

LYNTON HOTELS INVESTMENT MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS
for the year ended
31 MARCH 2001



REPORT AND FINANCIAL STATEMENTS 2001

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OFFICERS AND PROFESSIONAL ADVISERS

Directors	J S O'Halloran D N Kennard
Secretary	M B Lewis
Registered Office	130 Wilton Road London SW1V 1LQ
Auditors	Deloitte & Touche Chartered Accountants Hill House 1 Little New Street London EC4A 3TR

REPORT OF THE DIRECTORS 2001

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 2001 ("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 a member of the Investment Management Regulatory Organisation.

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 £363,771 (2000 - £44).

The directors do not recommend the payment of a dividend (2000 - £Nil).

BOARD OF DIRECTORS

The following were directors of the company during the year:

J S O'Halloran

D N Kennard

A T Jurenko ceased 1 October 2000

DIRECTORS' INTERESTS

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

AUDITORS

In accordance with Section 386 of the Companies Act 1985 a resolution has been passed to dispense with the obligation to appoint auditors annually. Accordingly, Deloitte & Touche shall be deemed to be re-appointed as auditors 28 days after the financial statements are sent to the members.

130 Wilton Road
LONDON
SW1V 1LQ

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

18th July 2001

M B Lewis
M 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 year. 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 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 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 4.

AUDITORS' REPORT TO THE SHAREHOLDERS OF LYNTON HOTELS INVESTMENT MANAGEMENT LIMITED

We have audited the financial statements on pages 5 to 8 which have been prepared under the accounting policy set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and
Registered Auditors

Hill House
1 Little New Street
London EC4A 3TR

23 July 2001

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2001

	<u>Note</u>	<u>2001</u> £	<u>2000</u> £
Revenue from continuing operations	2	503,562	-
Operating costs in continuing operations	3	(141,550)	
Operating profit from continuing operations		362,012	-
Interest receivable and similar income	4	<u>1,759</u>	<u>44</u>
Profit on ordinary activities before taxation	5	363,771	44
Tax on profit on ordinary activities	6	(109,122)	<u>(9)</u>
Profit on ordinary activities after taxation and profit for the financial year		254,649 =====	35 =====

There is no difference between the profit for the year shown above and the results on an historical cost basis. 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 note of historical cost profits and losses, statement of recognised gains and losses or reconciliation of movements in shareholders' funds are presented.

BALANCE SHEET at 31 March 2001

	<u>Note</u>	<u>2001</u> £	<u>2000</u> £
CURRENT ASSETS			
Short term investment	7	20,000	20,044
Debtors	8	<u>386,246</u>	<u>-</u>
		406,246	20,044
CREDITORS : amounts falling due within one year	9	<u>(131,562)</u>	<u>(9)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		274,684 =====	20,035 =====
NET ASSETS		274,684 =====	20,035 =====
CAPITAL AND RESERVES			
Called up share capital	10	20,000	20,000
Profit and loss account	11	<u>254,684</u>	<u>35</u>
EQUITY SHAREHOLDERS' FUNDS		274,684 =====	20,035 =====

The notes on pages 7 to 8 form part of these financial statements.

These financial statements were approved by the Board of Directors on 18th July 2001 and signed on behalf of the Board.

J. S. O'Halloran
J S O'HALLORAN
Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2001

1. ACCOUNTING POLICY

(a) Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with all applicable accounting standards.

(b) Revenue

Revenue comprises operator's fees receivable.

2. REVENUE FROM CONTINUING OPERATIONS

	<u>2001</u> £	<u>2000</u> £
Operator's fee receivable	503,562	-
	=====	=====
All revenue arose in the United Kingdom		

3. OPERATING COSTS IN CONTINUING OPERATIONS

Administrative expenses	141,550	-
	=====	=====

4. INTEREST RECEIVABLE AND SIMILAR INCOME

Bank interest receivable	1,759	44
	=====	===

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) Auditors' remuneration

Auditors' remuneration is borne by the ultimate parent undertaking, BAA plc.

(b) Directors' emoluments

The emoluments of the directors total £397,302 (2000 - £346,848) 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
	2000	2001		2000	during the year	during the year	2001
D N Kennard	2,250	600	15,654	7,588	1,778	21,464	
J S O'Halloran	1,063	1,089	75,108	32,573	7,979	99,702	

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

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:

Number of shares held at 31 March 2001	3,222,808
Interest in shares through derivative contracts	<u>4,017,794</u>
	<u>7,240,602</u>

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5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

(d) Employees

The company has no employees.

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

	<u>2001</u> £	<u>2000</u> £
6. TAX ON PROFIT ON ORDINARY ACTIVITIES		
The tax charge comprises:		
United Kingdom Tax charge at 20% (2000 - 20%)	109,122 =====	9 ===
7. SHORT TERM INVESTMENTS		
Bank deposit account	20,000 =====	20,044 =====
8. DEBTORS		
Debtors due within one year:		
Amount owed by immediate parent undertaking	386,246 =====	- =====
9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR		
	<u>2001</u> £	<u>2000</u> £
Corporation tax	109,118	9
Other tax and social security	<u>22,444</u>	-
	131,562 =====	9 =====
10. CALLED UP SHARE CAPITAL		
Authorised, called up, allotted and fully paid:		
Ordinary shares of £1 each	20,000 =====	20,000 =====
11. PROFIT AND LOSS ACCOUNT		£
At 1 April 2000		35
Profit for the financial year		<u>254,649</u>
At 31 March 2001		254,684 =====
12. ULTIMATE PARENT UNDERTAKING		

The immediate and controlling parent undertaking is BAA plc, a company registered in England and Wales. The ordinary share capital of the company was transferred from BAA Lynton plc to BAA plc on 22 December 2000 as part of a group reorganisation.

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.

13. 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.