J S O'Halloran
D N Kennard

Secretary

M B Lewis

Registered Office

130 Wilton Road
London
SW1V 1LQ

Auditors

Deloitte & Touche
Chartered Accountants
London

REPORT OF THE DIRECTORS 2003

The directors present their annual report and the audited financial statements of Lynton Hotels Investment Management Limited (the "company") for the year ended 31 March 2003 (the "year").

PRINCIPAL ACTIVITIES

The principal activity of the company is to act as investment manager and operator of an unregulated collective investment scheme. The company is regulated by the Financial Services Authority.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The directors expect the business of investment management to continue.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £315,520 (2002 - £331,361).

The directors recommend the payment of a dividend of £707,488 (2002 - £Nil).

BOARD OF DIRECTORS

The following were directors of the company throughout the year:

J C B Boyes
J S O'Halloran
D N Kennard

DIRECTORS' INTERESTS

The interests of the directors holding office at the year end in the ordinary shares of BAA plc, the ultimate parent undertaking, are set out in note 5(c) to the financial statements.

AUDITORS

The directors intend to appoint PricewaterhouseCoopers LLP to act as auditors of the company in place of Deloitte & Touche at a future date to be agreed upon mutually.

By order of the Board

M B Lewis

M B Lewis
Company Secretary
30 May 2003

Registered Office:

130 Wilton Road
LONDON
SW1V 1LQ

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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; and
- 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 at any time 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 the system of internal control, and 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LYNTON HOTELS INVESTMENT
MANAGEMENT LIMITED

We have audited the financial statements of Lynton Hotels Investment Management Limited for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte A Touche

Deloitte & Touche
Chartered Accountants and
Registered Auditors

30 May 2003

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2003

	<u>Note</u>	<u>2003</u> £	<u>2002</u> £
Turnover from continuing operations	2	491,891	505,608
Operating costs in continuing operations	3	<u>(176,371)</u>	<u>(174,399)</u>
Operating profit from continuing operations		315,520	331,209
Interest receivable and similar income	4	-	152
Profit on ordinary activities before taxation	5	315,520	331,361
Tax on profit on ordinary activities	6	<u>(94,669)</u>	<u>(99,408)</u>
Profit on ordinary activities after taxation	10	220,851	231,953
Equity dividend - £35.3744p per share		(707,488)	-
Retained (loss)/profit for the financial year		<u>(486,637)</u> =====	<u>231,953</u> =====

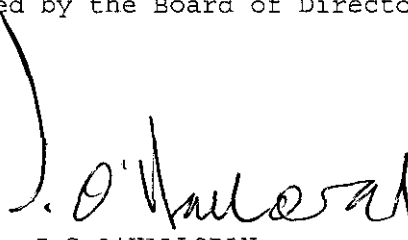
The above profit and loss account includes all recognised gains and losses arising in the year and the previous year. There are no movements in shareholders' funds other than the profit for the year and the profit for the previous year. Hence no statement of recognised gains and losses or reconciliation of movements in shareholders' funds are presented.

BALANCE SHEET at 31 March 2003

	<u>Note</u>	<u>2003</u> £	<u>2002</u> £
CURRENT ASSETS			
Debtors	7	778,572	613,532
 CREDITORS : amounts falling due within one year	 8	 (758,572)	 (106,895)
 TOTAL ASSETS LESS CURRENT LIABILITIES		 20,000 =====	 506,637 =====
 Net assets		 20,000 =====	 506,637 =====
 CAPITAL AND RESERVES			
Called up share capital	9	20,000	20,000
Profit and loss account	10	-----	486,637
 Equity shareholders' funds		 20,000 =====	 506,637 =====

The notes on pages 7 to 9 form part of these financial statements.

These financial statements were approved by the Board of Directors on *30 May* 2003 and signed on behalf of the Board.


J S O'HALLORAN
Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2003

1. ACCOUNTING POLICY

(a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with all applicable United Kingdom standards.

(b) Turnover

Turnover comprises operator's fees receivable.

	2003 £	2002 £
2. REVENUE FROM CONTINUING OPERATIONS		
Operator's fee receivable	491,891	505,608
	=====	=====
All turnover arose in the United Kingdom		

3. OPERATING COSTS IN CONTINUING OPERATIONS

Administrative expenses	176,371	174,399
	=====	=====

4. INTEREST RECEIVABLE AND SIMILAR INCOME

Bank interest receivable	-	152
	=====	=====

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) Auditors' remuneration

Auditors' remuneration was borne by the ultimate parent undertaking, BAA plc, in the current and preceding financial year.

(b) Directors' emoluments

The emoluments of the directors total £408,201 (2002 - £356,400) and are borne by the ultimate parent undertaking, BAA plc.

(c) 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			Share Options			
	Number of Shares			Number of Options			
	1 April	31 March		1 April	Granted	Exercised	31 March
	2002	2003		2002	during the year	during the year	2003
J C B Boyes	7,026	7,026	83,525	15,162	1,780	96,907	
D N Kennard	-	-	24,929	3,179	-	28,108	
J S O'Halloran	1,119	3,803	100,514	34,015	2,661	131,868	

In addition, J S O'Halloran had 5,607 ordinary shares (2002 - 2,745) and 9,345 share options (2002 - 4,575) issued under the BAA Deferred Annual Bonus Plan ("DAB").

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

LYNTON HOTELS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2003 (continued)

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

(c) Directors' interests (continued)

BAA Employee Share Trust ("BEST")

The BEST is a discretionary trust which acquires and holds ordinary shares in BAA plc for subsequent transfers to employees who exercise share options or receive share awards under the BAA plc employee share schemes. By virtue of the provisions of the Companies Act 1985, each director, as a potential beneficiary of the BEST, is deemed to have an interest in the ordinary shares in the company in which the BEST is interested as shown below:

	<u>2003</u>	<u>2002</u>
Number of shares held at 31 March	8,534,953	8,608,635
	=====	=====

The number of shares held by the BEST, in which the directors were interested, had reduced to 8,492,823 as at 19 May 2003.

(d) Employees

The company has no employees (2002 - nil).

It is not practicable to allocate either auditors' remuneration or directors' emoluments to each individual subsidiary undertaking.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	<u>2003</u> £	<u>2002</u> £
United Kingdom Tax charge at 30% (2002 - 30%)	94,656	99,408
Adjustment in respect of previous year	13	-
	-----	-----
	94,669	99,408
	=====	=====

There are no items which will materially affect the future tax charge.

7. DEBTORS

Debtors due within one year:

Trade debtors	123,250	-
Amount owed by immediate parent undertaking	655,322	488,410
Other debtors	-	24
Prepayments and accrued income	-	125,098
	-----	-----
	778,572	613,532
	=====	=====

LYNTON HOTELS INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2003 (continued)

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2003</u> £	<u>2002</u> £
Corporation tax	41,056	99,395
Accruals and deferred income	10,028	7,500
Proposed dividend	<u>707,488</u>	<u>-</u>
	758,572	106,895
	=====	=====

9. CALLED UP SHARE CAPITAL

	<u>2003</u> £	<u>2002</u> £
Authorised, called up, allotted and fully paid:		
Ordinary shares of £1 each	20,000	20,000
	=====	=====

10. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2002	486,637
Profit on ordinary activities after taxation	220,851
Equity dividend	(707,488)
	<u>-</u>
At 31 March 2003	=====

11. ULTIMATE PARENT UNDERTAKING

The ultimate and controlling parent undertaking is BAA plc, a company incorporated in Great Britain and registered in England and Wales. The smallest and largest undertaking which prepares consolidated accounts which include the results of the company, is BAA plc.

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

12. RELATED PARTY TRANSACTIONS

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