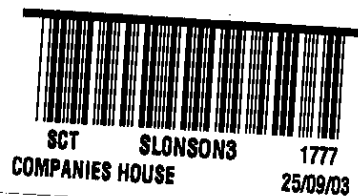


EDINBURGH AIRPORT LIMITED

**Report and Financial Statements
for the Year Ended 31 March 2003**



Company Registration Number 96623

REPORT AND FINANCIAL STATEMENTS 2003

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Dowds	-	Chairman
R B Jeffrey	-	Managing Director
G D Dewar	-	Finance Director

SECRETARY

M B Lewis

REGISTERED OFFICE

St Andrew's Drive
Glasgow Airport
Paisley
PA3 2SW

AUDITORS

Deloitte & Touche
Chartered Accountants
Glasgow

BANKERS

Barclays Bank Plc
PO Box 554
54 Lombard Street
London
EC3V 9EX

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for Edinburgh Airport Limited ("the Company") for the year ended 31 March 2003 ("the year").

PRINCIPAL ACTIVITIES

The Company owns and is the licensed operator of Edinburgh Airport.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Passenger growth during the year continued to be strong, with overall growth of 13.1% taking total terminal passengers over 7 million.

Income from airport and other traffic charges grew by 6.6%, while retail income grew by 13.3%. Overall income grew by 7.7%.

During the year the Company invested £9.1 million on the airport's continuing terminal and infrastructure development.

The directors anticipate another year of strong passenger growth and are committed to continued improvements in terminal and airport facilities.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £17.6 million (2002: £14.8 million).

The directors do not recommend the payment of a dividend (2002: £Nil).

The retained profit for the year of £12.6 million (2002: £10.2 million) has been transferred to reserves.

BOARD OF DIRECTORS

The directors who served during the year and since the year end are as follows:

D Dowds	Chairman
R B Jeffrey	Managing Director
G D Dewar	

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 4 to the financial statements.

REPORT OF THE DIRECTORS (continued)**EMPLOYEES**

The Company has no direct employees. The staff are employed by BAA plc which is the Company's ultimate parent company.

PAYMENT PRACTICE

The Company's policy is to follow the DTI's Better Payment Practice Code which is reproduced in the report and accounts of BAA plc. The Company had 32 days purchases outstanding at 31 March 2003 (2002: 17 days) based on the average daily amount invoiced by suppliers during the year ended 31 March 2003.

ECONOMIC AND MONETARY UNION

An outline implementation strategy for the introduction of the euro if and when the UK elects to join the EMU has been developed and is under continual review. It is too early to estimate the costs to the Company of the UK joining the euro, however the Company continues to ensure that new systems being introduced to the business are euro compliant.

The Company's policy is that while the UK remains outside of the euro and sterling is floating freely the Company will:

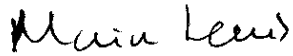
- Treat the euro as another foreign currency
- Raise invoices and require settlement in sterling
- Settle liabilities according to the currency of the contract

REPORT OF THE DIRECTORS (continued)

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
Company Secretary

28 May 2003

Registered Office:
St Andrew's Drive
Glasgow Airport
Paisley
PA3 2SW

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 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, 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, 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.

EDINBURGH AIRPORT LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
EDINBURGH AIRPORT LIMITED**

We have audited the financial statements of Edinburgh Airport Limited for the year ended 31 March 2003 which comprise the profit and loss account, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the balance sheet and the related notes 1 to 16. 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 auditor's 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 performed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of 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 the 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 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.

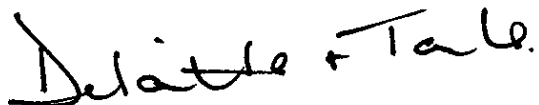
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

EDINBURGH AIRPORT LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
EDINBURGH AIRPORT LIMITED (continued)**

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 & Touche
Chartered Accountants and Registered Auditors
Glasgow

28 May 2003

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Revenue – continuing operations	2	62,034	57,574
Operating costs	3	(40,393)	(37,477)
Operating profit – continuing operations		<u>21,641</u>	<u>20,097</u>
Net interest payable	5	(4,031)	(5,329)
Profit on ordinary activities before taxation		<u>17,610</u>	<u>14,768</u>
Tax on profit on ordinary activities	6	(5,022)	(4,583)
Retained profit on ordinary activities after taxation for the financial year	13	<u><u>12,588</u></u>	<u><u>10,185</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**For the year ended 31 March 2003**

	Note	2003 £'000	2002 £'000
Profit for the financial year		12,588	10,185
Unrealised revaluation surplus	13	<u>4,614</u>	<u>3,884</u>
Total recognised gains and losses relating to the year		<u>17,202</u>	<u>14,069</u>

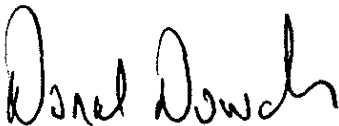
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**For the year ended 31 March 2003**

	Note	2003 £'000	2002 £'000
Profit for the financial year	13	12,588	10,185
Other net recognised gains and losses relating to the year		<u>4,614</u>	<u>3,884</u>
Net addition to shareholders' funds		17,202	14,069
Opening shareholders' funds		<u>72,047</u>	<u>57,978</u>
Closing shareholders' funds		<u><u>89,249</u></u>	<u><u>72,047</u></u>

BALANCE SHEET AT 31 MARCH 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	7	174,431	167,366
CURRENT ASSETS			
Stocks	8	320	101
Debtors: due within one year	9	7,425	6,861
: due after more than one year	9	3,032	2,891
TOTAL CURRENT ASSETS		10,777	9,853
CREDITORS: amounts falling due within one year	10	(87,918)	(97,833)
NET CURRENT LIABILITIES		(77,141)	(87,980)
TOTAL ASSETS LESS CURRENT LIABILITIES		97,290	79,386
Provisions for liabilities and charges	11	(8,041)	(7,339)
NET ASSETS		89,249	72,047
CAPITAL AND RESERVES			
Called up share capital	12	6,500	6,500
Revaluation reserve	13	45,514	40,900
Profit and loss account	13	37,235	24,647
EQUITY SHAREHOLDERS' FUNDS		89,249	72,047

These financial statements were approved by the Board of Directors on 28 May 2003 and signed on behalf of the Board.



D Dowds
Chairman



G D Dewar
Finance Director

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2003****1. ACCOUNTING POLICIES****Basis of accounting**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with all applicable accounting standards.

Revenue

Revenue comprises:

- Airport and other traffic charges: the invoiced value of sales from airport activities net of value added tax;
- Property and operational facilities: revenues from property letting, usage charges for operational systems and other invoiced sales, net of value added tax; and
- Retail: concession rentals from airport retailers due and agreed, net of value added tax.

Fixed assets**(i) Operational assets**

Terminal complexes, airfield assets, plant and equipment, fixtures and fittings and Group occupied properties are stated at historical cost less accumulated depreciation. Assets in the course of construction are stated at historical cost less provision for impairment and assume that projects in early planning stages will receive the consents necessary to achieve a successful outcome. Where appropriate, cost includes interest, own labour and associated overheads.

(ii) Investment properties

Fully completed properties let to, and operated by, third parties and held for long term retention, are accounted for as investment properties and valued at the balance sheet date at open market value. All investment properties are revalued annually by the directors and at least once every five years by external valuers. Any surplus or deficit on revaluation is transferred to revaluation reserve except that deficits below original cost which are expected to be permanent are charged to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

1. ACCOUNTING POLICIES (continued)

Fixed assets (continued)

(ii) Investment properties (continued)

Profits or losses arising from the sale of investment properties are calculated by reference to book value and treated as exceptional items. Profits are recognised on completion.

In accordance with SSAP No. 19, Accounting for Investment Properties, no depreciation is provided in respect of freehold or long leasehold investment properties. This is a departure from the Companies Act 1985 which requires all properties to be depreciated. Such properties are not held for consumption but for investment and the directors consider that to depreciate them would not give a true and fair view. Depreciation is only one amongst many factors reflected in the annual valuation of properties and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified. The directors consider that this policy results in the accounts giving a true and fair view.

(iii) Depreciation

Depreciation is provided on operational assets, other than land, to write off the cost of the assets by equal instalments over their expected useful lives as follows:

• Terminal building, pier and satellite structures	up to 60 years
• Terminal fixtures and fittings	5 - 20 years
• Airport plant and equipment:	
• baggage systems	15 years
• screening equipment	7 years
• lifts, escalators, travelators	25 years
• other plant and equipment including runway lighting and building plant	5 - 20 years
• Airport tunnels, bridges and subways	up to 100 years
• Runway surfaces	10 - 15 years
• Runway bases	up to 100 years
• Taxiways and aprons	50 years
• Motor vehicles	4 - 8 years
• Office equipment	5 - 10 years
• Computer equipment	4 - 5 years
• Computer software	3 - 7 years
• Short leasehold properties	over period of lease

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2003****1. ACCOUNTING POLICIES (continued)****Capitalisation of interest**

Interest payable is charged as incurred except where the borrowing finances tangible fixed assets in the course of construction. Such interest is capitalised once planning permission has been obtained and a firm decision to proceed has been taken until the asset is complete and ready for use. It is charged to the profit and loss account as depreciation over the life of the relevant asset.

Stocks

Raw materials and consumables consist of engineering spares and other consumable stores and are valued at the lower of cost and net realisable value.

Deferred taxation

In accordance with FRS 19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of investment properties where there is no commitment to sell the asset.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Cash flow statement

The Company is a wholly-owned subsidiary of BAA plc and is included in the consolidated financial statements of BAA plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2003****2. SEGMENTAL ANALYSIS**

	2003	2002
Revenue	£'000	£'000
Airport and other traffic charges	39,678	37,236
Retail	14,724	12,996
Property and operational facilities	5,880	5,716
Other	<u>1,752</u>	<u>1,626</u>
	<u>62,034</u>	<u>57,574</u>

All revenue arises in the United Kingdom. The majority of the operating costs and net assets relate to more than one segment. In the opinion of the directors it would be misleading to apportion operating costs and net assets to individual segments.

3. OPERATING COSTS FROM CONTINUING OPERATIONS

	2003	2002
	£'000	£'000
Staff costs:		
Wages and salaries	10,677	10,109
Social security costs	860	783
Pension costs	2,125	2,152
Other staff related costs	508	571
SSAP 24 adjustment	<u>-</u>	<u>(454)</u>
	14,170	13,161
Retail expenditure	319	243
Depreciation	6,813	6,175
Maintenance expenditure	3,802	3,791
Rent and rates	2,235	2,154
Utility costs	1,325	1,405
Police costs	1,123	1,079
General expenses	3,255	2,663
Other intra-group charges	7,351	6,631
	<u>40,393</u>	<u>37,302</u>
Loss on disposals of tangible fixed assets	<u>-</u>	<u>175</u>
	<u>40,393</u>	<u>37,477</u>

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2003****3. OPERATING COSTS FROM CONTINUING OPERATIONS (continued)**

	2003 £'000	2002 £'000
Operating costs include:		
Training expenditure	137	135
Rentals under operating leases		
- Hire of plant and machinery	89	227
- Other operating leases	36	32
Auditors' remuneration		
- Audit fees	12	13
Legal and other professional fees	165	225
	<hr/>	<hr/>

Employee information

The Company has no employees. All staff costs are borne by BAA plc which levies a management charge inclusive of staff costs.

The average number of employees of BAA plc engaged in the operation of Edinburgh Airport during the year was 405 (2002: 383).

As announced on 30 July 2001, BAA plc adopted FRS 17 Retirement Benefits and, at that time, adjusted the management charge to its airport subsidiaries to reflect the full service cost of pension provision together with the cost of benefits relating to past service as calculated under FRS 17.

In 2003, wages and salaries costs include a recharge of £70,000 (2002: £207,000) in respect of contributions made to the BAA Qualifying Employee Share Ownership Trust in connection with the satisfaction of sharesave options held by BAA plc employees engaged in the business of Edinburgh Airport Limited.

Other employee information including disclosure relating to FRS 17 and BAA plc's pension schemes is disclosed in the financial statements of BAA plc.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2003****4. DIRECTORS' EMOLUMENTS**

	2003	2002
	£'000	£'000
Directors' emoluments		
(excluding pension contributions and awards under share option schemes and other long term incentive schemes).	<u>142</u>	<u>126</u>
Number of directors who:	2003	2002
	No.	No.
· are members of a defined benefit pension scheme	3	2
· exercised share options	-	2

All of the directors were, during their period in office, also directors of Scottish Airports Limited. Other than the Managing Director, all were paid by Scottish Airports Limited and their remuneration and other benefits are disclosed in its financial statements.

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		OPTIONS				31 March 2003
	1 April 2002 (or date of appointment if later)	31 March 2003	1 April 2002 (or date of appointment if later)	Granted during the year	Cancelled during the year	Exercised during the year	
D Dowds	4,101	1,429	131,283	27,629	-	-	158,912
R B Jeffrey	8,237	8,237	75,475	16,431	-	-	91,906
G D Dewar	27,911	18,911	89,813	15,581	-	-	105,394

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2003****4. DIRECTORS' EMOLUMENTS (continued)****BAA Employee Share Trust ("BEST")**

The BEST is a discretionary trust which acquires and holds ordinary shares in BAA plc for subsequent transfer 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 in the table below:

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

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

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

5. NET INTEREST PAYABLE

	2003 £'000	2002 £'000
Interest payable		
Payable to ultimate parent undertaking:		
On current loans	(4,340)	(5818)
Interest capitalised	149	318
	<u>(4,191)</u>	<u>(5,500)</u>
Interest receivable		
Receivable from ultimate parent undertaking	<u>160</u>	<u>171</u>
Net interest payable	<u>(4,031)</u>	<u>(5,329)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
United Kingdom Corporation tax		
Current at 30% (2002: 30%)	4,426	3,017
- prior year adjustment	(106)	-
Total current tax charge	<u>4,320</u>	<u>3,017</u>
Deferred - origination and reversal of timing differences	1,090	1,566
- prior year adjustment	(388)	-
	<u>5,022</u>	<u>4,583</u>

Reconciliation of tax charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2002: 30%). The actual tax charge for the current and prior years is less than 30% for the reasons set out in the following reconciliation:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	<u>17,610</u>	<u>14,768</u>
Tax on profit on ordinary activities at 30%	5,283	4,431
Factors affecting charge:		
Permanent differences	234	152
Capital allowances for the year in excess of depreciation	(1,046)	(1,473)
Capitalised interest	(45)	(95)
Other short term timing differences	-	2
Adjustments to tax charge in respect of prior years	<u>(106)</u>	<u>-</u>
Current tax charge for the year	<u>4,320</u>	<u>3,017</u>

Other than unprovided deferred tax discussed in the paragraph below and note 11, there are no items which would materially affect the future tax charge.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Taxable gains will crystallise only if the property were sold without it being possible to claim rollover relief. The total amount of tax unprovided for is £10.7 million (2002: £9.5 million). At present, it is not envisaged that this tax will become payable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

7. TANGIBLE ASSETS

Cost or valuation	Investment properties £'000	Land held for development £'000	Terminal complexes £'000	Airfields £'000	Group occupied properties £'000	Plant, equipment & other assets £'000	Assets in the course of construction £'000	Total £'000
1 April 2002	53,702	855	110,221	15,417	3,259	10,598	2,825	196,877
Additions at cost	-	-	70	29	-	363	8,653	9,115
Transfers to completed assets	40	540	2,728	1,080	16	72	(4,476)	-
Interest capitalised	-	-	-	-	-	-	149	149
Reclassifications	(26)	-	163	(61)	8	(84)	-	-
Revaluation	4,954	(340)	-	-	-	-	-	4,614
31 March 2003	58,670	1,055	113,182	16,465	3,283	10,949	7,151	210,755
Depreciation								
1 April 2002	-	-	19,531	2,670	675	6,635	-	29,511
Charge for the year	-	-	5,200	487	134	992	-	6,813
Reclassifications	-	-	51	(2)	5	(54)	-	-
31 March 2003	-	-	24,782	3,155	814	7,573	-	36,324
Net book value								
31 March 2003	58,670	1,055	88,400	13,310	2,469	3,376	7,151	174,431
31 March 2002	53,702	855	90,690	12,747	2,584	3,963	2,825	167,366

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2003****7. TANGIBLE ASSETS (continued)****Valuation**

Investment properties and land held for development were valued at open market value at 31 March 2003 by Drivers Jonas, Chartered Surveyors at £40.6 million. The remaining investment properties and land held for development were valued at open market value by Mr S K J Wilkinson BSC (Hons), MRICS, Group Airports Property Director. These valuations were prepared in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors taking account, inter alia, of planning constraints and reflecting the demand for airport related uses. As a result of the valuation, a surplus of £4.6 million has been transferred to revaluation reserve.

Remaining group occupied properties, terminal complexes, airfield infrastructure, plant and equipment, and other assets, have been shown at historical cost.

Fully depreciated assets

Cost and accumulated depreciation include £13.7 million (2002: £11.3 million) in respect of fully depreciated assets still in use.

Capitalised interest

Included in the cost of assets after depreciation are interest costs of £4.1 million (2002: £3.9 million). £0.1 million (2002: £0.3 million) has been capitalised in the year at a capitalisation rate of 5.49% (2002: 7.125%) based on a weighted average of borrowings.

Historical cost

The historical cost of investment properties and land held for development at 31 March 2003 was £14.2 million (2002: £13.7 million).

Leased assets

The Company had assets rented to third parties under operating leases as follows:

	2003	2002
	£'000	£'000
Cost or valuation	67,374	53,675
Accumulated depreciation	<u>(1,953)</u>	<u>-</u>
Net book amount	<u><u>65,421</u></u>	<u><u>53,675</u></u>

A significant proportion of freehold property is occupied by third parties under concession and management agreements.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2003****8. STOCKS**

	2003	2002
	£'000	£'000
Raw materials and consumables	<u>320</u>	<u>101</u>

The replacement cost of raw materials and consumables at 31 March 2003 and 2002 was not materially different than the amount at which they are included in the accounts.

9. DEBTORS

	2003	2002
	£'000	£'000
Due within one year:		
Trade debtors	6,724	6,549
Amounts owed by group undertakings	156	133
Other debtors	<u>545</u>	<u>179</u>
	7,425	6,861
Due after more than one year:		
Loan to ultimate parent undertaking	3,025	2,865
Other debtors	<u>7</u>	<u>26</u>
	<u>10,457</u>	<u>9,752</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£'000	£'000
Trade creditors	3,581	3,573
Capital creditors	3,700	1,745
Amount owed to ultimate parent undertaking	77,199	89,631
Corporation tax payable	2,674	2,108
Other creditors	-	1
Deferred income	<u>764</u>	<u>775</u>
	<u>87,918</u>	<u>97,833</u>

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2003****11. PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred Tax £'000
1 April 2002	7,339
Charge to profit and loss account	<u>702</u>
31 March 2003	<u><u>8,041</u></u>

Analysis of the deferred tax balances are as follows:

	2003 £'000	2002 £'000
Excess of capital allowances over depreciation	8,068	7,366
Other timing differences	<u>(27)</u>	<u>(27)</u>
	<u><u>8,041</u></u>	<u><u>7,339</u></u>

	Unprovided 2003 £'000	2002 £'000
Surplus on revaluation of tangible fixed assets	<u><u>10,688</u></u>	<u><u>9,452</u></u>

The deferred taxation liabilities have been computed at the expected long term rate of 30% (2002 : 30%).

Provision has been made for deferred taxation in accordance with FRS 19.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 March 2003****12. CALLED UP SHARE CAPITAL**

	2003 £'000	2002 £'000
Authorised		
6,550,002 ordinary shares of £1 each	<u>6,550</u>	<u>6,550</u>
Called up, allotted and fully paid		
6,500,002 ordinary shares of £1 each	<u>6,500</u>	<u>6,500</u>

13. RESERVES

	Profit and loss account £'000	Revaluation reserve £'000	Total £'000
1 April 2002	24,647	40,900	65,547
Retained profit for financial year	12,588	-	12,588
Revaluation surplus	<u>-</u>	<u>4,614</u>	<u>4,614</u>
31 March 2003	<u>37,235</u>	<u>45,514</u>	<u>82,749</u>

14. FUTURE COMMITMENTS**Capital**

Future capital expenditure contracted commitments amount to £2.0 million (2002: £0.8 million).

Commitments under operating leases

At 31 March 2003, the Company was committed to making the following payments during the next year in respect of operating leases.

	Land & Buildings 2003 £'000	Other Leases 2003 £'000	Land & Buildings 2002 £'000	Other Leases 2002 £'000
Leases which expire:				
- within two to five years	<u>2</u>	<u>65</u>	<u>-</u>	<u>170</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

Edinburgh Airport Limited is a wholly owned subsidiary of Scottish Airports Limited, a company registered in Scotland. The ultimate parent undertaking and controlling entity is BAA plc, a company registered in England and Wales.

The only group of companies which includes the Company and for which group accounts are prepared, is the BAA plc group. Copies of the financial statements of BAA plc may be obtained by writing to the Company Secretary at 130 Wilton Road, London, SW1V 1LQ.

16. RELATED PARTY TRANSACTIONS

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

PERMISSION TO LEVY CHARGES
Year Ended 31 March 2003

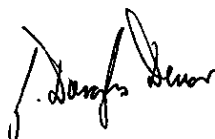
The following information is disclosed in accordance with the accounts conditions imposed under section 41(1) of the Airports Act 1986.

Statement A:	Operational/Non Operational Trading Results
Statement B:	Basis of Cost Allocation
Statement C:	Connected Party Transactions
Statement D:	Audit Report

The information in Statements A, B and C attached was approved by the Board of Directors on 28 July 2003 and signed on their behalf.



Donal Dowds
Director



G Douglas Dewar
Director

**PERMISSION TO LEVY CHARGES
STATEMENT A**

**Operational/Non Operational Trading Results in Accordance with
Conditions 3 and 4 for the year ended 31 March 2003**

	<u>Income</u> £'000	<u>Expenditure</u> £'000	<u>Profit</u> before tax and interest £'000
Operational Activities:			
Airport charges	39,650	32,593	7,057
Other operational activities	20,936	7,462	13,474
Total operational activities	60,586	40,055	20,531
 Non-Operational Activities	 1,448	 338	 1,110
 TOTAL	 62,034	 40,393	 21,641

PERMISSION TO LEVY CHARGES STATEMENT B

Broad Principles of Cost Allocation in Accordance with Conditions 2 and 3 For the Year Ended 31 March 2003

Costs have been allocated into the following categories:

Airport Charges
Other Operational Activities
Non-Operational Activities

Airport Charges comprise all activities in respect of which airport charges are levied. Airport Charges comprise a weight and passenger related departure charge and aircraft parking charges. All other activities are classified as other operational activities except for the provision and operation of facilities for commercial advertising and spectator areas.

All 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:

Direct Expenditure excluding Depreciation
Area Occupied
Staff Deployed

Total costs include costs incurred by BAA plc and Scottish Airports Limited. Those BAA plc costs which are assessed according to usage are attributed to subsidiaries on that basis. The remaining BAA plc costs are allocated to subsidiaries proportionately on the basis of operating profit. The costs of Scottish Airports Ltd are allocated to airports according to each airport's appropriate share of the individual costs involved. Within the airport, these costs are allocated between activities as overheads.

PERMISSION TO LEVY CHARGES STATEMENT C

Disclosure Transactions in Accordance with Condition 1 for the Year Ended 31 March 2003

BAA plc Costs

The Company is charged by BAA plc for services supplied in carrying out the Company's business. This charge includes those costs which are assessed according to usage and are attributed to Edinburgh Airport Limited and other fellow subsidiaries on that basis. Other parent company charges include items of expenditure relating directly to the Company which have been charged to the Company. The remaining BAA plc costs cannot be separately attributed on a usage basis because of the nature of the services supplied and have therefore been allocated proportionately on the basis of operating profit.

Inter-Company Accounts

The Company's funding is met by an inter-company account with BAA plc. Interest on the current account is charged or credited to the net borrowing calculated at the last day of each month on the balance at the beginning of the month at a percentage derived from Barclays Bank base rate plus 1.5%.

The interest base rate prevailing on this account at 31 March 2003 was 5.25%.

During the year ended 31 March 2003, the aggregate maximum borrowing was £88.8 million at 30 April 2002.

The aggregate minimum borrowing was £70.1 million at 28 February 2003.

There is an inter-company loan to BAA plc. Interest is credited on the same basis as for the main inter-company account and the balance at 31 March 2003 was £3.03 million.

PERMISSION TO LEVY CHARGES STATEMENT D

Independent auditors' report to the Civil Aviation Authority ("CAA"), the directors of Edinburgh Airport Limited ("the Company") and the directors of BAA plc.

We have reviewed the Information as specified by the Accounts Conditions under section 40(1) (a) of the Airports Act 1986, which is reported by the Companies as Statements A, B, and C, ("Statements A, B and C").

Deloitte & Touche, its partners and staff neither owe nor accept any duty to any party other than the CAA and the directors of the Company, and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by their reliance on representations in this Report.

Basis of preparation

Statements A, B and C have been prepared under the basis of preparation as required by the Airports Act 1986.

Statements A, B and C are separate from the statutory financial statements of the Company and have not been prepared wholly under the basis of UK Generally Accepted Accounting Principles ("GAAP"). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial position of a company as shown in the financial statements prepared in accordance with the Companies Act 1985.

Respective responsibilities of the regulator, directors and auditors

The nature, form and content of Statements A,B and C is determined by Company in consultation with the Regulator. It is not appropriate for the auditors or the directors to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly we make no such assessment.

The directors are responsible for preparing Statements A, B and C in accordance with the Airports Act 1986.

Our responsibility is to audit Statements A, B and C in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board.

Our responsibilities are to the directors of the Company, as a group, and to the Regulator. We do not accept any duty of care or other responsibility to any other person and deny all liability whether in contract, tort (including negligence), statutory duty or otherwise to any other person who chooses to rely on this report.

PERMISSION TO LEVY CHARGES STATEMENT D

Independent auditors' report to the Civil Aviation Authority ("CAA"), the directors of Edinburgh Airport Limited ("the Company") and the directors of BAA plc. (continued)

Respective responsibilities of the regulator, directors and auditors (continued)

We report to the directors of the Company and the Regulator our opinion as to whether Statements A,B and C have been properly prepared in accordance with the Airports Act 1986, and on that basis fairly present the financial performance of the Company, and the financial position of the Company as defined by the Airports Act 1986. We also report to you if in our opinion we have not received all information and explanations which we consider necessary for the purposes of our audit.

Basis of audit opinion

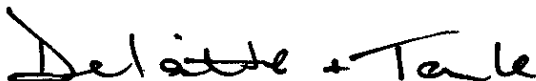
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in Statements A, B and C. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of Statements A,B and C, 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 Statements A, B and C are free from material misstatement, whether caused by fraud or other irregularity or error.

Our opinion on Statements A, B and C is separate from our opinion on the statutory financial statements of the Company, which are prepared for a different purpose.

Opinion

In our opinion, Statements A, B and C present fairly the information set forth therein and are in accordance with the requirements of the Accounts Conditions imposed by the CAA under Section 40(1)(a) of the Airports Act 1986.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Glasgow

28 July 2003

