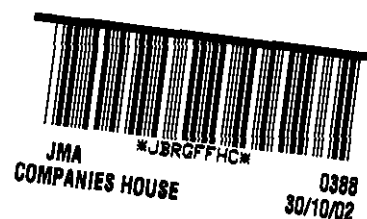


LIVERPOOL AIRPORT PLC

**DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2002**

COMPANY NUMBER 2116704

**LiverpoolJohn
LennonAirport** 
above us only sky



LIVERPOOL AIRPORT PLC

DIRECTORS, PROFESSIONAL ADVISERS AND REGISTERED OFFICE

Directors: John Whittaker
Robert E. Hough DL, LL.B
Peter A. Scott F.C.C.A.
Paul P. Wainscott A.C.I.S.
Peter J. Hosker LL.B
Roderick C. Hill F.C.M.A., C.P.F.A., A.C.I.T.
Neil Pakey
John Fletcher
James Keight
Margaret Green
Michael Storey
David Martin

Secretary: Neil Lees A.C.I.S.

Registered Office: Peel Dome
The Trafford Centre
Manchester M17 8PL

Registered Number: 2116704

Auditors: Arthur Andersen

Bankers: Barclays Bank PLC

LIVERPOOL AIRPORT PLC

REPORT OF THE DIRECTORS

for the year ended 31 March 2002

The directors submit their report together with the audited financial statements of the company for the year ended 31 March 2002.

Principal Activities

The principal activities of the company are the operational control and management of Liverpool John Lennon Airport and the provision of associated facilities and services.

Review of Business Development and Prospects

Despite the challenging economic climate and particularly following events in the United States, considerable progress was made during the year with Liverpool John Lennon Airport continuing to focus on the niche 'low cost' market. Passenger throughput was 2.31m, an increase of 11.6% over the previous year. Although the rate of growth has slowed, agreements completed with Ryanair and the Thomson Travel Group should deliver further growth in the longer term. With new links to Paris and Brussels recently announced by easyJet and Ryanair respectively, Liverpool John Lennon Airport is building a credible range of flights to popular European destinations.

Although the Airport's base operator, easyJet, has emerged relatively unscathed from the effects of the terrorists attacks earlier in the financial year, both freight and charter operators faced uncertain and volatile markets. Freight throughput fell from 46,000 tonnes in 2001 to 31,000 tonnes in 2002, a decrease of 32.6%, and the outlook for the coming year remains unclear. Every effort is being made to identify new opportunities to increase activity in this sector of the Airport's business.

In the financial year, the Airport generated income of £15.1m (2001: £12.4m) and a net operating loss after interest of £1.7m (2001: £5.9m).

Major construction work completed during the year included a new Control Tower (£3.7m) and a Terminal Building (£32.5m) catering for up to 3m passengers which will be officially opened by Her Majesty the Queen in July 2002; both projects attracted European Regional Development Fund support. The completion of the Terminal Building will strengthen the revenue stream from retail units, most of which have been let to recognised brand leaders. Other commercial activities included the buy-out of the external management of the car park, an additional aviation fuel supply contract to Shell and the launch of a new Airport website, www.liverpooljohnlennonairport.com. The renaming and branding of the Airport as Liverpool John Lennon Airport achieved worldwide media coverage, raising the Airport's profile both within the aviation industry and with the travelling public.

A further planning application has been submitted to enable the Airport to achieve its current forecast throughput of 4.5m passengers by 2006.

Although medium term prospects remain encouraging, the aviation industry remains a highly competitive and challenging environment and the new financial year will be affected by additional costs, depreciation and interest flowing from the new Terminal.

Results and Dividends

The company's results and financial position are set out in the profit and loss account and balance sheet on pages 6 and 7.

The directors do not recommend the payment of a dividend (2001: £nil)

LIVERPOOL AIRPORT PLC

REPORT OF THE DIRECTORS (continued)

for the year ended 31 March 2002.

Directors and directors' interests

The directors who held office during the year were as follows:

# J. Whittaker	J. Fletcher
# R.E. Hough	J. Keight
# P.A. Scott	M. Green
# P.P. Wainscott	M. Storey
R.C. Hill	J. Pugh (resigned 19 July 2001)
P.J. Hosker	D. Bamber (appointed 21 August 2001, resigned 28 June 2002)
N. Pakey (appointed 26 October 2001)	D. Martin (appointed 28 June 2002)

The directors who held office at the end of the financial year held no interests in the share capital of the company.

The above directors are also directors of the intermediate holding company, Peel Holdings p.l.c., in whose accounts their beneficial interests in the shares and financial instruments of that company, companies within the Peel Holdings p.l.c. group and the ultimate holding company, Tokenhouse Holdings Limited, are disclosed.

Directors' Responsibilities

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 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, subject to any material departures disclosed and explained in the financial statements; 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employee Involvement and Health and Safety at Work

Regular meetings are held involving Senior Management and the trade union representatives of all employees to convey information about the business. During the year, the Company has provided training for employees at all levels through a programme of courses and appropriate development activity.

The policy of the Company is to ensure, in so far as it is able to do so, the health, safety and welfare of everyone engaged in or affected by its activities.

Employment of Disabled Persons

It is the policy of the Company to give full and fair consideration to applications for employment received from all people including disabled persons. Within the limitations of their abilities, they are given the same opportunities for training, career development and promotion as are available to other Company employees, and if necessary, retraining is given to an employee who becomes disabled whilst in the Company's employment.

LIVERPOOL AIRPORT PLC

REPORT OF THE DIRECTORS (continued)

for the year ended 31 March 2002.

Payments Policy

The company's policy is to settle terms with suppliers when agreeing the terms of each transaction, to ensure that the suppliers are made aware of the terms of payment and abide by the terms of payment. At 31 March 2002, the number of days outstanding was 18 based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by suppliers.

Auditors

From 1st January 2002 the Group's auditors, Binder Hamlyn, now practise in the name Arthur Andersen. They have signed their audit report in the new name. In accordance with section 385 of the Companies Act 1985, a resolution proposing that Arthur Andersen be re-appointed as auditors of the Company will be put to the Annual General Meeting.

By Order of the Board



N. Lees
Secretary

28th June 2002

LIVERPOOL AIRPORT PLC

INDEPENDENT AUDITORS' REPORT

To the shareholders of Liverpool Airport PLC

We have audited the financial statements of Liverpool Airport PLC for the year ended 31 March 2002 which comprise the Profit and loss account, Balance sheet, Statement of total recognised gains and losses, Note of historical cost and losses, Reconciliation of movement in shareholders' funds and the related notes numbered 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 affairs of the company at 31 March 2002 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

28th June 2002

LIVERPOOL AIRPORT PLC

PROFIT AND LOSS ACCOUNT

for the year ended 31st March 2002

			2002	2001
	Note	£	£	£
Turnover	1		15,055,039	12,399,128
Direct costs			(7,065,874)	(6,518,349)
Gross profit			7,989,165	5,880,779
General administrative expenses		(7,847,924)	(5,646,457)	
Exceptional item	3	-	(4,603,000)	
			(7,847,924)	(10,249,457)
Operating profit/(loss)			141,241	(4,368,678)
Interest payable and similar charges	4		(1,861,568)	(1,562,970)
Loss on ordinary activities before taxation	2		(1,720,327)	(5,931,648)
Tax on loss on ordinary activities	5		385,337	-
Absorbed loss for the financial year	17		(1,334,990)	(5,931,648)

All the above results derive from continuing activities and there were no acquisitions in the year.

The statement of accounting policies and the notes on pages 9 to 16 form an integral part of these financial statements.

LIVERPOOL AIRPORT PLC

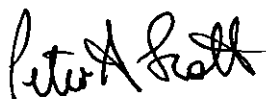
BALANCE SHEET

as at 31st March 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	8	80,966,651	51,426,080
Investments	9	10,000	10,000
		<u>80,976,651</u>	<u>51,436,080</u>
Current assets			
Debtors	10	2,457,567	1,725,333
Cash at bank and in hand		1,384	1,463
		<u>2,458,951</u>	<u>1,726,796</u>
Creditors (amounts falling due within one year)	11	(35,909,677)	(30,915,287)
Net current liabilities		<u>(33,450,726)</u>	<u>(29,188,491)</u>
Total assets less current liabilities		<u>47,525,925</u>	<u>22,247,589</u>
Creditors (amounts falling due after more than one year)	12	(14,112,665)	(7,499,339)
Net assets		<u>33,413,260</u>	<u>14,748,250</u>
Capital and reserves			
Called-up share capital	15	53,040,000	33,040,000
Share premium account	16	2,500,000	2,500,000
Profit and loss account	17	(22,126,740)	(20,791,750)
Shareholders' funds		<u>33,413,260</u>	<u>14,748,250</u>

These financial statements were approved by the board of directors on 28th June 2002 and were signed on its behalf by:-

P A Scott



Director

The statement of accounting policies and the notes on pages 9 to 16 form an integral part of these financial statements.

LIVERPOOL AIRPORT PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st March 2002

There have been no recognised gains and losses other than the result for the year.

NOTE OF HISTORICAL COST LOSSES

for the year ended 31st March 2002

There is no material difference between the results as reported and on an historical cost basis.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

for the year ended 31st March 2002

	2002	2001
	£	£
Loss for the financial year	(1,334,990)	(5,931,648)
Issue of shares	20,000,000	-
Net increase/(decrease) in shareholders funds	18,665,010	(5,931,648)
Shareholders' funds at 1st April 2001/1st April 2000	14,748,250	20,679,898
Shareholders' funds at 31st March 2002/31st March 2001	33,413,260	14,748,250

LIVERPOOL AIRPORT PLC

NOTES TO THE ACCOUNTS

for the year ended 31 March 2002

1. Accounting Policies

Accounting Convention

The following accounting policies have been applied consistently throughout the year and the preceding year in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group accounts and the financial statements relate to the company only.

Change in Accounting Policies

FRS19 'Deferred Taxation' has been adopted for the first time in these accounts. This deals with the treatment of deferred taxation, and as required by the standard, full provision has been made for all timing differences that have originated, but not reversed, at the balance sheet date that may give rise to an obligation to pay more or less tax in future.

Cash Flow Statement

The financial statements do not include a cash flow statement as the company is a wholly owned subsidiary undertaking of the Peel Holdings plc group of companies. Peel Holdings plc is a company incorporated and registered in England and Wales which produces group financial statements in accordance with the Companies Act 1985, which include a consolidated group cash flow statement.

Deferred Taxation

FRS19 'Deferred Taxation' requires that deferred taxation is recognised in full in respect of transaction or events that have taken place by the balance sheet date and which could give the company an obligation to pay more or less tax in future. The Company's accounting policy had been to account for deferred tax to the extent that liabilities or assets were expected to be payable or receivable in the foreseeable future. In accordance with FRS 19, the Company has now changed its policy to make full provision for timing differences.

Depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	2.5 - 15% per annum
Runways and fencing	1 - 6.7% per annum
Plant and machinery, vehicles and other equipment	10 - 25% per annum

Fixed Asset Investments

Fixed asset investments in subsidiary undertakings are stated at cost less amounts provided for impairment in value. Cost represents the aggregate cash consideration.

LIVERPOOL AIRPORT PLC

NOTES TO THE ACCOUNTS (continued) for the year ended 31 March 2002

1. Accounting Policies (continued)

Turnover

Turnover represents the invoiced value of facilities and services provided in the year. Value added tax is excluded from turnover.

Leased Assets

Assets acquired under finance leases are capitalised at a value equivalent to the cost incurred by the lessor and depreciated over their expected useful economic lives. Finance charges thereon are charged to the profit and loss account in the period in which they accrue. The capital element of the future lease payments is reflected within creditors.

Expenditure on operating leases is charged directly to the profit and loss account.

Government Grants

Capital based government grants are included within creditors in the balance sheet and are credited to trading profit over the estimated useful economic lives of the assets to which they relate.

Pension costs

The company operates a defined contribution scheme, the contributions to which are charged to the profit and loss account as incurred.

2. Loss on Ordinary Activities before Interest and Taxation

	2002	2001
	£	£
Loss on ordinary activities before interest and taxation is stated after charging/(crediting);		
Depreciation and other amounts written off tangible fixed assets:		
Owned	2,164,078	1,819,143
Leased	139,678	182,916
Hire of equipment and operating lease rentals		
Plant and machinery	131,252	175,762
Vehicles	29,394	27,894
Auditors' remuneration - audit services	15,000	12,000
Capital grant amortisation	(338,609)	(299,326)

LIVERPOOL AIRPORT PLC

NOTES TO THE ACCOUNTS (continued) for the year ended 31 March 2002

3. Exceptional item

The exceptional item of £4,603,000 in the year ended 31 March 2001 represents expenditure on an aborted scheme by the Airport Company.

There are no exceptional items in the current year.

4. Interest payable and similar charges

	2002 £	2001 £
Interest payable	1,816,697	1,508,781
Finance lease charges	44,871	54,189
	<u>1,861,568</u>	<u>1,562,970</u>

5. Taxation

	2002 £	2001 £
Group relief	<u>385,337</u>	<u>-</u>
Reconciliation of current taxation:		
Loss on ordinary activities taxation at 30%	516,098	1,779,494
Net disallowable expenditure	(331,275)	(114,165)
Utilisation of losses brought forward not recognised in deferred tax	200,514	-
Losses not recognised in deferred tax	-	(1,665,329)
	<u>385,337</u>	<u>-</u>

The Company has available losses carried forward at 31 March 2002 of £10,670,000 (2001: £10,236,000).

6. Remuneration of Directors

	2002 £	2001 £
Directors' emoluments:		
Remuneration as executives	<u>85,618</u>	<u>76,421</u>

LIVERPOOL AIRPORT PLC

NOTES TO THE ACCOUNTS (continued) for the year ended 31 March 2002

7. Particulars of Staff

Staff costs	2002 £	2001 £
Wages and salaries	5,803,249	5,214,399
Social security costs	529,969	493,015
Other pension costs (see note 19)	215,973	168,252
	<u>6,549,191</u>	<u>5,875,666</u>

The average monthly number of persons employed by the Company during the year is as follows:

	2002	2001
Administration	29	24
Operations	306	241
	<u>335</u>	<u>265</u>

8. Tangible Fixed Assets

	Freehold land and buildings £	Runway apron and fencing £	Other assets £	Assets in the course of construction £	Total £
Cost or valuation:					
At 1st April 2001	22,122,154	27,265,984	7,258,066	7,174,974	63,821,178
Additions	1,343,043	141,458	852,879	30,353,830	32,691,210
Disposals	-	-	(1,397,951)	-	(1,397,951)
Transfers	2,810,673	-	1,092,015	(3,902,688)	-
At 31st March 2002	<u>26,275,870</u>	<u>27,407,442</u>	<u>7,805,009</u>	<u>33,626,116</u>	<u>95,114,437</u>
Depreciation :					
At 1st April 2001	3,536,959	4,700,425	4,157,714	-	12,395,098
Charge for year	1,107,856	491,785	746,501	-	2,346,142
Disposals	-	-	(593,454)	-	(593,454)
At 31st March 2002	<u>4,644,815</u>	<u>5,192,210</u>	<u>4,310,761</u>	<u>-</u>	<u>14,147,786</u>
Net book value					
At 31 March 2002	<u>21,631,055</u>	<u>22,215,232</u>	<u>3,494,248</u>	<u>33,626,116</u>	<u>80,966,651</u>
At 31 March 2001	<u>18,585,195</u>	<u>22,565,559</u>	<u>3,100,352</u>	<u>7,174,974</u>	<u>51,426,080</u>

The gross book value of freehold land and buildings includes £21,145,993 (2001: £16,992,277) of depreciable assets.

Included in the total net book value of other assets is £847,821 (2001: £1,272,719) in respect of assets held under finance leases. Depreciation for the year of these assets was £139,678 (2001: £182,916).

LIVERPOOL AIRPORT PLC

NOTES TO THE ACCOUNTS (continued) for the year ended 31 March 2002

9. Fixed Asset Investments

Shares in Subsidiary Undertakings

	2002 £	2001 £
Cost of investment	10,000	10,000

The Company owns 100% of the ordinary share capital of Liverpool Airport Development Limited, a company incorporated in England and Wales.

10. Debtors

	2002 £	2001 £
Trade debtors	1,572,157	880,155
Amounts owed by group undertakings	455,062	66,410
Other debtors	27,456	363,516
Prepayments and accrued income	402,892	415,252
	<u>2,457,567</u>	<u>1,725,333</u>

The amounts owed by group undertakings comprise:

Parent and fellow subsidiary undertakings	<u>455,062</u>	<u>66,410</u>
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11. Creditors (amounts falling due within one year)

	2002 £	2001 £
Bank loans and overdrafts	13,462,761	13,936,906
Obligations under finance leases (see note 13)	193,254	190,175
Trade creditors	22,641	26,464
Amounts owed to group undertakings	19,608,855	14,241,874
Taxation and social security	149,777	141,473
Accruals and deferred income	1,819,454	2,079,069
Other creditors	27,488	-
Unamortised capital grant	625,447	299,326
	<u>35,909,677</u>	<u>30,915,287</u>

The amounts owed to group undertakings comprise:

Parent and fellow subsidiary undertakings	<u>19,608,855</u>	<u>14,241,874</u>
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LIVERPOOL AIRPORT PLC

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2002

12. Creditors (amounts falling due after more than one year)

	2002 £	2001 £
Bank loans and overdrafts	321,607	396,248
Obligations under finance leases (see note 13)	376,458	569,712
Unamortised capital grant	13,414,600	6,533,379
	<u>14,112,665</u>	<u>7,499,339</u>

13. Obligations under finance leases

	2002 £	2001 £
Amounts payable within one year	225,835	234,878
In the second to fifth years inclusive	404,181	629,075
Less finance charges allocated to future years	(60,304)	(104,066)
	<u>569,712</u>	<u>759,887</u>

Finance leases are analysed as follows:

Due within one year	193,254	190,175
Due in the second to fifth years inclusive	376,458	569,712
	<u>569,712</u>	<u>759,887</u>

14. Provision for Liabilities and Charges

Deferred Taxation

Provision is made for deferred taxation at a rate of 30% (2001: 30%), the amount provided being:

	2002 £	2001 £
Other timing differences	(4,318,208)	(2,049,812)
Losses	(2,456,950)	(2,126,089)
Accelerated capital allowances	6,775,158	4,175,901
	<u>-</u>	<u>-</u>

In accordance with FRS 19 no asset has been recognised for a potential deferred tax asset of £744,000 (2001 : £1,075,000) created by tax losses as the losses are not expected to be utilised in the foreseeable future.

LIVERPOOL AIRPORT PLC

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 March 2002

15. Called-up Share Capital

Number	Authorised	2002 £	2001 £
	Ordinary shares of £1.00 each		
-	Class 'A' ordinary shares	-	12,000,000
-	Class 'B' ordinary shares	-	21,040,000
70,000,000	Ordinary shares	70,000,000	-
<u>70,000,000</u>		<u>70,000,000</u>	<u>33,040,000</u>

Number	Allotted, Called-up and Fully Paid		
	Ordinary shares of £1.00 each ranking for dividend		
-	Class 'A' ordinary shares	-	12,000,000
-	Class 'B' ordinary shares	-	21,040,000
53,040,000	Ordinary shares	53,040,000	-
<u>53,040,000</u>		<u>53,040,000</u>	<u>33,040,000</u>

On 3 August 2001, both A and B ordinary shares were redesignated into ordinary shares of £1.00 each, resulting in an authorised and issued share capital of £33,040,000 Ordinary shares of £1.00 each.

On 13 December 2001, the authorised share capital was increased from £33,040,000 to £70,000,000. 20,000,000 Ordinary shares of £1.00 each were issued bringing the issued share capital to £53,040,000.

16. Share Premium

Shares issued in consideration for assets transferred to the Company on its formation were issued at a premium of £2,500,000.

17. Profit and Loss account

	£
At 1st April 2001	(20,791,750)
Absorbed loss for the financial year	<u>(1,334,990)</u>
At 31st March 2002	<u>(22,126,740)</u>

18. Capital Commitments

	2002 £	2001 £
Capital expenditure contracted but not provided for in these accounts	<u>6,097,000</u>	<u>31,645,000</u>

Grant aid to be received in relation to the above commitments at 31 March 2002 was £Nil (2001: £8.5m)

LIVERPOOL AIRPORT PLC

NOTES TO THE ACCOUNTS (continued) for the year ended 31 March 2002

19. Pension Scheme

The company operates a defined contribution pension scheme. Employer's contributions are at the rates of 6% and 8% and the charge for the year was £215,973 (2001: £168,252). At 31 March 2002, the value of contributions outstanding was £Nil (2001: £Nil).

One employee of the company is an active member of the Merseyside Superannuation Scheme. The Scheme, which is a defined benefit scheme, is operated in accordance with the Local Government Superannuation Regulations. Contributions to this Scheme are based on pension costs determined by independent qualified actuaries and are charged to the profit and loss account so as to spread the cost of pensions over the members' working lives. The contribution rate for the year ended 31 March 2002 was 0% (charge for 2001: £Nil).

20. Operating Leases

The company is committed to the following annual future payments under non-cancellable operating leases on vehicles as follows:

	2002 £	2001 £
Expiring within:		
One year	12,266	24,823
Between two and five years	14,097	24,492
	<u>26,363</u>	<u>49,315</u>

21. Holding Companies

The ultimate holding company is Tokenhouse Holdings Limited, a company incorporated in Guernsey.

The largest group of undertakings, of which the group is a member, that produces consolidated accounts is Peel Holdings p.l.c., a company registered in England. Its group accounts are available from the Company Secretary, Peel Holdings p.l.c., Peel Dome, The Trafford Centre, Manchester M17 8PL.

22. Contingent Liabilities

- (a) At 31st March 2002 the company had guaranteed bank loans of the intermediate holding company Peel Holdings p.l.c. amounting in aggregate to £145,000,000 (2001: Nil).
- (b) At 31st March 2002 the company's banks had provided road bonds and guarantees amounting to £750,000 (2001: Nil).

LIVERPOOL AIRPORT PLC

Economic Regulations

The company is subject to economic regulations under the Airports Act 1986 which requires the Airport to hold permission from the Civil Aviation Authority to levy airport charges.

From 1 April 1988, the operational activities are required to be allocated between airport charges levied in connection with the landing, parking and taking-off of aircraft (including passenger related charges) and other operational income.

All revenue and costs arising from non-operational activities, such as items where the income is not primarily from airport users, is required to be shown in a separate category.

The following have been quantified by means of apportioning the use of the Airport's accommodation and services.

Airport Operational Activities

	2002		2001	
	£	£	£	£
Airport Charges:				
Revenue	8,943,222		7,631,906	
Costs	<u>(10,234,500)</u>		<u>(9,189,663)</u>	
		(1,291,278)		(1,557,757)
Other Income:				
Revenue	6,111,817		4,767,222	
Costs	<u>(4,679,298)</u>		<u>(2,975,143)</u>	
		1,432,519		1,792,079
Non-Operational Activities:				
Net interest payable		(1,861,568)		(1,562,970)
Exceptional item		-		(4,603,000)
Loss on ordinary activities before taxation		<u>(1,720,327)</u>		<u>(5,931,648)</u>

The 'other income' category includes concession and rental income.

LIVERPOOL AIRPORT PLC

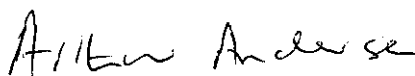
Auditors' Report to the Directors of Liverpool Airport PLC

We have examined the additional financial information set out on page 17, which has been prepared for the reason set out on that page.

The directors are responsible for the preparation of this additional financial information. Under the terms of our engagement it is our responsibility to examine that financial information and to report to the Civil Aviation Authority on compliance with the requirements of the Accounts Conditions issued by the Civil Aviation Authority under sections 40(1)(a) and 41(l) of the Airports Act 1986.

Opinion

In our opinion, the additional financial information set out on page 17 is fairly stated and properly prepared in accordance with the requirements of the Accounts Conditions issued by the Civil Aviation Authority under sections 40(1)(a) and 41(1) of the Airports Act 1986.



Arthur Andersen
Chartered Accountants and Registered Auditors

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9 Charlotte Street
Manchester
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28th June 2002