

PEEL AIRPORTS LIMITED

REPORT & ACCOUNTS
YEAR ENDED 31ST MARCH 2003

COMPANY NUMBER 3385025



RID	*R09U000U*	0246
COMPANIES HOUSE		10/10/03
A33	*A4R1NP2K*	0828
COMPANIES HOUSE		10/10/03

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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.
Secretary:	Paul P. Wainscott A.C.I.S.
Registered Office:	Peel Dome The Trafford Centre Manchester M17 8PL
Registered Number:	3385025
Auditors:	Deloitte & Touche LLP, Manchester
Bankers:	Barclays Bank Plc
Property Valuers:	King Sturge

Report of the Directors *for the year ended 31st March 2003*

The directors submit their report together with the audited financial statements of the Group for the year ended 31st March 2003.

Principal Activities

The principal activities of the Group are the operation of regional airports as well as property investment and development.

The subsidiary undertakings and joint ventures principally affecting the profits or net assets of the group in the year are listed on page 22.

Review of Business, Developments and Prospects

The directors expect the current level of activity to continue into the foreseeable future.

Results and Dividends

The Group's results for the financial year are set out in the profit and loss account on page 6. The financial position of the Group and Holding Company at 31st March 2003 is set out in the balance sheets on page 7.

No dividend can be paid (2002: £nil).

Post Balance Sheet Event

On 1st April 2003 the Group acquired a 75% shareholding in Teesside International Airport Limited for a total consideration including costs of £8,253,000.

Other Fixed Assets

The carrying value of other fixed assets, as disclosed in note 11, is not significantly different from their market value at 31st March 2003.

Directors and Their Interests in Shares and Financial Instruments

The directors who held office during the year were:

J. Whittaker
R. E. Hough
P. A. Scott
P. P. Wainscott

The directors had 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

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 and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

Report of the Directors *(continued)*

Directors' Responsibilities *(continued)*

- 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Political and Charitable Contributions

During the year, contributions by the Group for charitable purposes totalled £6,050 (2002: £19,075).

The Group made no political contributions during the financial year (2002: £nil).

Payment Policy

In the absence of dispute, amounts due to trade and other suppliers are settled as expeditiously as possible within their terms of payment. The effect of the Group's payment policy is that its trade creditors at the financial year end represented 40 days' (2002: 41 days') purchases.

Employee Involvement and Health and Safety at Work

Regular meetings are held involving directors, managers and supervisory staff to convey information about the business. During the year, the Group has provided training for employees at all levels through a structured programme of courses, seminars and workshops.

The policy of the Group 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

The policy of the Group is to give a full and fair consideration to applications received from 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 Group employees and if necessary, retraining is given to any employee who becomes disabled whilst in the Group's employment.

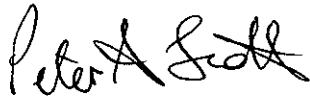
Report of the Directors (*continued*)

Auditors

On 31st July 2002 Arthur Andersen resigned as auditors of the Company and the directors appointed Deloitte & Touche to fill the casual vacancy. On 1st August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1st August 2003 under the provisions of section 26(5) of the Companies Act 1989. The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

On behalf of the Board

P. A. Scott
Director



30th September 2003

Independent Auditors' Report

To the members of Peel Airports Limited

We have audited the financial statements of Peel Airports Limited, for the year ended 31st March 2003 which comprise the Group Profit and Loss Account, the Balance Sheets, the Statement of Total Recognised Group Gains and Losses, the Reconciliation of Movements in Group Shareholders' Funds and the related notes numbered 1 to 25. 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 and other members of the Group 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 affairs of the Company and of the Group as at 31st March 2003 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Manchester

30th September 2003

PEEL AIRPORTS LIMITED

Group Profit and Loss Account *for the year ended 31st March 2003*

		2003	2002
	Note	£'000	£'000
Turnover	2	23,004	16,062
Operating profit	2	260	1,112
Profit on disposal of fixed assets	4	2	1,429
Share of net results of joint venture companies	3	(223)	(1,773)
Profit on ordinary activities before interest and taxation	5	39	768
Net interest payable and similar charges	6	(3,062)	(3,362)
Loss on ordinary activities before taxation		(3,023)	(2,594)
Tax on loss on ordinary activities	7	1,707	247
Absorbed loss for the financial year	19	(1,316)	(2,347)

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

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

The accompanying notes form an integral part of these financial statements.

PEEL AIRPORTS LIMITED

Balance Sheets as at 31st March 2003

	Note	Group		Holding Company	
		2003	2002	2003	2002
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets					
Goodwill	9	2,036	2,148	-	-
Tangible assets					
Investment properties	10	26,795	19,996	-	-
Other fixed assets	11	68,833	67,633	-	-
Investments	12	1,589	1,499	11,636	11,323
		<u>99,253</u>	<u>91,276</u>	<u>11,636</u>	<u>11,323</u>
Current assets					
Debtors	13	6,635	7,568	7,577	7,525
Cash at bank and in hand		4,791	54	2,553	1
		<u>11,426</u>	<u>7,622</u>	<u>10,130</u>	<u>7,526</u>
Creditors (amounts falling due within one year)	14	<u>(84,717)</u>	<u>(76,640)</u>	<u>(10,792)</u>	<u>(8,256)</u>
Net current liabilities		<u>(73,291)</u>	<u>(69,018)</u>	<u>(662)</u>	<u>(730)</u>
Total assets less current liabilities		<u>25,962</u>	<u>22,258</u>	<u>10,974</u>	<u>10,593</u>
Creditors (amounts falling due after more than one year)	15	<u>(33,158)</u>	<u>(31,238)</u>	<u>(18,625)</u>	<u>(17,125)</u>
Net liabilities		<u>(7,196)</u>	<u>(8,980)</u>	<u>(7,651)</u>	<u>(6,532)</u>
Financed by capital and reserves					
Called-up share capital	18	-	-	-	-
Revaluation reserve	19	662	(2,438)	-	-
Capital reserve	19	3,875	3,875	-	-
Profit and loss account	19	(11,733)	(10,417)	(7,651)	(6,532)
Shareholders' deficit		<u>(7,196)</u>	<u>(8,980)</u>	<u>(7,651)</u>	<u>(6,532)</u>

Shareholders' deficit comprises amounts attributable to equity interests.

Approved by the board of directors on 30th September 2003.

P.A. Scott
Director



The accompanying notes form an integral part of these financial statements.

Statement of Total Recognised Group Gains and Losses
for the year ended 31st March 2003

	Note	2003 £'000	2002 £'000
Loss for the financial year		(1,316)	(2,347)
Other recognised gains and losses			
Unrealised surplus on revaluation of investment properties	19	3,100	-
Total recognised net gains and losses for the financial year		<u>1,784</u>	<u>(2,347)</u>

Reconciliation of Movements in Group Shareholders' Funds
for the year ended 31st March 2003

	Note	2003 £'000	2002 £'000
Loss for the financial year	19	(1,316)	(2,347)
Other recognised gains for the financial year	19	3,100	-
Net increase/(decrease) in shareholders' funds		<u>1,784</u>	<u>(2,347)</u>
Shareholders' deficit at 1st April 2002/1st April 2001		<u>(8,980)</u>	<u>(6,633)</u>
Shareholders' deficit at 31st March 2003/31st March 2002		<u>(7,196)</u>	<u>(8,980)</u>

The accompanying notes form an integral part of these financial statements.

Notes to the Accounts

1. Accounting Policies

The principal accounting policies are summarised below. The policies have been applied consistently throughout the year and the preceding year.

Accounting Convention

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

Group Financial Statements

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings made up to 31st March each year. Results of subsidiary undertakings acquired or disposed of during the year are included to the extent of group ownership.

The Group profit and loss account incorporates the Group's share of the results of joint ventures. In the Group balance sheet, the fixed asset investment in joint ventures represents the share of net assets of those undertakings.

The separable net assets of subsidiary undertakings and joint ventures acquired are included in the Group financial statements at their fair value to the Group at the date of acquisition including provisions and liabilities taken into consideration in assessing the fair value of the business acquired.

Intra-group turnover and profits are eliminated on consolidation.

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account for the holding company is not presented.

The loss for the financial year dealt with in the financial statements of the holding company was £1,119,000 (2002: £2,608,000).

Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of subsidiary undertakings or businesses acquired. Goodwill is amortised through the profit and loss account in equal annual instalments over its useful economic life which is 20 years. Provision is made for any impairment.

The goodwill arising on the acquisition of Liverpool Airport p.l.c. in the year ended 31st March 1998, being the difference between the aggregate fair value of consideration given to acquire the investment and the fair value of the separable net assets acquired, was added to capital reserve in the year in accordance with the accounting standards then in force. As permitted by the current accounting standard the goodwill arising on consolidation previously added to capital reserve has not been reinstated in the balance sheet.

Related Party Disclosures

The Company and Group have taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard number 8 "Related party disclosures" and have not disclosed details of transactions with fellow wholly-owned undertakings within the Peel Holdings p.l.c. group of companies.

Notes to the Accounts *(continued)*

1. Accounting Policies *(continued)*

Cash Flow Statement

As permitted by Financial Reporting Standard No.1 (revised) "cash flow statements", the Company has not prepared a cash flow statement as the company is a wholly owned subsidiary undertaking of the Peel Holdings p.l.c. group of companies. Peel Holdings p.l.c. is a company incorporated and registered in England which produces group financial statements in accordance with the Companies Act 1985, which include a consolidated group cash flow statement.

Fixed Asset Investments

Fixed asset investments in subsidiary undertakings are stated at cost less provision for impairment. Cost represents the aggregate cash consideration, costs incurred and either the fair or the nominal value of shares issued.

Investments in joint ventures are accounted for using the equity method. However, if joint ventures are considered to be material to the Group, they are accounted for using the gross equity method.

Investment Properties

Investment properties are included in the balance sheet at their open market value and, in accordance with Statement of Standard Accounting Practice No. 19 "Accounting for investment properties", are not depreciated or amortised. This departure from the requirements of the Companies Act 1985 is necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards. Depreciation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Surpluses or deficits arising from revaluation are transferred to the unrealised revaluation reserve except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Realised revaluation surpluses representing the difference between historical cost and the asset's carrying value are reclassified by way of a transfer to the profit and loss account reserve in the year in which the property disposal occurs.

Properties in the course of development or practically completed but not substantially let, are included in the balance sheet at cost subject to provisions if the directors consider it prudent having regard to the prevailing market conditions. Cost includes interest and directly attributable overheads whilst the property is in the course of development.

Reclassifications between investment properties and other fixed assets are made at the lower of net book value and net realisable value.

Other Fixed Assets

Other fixed assets are stated at cost, net of depreciation and provision for impairment. Depreciation is provided on all other fixed assets at rates calculated to write off the cost, less estimated residual value of each asset on a straight line basis over its estimated useful life as follows:

Freehold land and buildings included in tangible fixed assets at rates varying between 2% and 15% per annum.

Plant and vehicles are depreciated by equal annual instalments over their expected useful economic lives at rates varying between 15% and 25% per annum.

Airport assets include runways and fencing which are depreciated between 1% and 7% per annum and plant and machinery which is depreciated between 10% and 25% per annum.

Residential value is calculated on prices prevailing at the date of acquisition.

Notes to the Accounts (*continued*)

1. Accounting Policies (*continued*)

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or the right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured on a non-discounted basis.

Turnover

Airport turnover represents the amounts receivable by the Group in respect of facilities and services provided during the year.

Property investment turnover comprises property rental income, including rental premiums and is accounted for on an accruals basis.

Turnover excludes sales related taxes.

Interest

Interest directly attributable to both investment and trading properties in the course of development is included in the cost thereof. Interest is capitalised on a simple interest basis without allowing for any tax relief thereon.

Government Grants

Government grants received in respect of capital expenditure are credited to a deferred income account and released to the profit and loss account over the useful economic life of the asset to which they relate.

Leased Assets

Assets acquired under finance leases are capitalised at a value equivalent to the cost incurred by the lessor and depreciated over their 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 lease payments is reflected within creditors.

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

Pension Costs

The cost of the Group's money purchase pension arrangements are charged to the profit and loss account on the basis of contributions payable in respect of the accounting period.

Notes to the Accounts (*continued*)

2. Segmental Analysis of Turnover and Operating Profit

	2003			2002		
	Airport	Property Investment	Group	Airport	Property Investment	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover						
Airport income	21,417	-	21,417	14,791	-	14,791
Gross rental income	-	1,021	1,021	-	853	853
Other turnover	566	-	566	418	-	418
	<u>21,983</u>	<u>1,021</u>	<u>23,004</u>	<u>15,209</u>	<u>853</u>	<u>16,062</u>
Direct costs						
Airport direct costs	(17,248)	-	(17,248)	(10,448)	-	(10,448)
Irrecoverable property costs	-	(463)	(463)	-	(456)	(456)
Ground rents payable	-	(7)	(7)	-	(10)	(10)
Other direct costs	(140)	-	(140)	(85)	-	(85)
	<u>(17,388)</u>	<u>(470)</u>	<u>(17,858)</u>	<u>(10,533)</u>	<u>(466)</u>	<u>(10,999)</u>
Gross Profit	<u>4,595</u>	<u>551</u>	<u>5,146</u>	<u>4,676</u>	<u>387</u>	<u>5,063</u>
Other costs						
Administration expenses	(4,560)	(509)	(5,069)	(3,654)	(390)	(4,044)
Trading profit/(loss)	<u>35</u>	<u>42</u>	<u>77</u>	<u>1,022</u>	<u>(3)</u>	<u>1,019</u>

Other unallocated operational income/charges

Amortisation of goodwill	(112)	(102)
Other income	295	195
Operating profit	<u>260</u>	<u>1,112</u>

All of the Group's turnover during the financial year arose in the United Kingdom.

3. Share of Net Results of Joint Venture Companies

	2003 £'000	2002 £'000
Operating loss	(223)	(234)
Impairment of goodwill	-	(1,539)
	<u>(223)</u>	<u>(1,773)</u>

All of the goodwill arising on acquisition of the 50% shareholding in Sheffield City Airport Limited of £1,539,000 was written off in 2002 due to the forecast losses of the company.

4. Profit on Disposal of Fixed Assets

	2003 £'000	2002 £'000
Other fixed assets	<u>2</u>	<u>1,429</u>

The effect of the profit on disposal of fixed assets on the amount charged to the profit and loss account for taxation was £nil (2002: £548,000).

Notes to the Accounts (*continued*)

5. Profit on Ordinary Activities before Interest and Taxation

	2003 £'000	2002 £'000
Profit on ordinary activities before interest and taxation is stated after charging/(crediting):		
Depreciation – owned assets	4,233	1,758
Depreciation – leased assets	232	140
Amortisation of goodwill	112	102
Hire of plant and machinery under operating leases	160	165
Grant releases	(963)	(339)
Auditors' remuneration – audit services	15	15
Auditors' remuneration – non-audit services	6	3

6. Net Interest Payable and Similar Charges

	2003 £'000	2002 £'000
Interest payable and similar charges	3,066	3,363
Other finance income	(4)	(1)
Net interest payable and similar charges	3,062	3,362

7. Tax on Loss on Ordinary Activities

	2003 £'000	2002 £'000
Current tax:		
Group relief	1,707	247
Total current tax credit	1,707	247
	2003 £'000	2002 £'000
Reconciliation of current tax credit:		
Loss on ordinary activities before taxation at 30%	907	778
Net untaxed income/(disallowable expenditure)	68	(662)
Capital allowances in excess of depreciation	953	-
Utilisation of tax losses	-	201
Other timing differences	(154)	-
Associates	(67)	(70)
Group current tax credit for the period	1,707	247

The Group has available losses carried forward at 31st March 2003 of £4,005,000 (2002: £10,670,000).

Notes to the Accounts (*continued*)

8. Particulars of Staff

	Group	
	2003	2002
	£'000	£'000
Staff costs (including directors):		
Wages and Salaries	6,925	5,919
Social security costs	633	540
Pension costs	234	217
	<u>7,792</u>	<u>6,676</u>

The average monthly number of persons employed by the Group during the year was as follows:

	2003	2002
	Number	Number
Airport operational and maintenance	324	310
Administration	22	31
	<u>346</u>	<u>341</u>

No directors received any emoluments for their services to the Group during the financial year (2002: £nil).

No pension contributions were made by the Group on behalf of the directors (2002: £nil).

9. Goodwill

	Group
	Subsidiary undertakings
	£'000
Cost:	
At 1st April 2002 and 31st March 2003	<u>2,250</u>
Amortisation:	
At 1st April 2002	102
Charge for the year	112
At 31st March 2003	<u>214</u>
Net book value:	
At 31st March 2003	<u>2,036</u>
At 31st March 2002	<u>2,148</u>

Notes to the Accounts (*continued*)

10. Investment Properties

	Freehold	Group Long Leasehold	Total
	£'000	£'000	£'000
Cost or Valuation:			
At 1st April 2002	14,373	5,623	19,996
Additions	1,519	2,180	3,699
Reclassifications	6,589	(6,589)	-
Revaluations	2,585	515	3,100
At 31st March 2003	<u>25,066</u>	<u>1,729</u>	<u>26,795</u>
Professional Valuation:			
30th September 2002	9,379	1,729	11,108
31st March 2003	<u>15,687</u>	<u>-</u>	<u>15,687</u>
	<u>25,066</u>	<u>1,729</u>	<u>26,795</u>

The historical cost to the Group of all investment properties is £26,133,000 (2002: £22,434,000).

Valuations

Professional valuations were carried out at 30th September 2002 and 31st March 2003 by King Sturge, International Property Consultants, on the basis of open market value on all investment properties.

Notes to the Accounts (*continued*)

11. Other Fixed Assets

	Plant and Vehicles £'000	Group Airport Assets £'000	Total £'000
Cost:			
At 1st April 2002	268	71,297	71,565
Additions	214	5,456	5,670
Disposals	(23)	(63)	(86)
At 31st March 2003	<u>459</u>	<u>76,690</u>	<u>77,149</u>
Depreciation:			
At 1st April 2002	85	3,847	3,932
Charge for the year	94	4,371	4,465
Disposals	(20)	(61)	(81)
At 31st March 2003	<u>159</u>	<u>8,157</u>	<u>8,316</u>
Net book value:			
At 31st March 2003	<u>300</u>	<u>68,533</u>	<u>68,833</u>
At 31st March 2002	<u>183</u>	<u>67,450</u>	<u>67,633</u>

At 31st March 2003, airport assets include freehold land and buildings as analysed below:

	Group Freehold £'000
Cost	49,089
Depreciation	<u>(4,825)</u>
Net book value	<u>44,264</u>

At 31st March 2003, airport assets includes freehold land amounting to £5,130,000 (2002: £5,130,000), which has not been depreciated.

Assets Held Under Finance Leases

The net book value at 31st March 2003 of Airport assets held under finance leases amounted to £1,526,000 (2002: £848,000) and depreciation provided thereon during the year totalled £232,000 (2002: £139,500).

Notes to the Accounts (*continued*)

12. Fixed Asset Investments

	Group		Holding Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Subsidiary undertakings	-	-	9,590	9,590
Joint venture undertakings	1,589	1,499	2,046	1,733
	<u>1,589</u>	<u>1,499</u>	<u>11,636</u>	<u>11,323</u>

(a) Subsidiary Undertakings

	Group £'000	Holding Company £'000
Cost		
At 1st April 2002 and 31 March 2003	<u>-</u>	<u>9,590</u>

(b) Joint Venture Undertakings

	Group £'000	Holding Company £'000
At 1st April 2002	1,499	1,733
Share of results for the year	(223)	-
Net loan movements	313	313
At 31st March 2003	<u>1,589</u>	<u>2,046</u>

Investments in joint ventures represents:

	Group		Holding Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Group share of net assets/cost	1,093	1,316	3,089	3,089
Provision for impairment	-	-	(1,539)	(1,539)
Amounts owed by joint ventures	496	183	496	183
	<u>1,589</u>	<u>1,499</u>	<u>2,046</u>	<u>1,733</u>

All of the goodwill arising on acquisition of the 50% shareholding in Sheffield City Airport Limited of £1,539,000 was written off in 2002 due to the forecast losses of the Company.

A detailed analysis of the Group's share of the results of joint ventures is not provided as they are not material to the Group.

Details of investments of the Company in its principal subsidiary undertakings and joint ventures are given on page 22.

Notes to the Accounts (*continued*)

13. Debtors

	Group		Holding Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Trade debtors	2,259	2,146	6	3
Amounts owed by group undertakings	3,640	2,531	7,556	7,517
Other debtors	142	2,427	15	5
Development deposits and prepaid costs	10	-	-	-
Prepayments and accrued income	584	464	-	-
	<u>6,635</u>	<u>7,568</u>	<u>7,577</u>	<u>7,525</u>

14. Creditors (amounts falling due within one year)

	Group		Holding Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	15,867	13,469	-	-
Obligations under finance leases and hire purchase contracts	442	193	-	-
Trade creditors	1,062	273	4	5
Amounts owed to group undertakings	63,506	59,491	10,782	8,251
Other taxation and social security	-	150	-	-
Other creditors	1,069	1,104	5	-
Accruals and deferred income	2,771	1,960	1	-
	<u>84,717</u>	<u>76,640</u>	<u>10,792</u>	<u>8,256</u>

Details of security on the above borrowings are disclosed in note 16.

Notes to the Accounts *(continued)*

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

	Group		Holding Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Bank loans	243	322	-	-
Obligations under finance leases and hire purchase contracts	723	376	-	-
Accruals and deferred income	13,567	13,415	-	-
£25,000,000 Unsecured Convertible Redeemable Loan Stock	18,625	17,125	18,625	17,125
	<u>33,158</u>	<u>31,238</u>	<u>18,625</u>	<u>17,125</u>

Each Loan Stock Holder shall be entitled to require the Company to redeem all or any part (being a minimum of £100,000 in principal nominal amount or an integral multiple thereof) of its holding of Loan Stock on or at any time after 1 July 2007 for an amount equal to the principal nominal amount of such Loan Stock.

Each Loan Stock Holder shall be entitled on or at any time after 1 July 2007 to require the Company to convert all or any part (being a minimum of £100,000 in principal nominal amount or an integral multiple thereof) of its holding of Loan Stock into fully paid Preference Shares on the basis of one Preference Share for every £1 of principal nominal amount of Loan Stock held.

Details of security on the above borrowings are disclosed in note 16.

16. Borrowings

	2003 £'000	2002 £'000
(a) Analysis of Group Net Debt		
Creditors (amounts falling due within one year)	16,309	13,662
Creditors (amounts falling due after more than one year)	19,591	17,823
Gross debt	35,900	31,485
Cash at bank and in hand	(4,791)	(54)
Group net debt	<u>31,109</u>	<u>31,431</u>
(b) Repayment of Gross Debt		
	2003 £'000	2002 £'000
Finance leases:		
Within 1 year	442	193
1-2 years	426	196
2-5 years	297	180
	<u>1,165</u>	<u>569</u>
Other debt:		
Within 1 year	15,867	13,469
1-2 years	84	79
2-5 years	18,784	17,368
	<u>34,735</u>	<u>30,916</u>
Gross debt	<u>35,900</u>	<u>31,485</u>

Finance lease obligations are secured on the assets to which they relate.

All unsecured bank loans and overdrafts bear variable rates of interest based on LIBOR plus applicable margin.

Notes to the Accounts (continued)

17. Deferred Tax

In accordance with FRS 19 no asset has been recognised for the potential deferred tax asset of £4,595,000 (2002: £744,000) created by tax losses and other timing differences as the losses are not expected to be utilised in the foreseeable future.

No provision has been made for the liability to corporation tax on capital gains at 30% (2002: 30%), estimated not to exceed £1,155,000 (2002: £245,000) which would arise if interests in investment properties were to be sold at their revalued amounts.

18. Called-up Share Capital

	Number	Group and Holding Company	
		2003 £'000	2002 £'000
Authorised			
Equity Share Capital			
Ordinary shares of £1 each	100	-	-
Non-equity Share Capital			
Preference shares of £1 each	25,000,000	25,000	25,000
	<u>25,000,100</u>	<u>25,000</u>	<u>25,000</u>
Allotted and Fully Paid			
Equity Share Capital			
Ordinary shares of £1 each ranking for dividend	100	-	-
	<u>100</u>	<u>-</u>	<u>-</u>

19. Reserves

	Revaluation reserve £'000	Group	
		Capital reserve £'000	Profit and loss account £'000
At 1st April 2002	(2,438)	3,875	(10,417)
Unrealised surplus on revaluation of investment properties (note 10)	3,100	-	-
Retained loss for the financial year	-	-	(1,316)
At 31st March 2003	<u>662</u>	<u>3,875</u>	<u>(11,733)</u>
Holding Company			
			Profit and loss account £'000
At 1st April 2002			(6,532)
Retained loss for the year			(1,119)
At 31st March 2003			<u>(7,651)</u>

Notes to the Accounts *(continued)*

20. Pension Fund

The Group operates a money purchase pension scheme, whose assets are held separately from the Group in an independently administered fund. Contributions totalling £234,000 (2002: £217,000) were paid during the year. At 31st March 2003, the value of contributions outstanding was £nil (2002: £nil).

21. Operating Lease Commitments

The Group is committed to the following annual future payments under non-cancellable operating leases on plant and machinery as follows:

	Group		Holding Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Expiring within:				
One year	6	12	-	-
Between two and five years	27	14	-	-
	<u>33</u>	<u>26</u>	<u>-</u>	<u>-</u>

22. Capital Commitments

	Group		Holding Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Capital expenditure contracted for but not provided for in these accounts	<u>25,251</u>	<u>10,112</u>	<u>-</u>	<u>-</u>

23. Contingent Liabilities

At 31st March 2003, certain members of the Group had guaranteed bank loans of Peel Holdings p.l.c. and other Group companies amounting in aggregate to £192,939,000 (2002: £145,000,000).

24. Post Balance Sheet Event

On 1st April 2003, the Group acquired a 75% shareholding in Teesside International Airport Limited for a total consideration including costs of £8,253,000.

25. Ultimate Holding Company

The ultimate holding company is Tokenhouse Holdings Limited, a company incorporated in Guernsey, which is in turn controlled by the 1997 Billown Settlement trust.

The largest and smallest 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. at Peel Dome, The Trafford Centre, Manchester M17 8PL.

Subsidiary Undertakings

The principal subsidiary undertakings as at 31st March 2003, all of which were wholly-owned unless otherwise stated, were as follows:

Incorporated, registered and operating in:	Company	Principal activities
United Kingdom	Liverpool Airport PLC	Operator of Liverpool Airport
United Kingdom	Liverpool Airport Development Limited	Dormant company
United Kingdom	Peel Airports (Finningley) Limited	Property investment
United Kingdom	Peel Airports Leasing Limited	Leasing of assets
United Kingdom	Peel Airports (Liverpool) Limited	Property investment and holding company for an investment in Liverpool Airport PLC

Shares in principal trading subsidiary undertakings at 31st March 2003 represented ordinary shares.

A full list of subsidiary undertakings will accompany the next annual return to be filed with the Registrar of Companies.

Joint Venture Undertakings

The principal joint venture undertakings as at 31st March 2003, were as follows:

Incorporated, registered and operating in:	Company	Shareholding	Identity and nominal value of class of shareholdings	Principal activities
United Kingdom	Sheffield Airport Properties Limited	50%	100 'A' Ordinary shares of £1 each	Property investment
United Kingdom	Sheffield City Airport Limited	50%	400,000 'A' Ordinary shares of £1 each	Operator of commercial airport