IMPORTANT NOTICE

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BAA FUNDING LIMITED

(incorporated with limited liability in Jersey with registered number 99529)

Multicurrency programme for the issuance of Bonds

This Prospectus Supplement (the "**Supplement**") is supplemental to and must be read in conjunction with the base prospectus dated 14 July 2008 (the "**Prospectus**"), and constitutes a supplementary prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom and is prepared in connection with the £50,000,000,000 multicurrency programme for the issuance of Bonds (the "**Programme**") established by BAA Funding Limited (the "**Issuer**") as described in the Prospectus. Terms defined in the Prospectus have the same meaning when used in this Supplement.

This Supplement has been approved by the United Kingdom Financial Services Authority (the "**FSA**"), which is the United Kingdom competent authority for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom, as a prospectus supplement issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom.

The purpose of this Supplement is to provide (i) updated financial information in the form of unaudited interim financial statements for the Borrowers for the six-month periods ended 30 June 2007 and 2008, (ii) updates on recent regulatory and other developments in respect of the Borrowers, (iii) updates on the information set out in the Prospectus on "*Description of Initial Hedge Counterparties*", and (iv) management commentary in relation to the information set out in the Prospectus under "*Unaudited Forecast Financial Data and Pro Forma Financial Ratios for the Year Ended 31 March 2009*" in light of the actual performance of the Borrowers for the 3 month period ended 30 June 2008.

This Supplement is supplemental to, and should be read in connection with, the Prospectus, and any other supplements to the Prospectus issued by the Issuer.

For so long as the Programme remains in effect or any Bonds shall be outstanding, copies of this Supplement may (when published) be inspected during normal business hours (in the case of Bearer Bonds) at the specified office of the Principal Paying Agent, (in the case of Registered Bonds) at the specified office of the Registrar and the Transfer Agents and (in all cases) at the registered office of the Bond Trustee.

To the extent that there is any inconsistency between any statement in this Supplement and any other statement in or incorporated by reference in the Prospectus, the statements in this Supplement will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

Co-Arrangers

Citi | **The Royal Bank of Scotland**

Dealers

Banco Bilbao Vizcaya Argentaria, S.A. | **BNP PARIBAS** | **Caja Madrid**

CALYON | **Citi** | **HSBC**

RBC Capital Markets | **Santander Global Banking & Markets** | **The Royal Bank of Scotland**

Supplement dated 1 October 2008

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RESPONSIBILITY STATEMENTS

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. Each Obligor accepts responsibility for the information concerning itself in the sections contained in "*Recent Developments*", "*Selected Financial Data*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Unaudited Combined Financial Information of the Operating Companies for the Six Months Ended 30 June 2008*" in this Supplement (the "**Obligor Information**"). To the best of the knowledge and belief of each Obligor (each of which has taken all reasonable care to ensure that such is the case), the Obligor Information is in accordance with the facts and does not omit anything likely to affect the import of such information. No Obligor accepts responsibility for any other information contained in this Supplement. Save for the Obligor Information, no Obligor has separately verified the information contained herein. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Obligor as to the accuracy or completeness of any information contained in this Supplement (other than the Obligor Information) or any other information supplied in connection with the Programme or distribution of any Bonds issued under the Programme (other than the information for which it has assumed responsibility in the Prospectus).

BAA accepts responsibility for the information in the sections contained in "*Recent Developments*" other than in "*Application of Disposal Proceeds and Bond Proceeds in accordance with the Refinancing Facility Agreement*" in this Supplement (the "**BAA Information**"). To the best of the knowledge and belief of BAA (which has taken all reasonable care to ensure that such is the case), the BAA Information is in accordance with the facts and does not omit anything likely to affect the import of such information. BAA does not accept responsibility for any other information contained in this Supplement. Save for the BAA Information, BAA has not separately verified the information contained herein. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by BAA as to the accuracy or completeness of any information contained in this Supplement (other than the BAA Information) or any other information supplied in connection with the Programme or distribution of any Bonds issued under the Programme (other than the information for which it has assumed responsibility in the Prospectus).

RECENT DEVELOPMENTS

Investors should read the section titled "*Risk Factors*" in the Prospectus in conjunction with this section, which provides updates on recent developments of importance to the Airport Operators.

With effect from the date of this Supplement the information appearing in, or incorporated by reference into the Prospectus shall be amended and/or supplemented in the manner described below.

Competition Commission Investigation into BAA's Ownership of UK Airports

On 20 August 2008, the Competition Commission ("**CC**") issued its Provisional Findings and Notice of Possible Remedies ("**Provisional Findings**") which included the following key points in relation to the Security Group:

- If the provisional remedies proposed in the Provisional Findings are confirmed in the final CC report, BAA will be required to sell two of its three London airports;
- The CC is unlikely to require the sale of Heathrow unless the sale of Gatwick or Stansted is likely to be impractical or ineffective;
- The Government should review the White Paper in the light of separate ownership of London airports;
- The CC will consult on these provisional remedies; and
- The CC will also consider implementing behavioural remedies to address features of the current regulatory system which it finds as having an adverse effect on competition pending formal amendment of the airport regulatory framework.

In response to the CC's Provisional Findings, BAA has argued that the CC's findings contained errors of law, fact and reasoning and extensive errors relating to assessment and treatment of evidence.

With respect to the CC's Provisional Findings on the London airports (which comprise the Designated Airports), BAA has argued that scope for competition is limited in the short and long term and that, with capacity constraints and regulation, there is little scope for competition. BAA has also stated that it does not consider that there is a case for the divestment of even one London airport. However, in recognition that the CC probably would have required the sale of a London airport, BAA has also announced the start of the sale process for Gatwick Airport. BAA believes it is in the best interests of staff and customers to remove the uncertainty and speculation that has surrounded the airport since the CC issued its Provisional Findings.

With respect to the CC's Provisional Findings that the White Paper has an adverse effect on competition, BAA considers that the CC has misunderstood the importance of Government policy in this regard. It also believes that a review of Government policy will result in delayed delivery of capacity, as opposed to the CC's claim that separate ownership will accelerate the delivery of capacity.

Next steps include:

- October 2008: consultation period when the CC will hear further evidence from BAA, airlines, regulators, unions and passengers;
- Early October 2008: CC hearings on Provisional Remedies;
- Early December 2008: the CC publishes its final proposal on Provisional Remedies for consultation;
- January 2009: final deadline for parties to make submissions and respond on final proposal on Remedies; and
- February 2009: the CC publishes its final report. At this stage, BAA will have two months to lodge a legal appeal to the Competition Appeals Tribunal. If the CC decides BAA has to sell further airports, the company is legally obliged to start this process even while potentially appealing against the decision.

For so long as any amount is outstanding under the Refinancing Facility, subject to prepayment of certain short-term debt obligations and, in certain circumstances, amounts outstanding under the Capex Facility, the Group is required to apply the net disposal proceeds received from the sale of a

Designated Airport in prepayment of amounts outstanding under the Refinancing Facility (see "*Application of Disposal Proceeds and Bond Proceeds in accordance with the Refinancing Facility Agreement*" below). Following the repayment of the Refinancing Facility, the Group is required to apply such net disposal proceeds in accordance with the Common Terms Agreement (see paragraph (c)(xxiii) of "*Summary of the Financing Agreements – Common Terms Agreement – Covenants – Covenants – General*" and paragraph (ii)(b) of "*Summary of the Financing Agreements – Common Terms Agreement – Trigger Event Consequences*" in the Prospectus).

The Security Group is prohibited, by virtue of covenants made by each Obligor in the Common Terms Agreement, from making a disposal unless it is a Permitted Disposal (see "*Summary of the Financing Agreements – Common Terms Agreement – Covenants – Covenants – General*" in the Prospectus).

The sale of a Designated Airport is prohibited by the Common Terms Agreement unless it is a "Permitted Disposal". The disposal of a Designated Airport (other than Heathrow) would be a Permitted Disposal if it did not result in the Senior RAR for any subsequent measurement date (adjusted to take account of the disposal and application of proceeds), prior to 1 April 2018, being 0.70 or more, and, thereafter, 0.725 or more. There can be no assurance that the Security Group will be able to obtain sufficient consideration for the proposed disposal of Gatwick Airport to maintain these ratios and, thus, to be able to effect the disposal.

A disposal of a Designated Airport (other than Heathrow) would also be a Permitted Disposal if it is required by, or made pursuant to undertakings given to, a Regulator. If on subsequent measurement dates, the Security Group is not able to maintain the RAR ratios described under "*Summary of Financing Arrangements – Common Terms Agreement – Trigger Events*" in the Prospectus, such disposal will result in a Trigger Event under the Common Terms Agreement. See "*Summary of Financing Arrangements – Common Terms Agreement – Trigger Event Consequences*" in the Prospectus for a description of the consequences to the Security Group of a Trigger Event occurring. In addition, a Loan Event of Default will occur if the Security Group cannot maintain the ratios described under "*Summary of Financing Arrangements – Common Terms Agreement – Loan Events of Default*" in the Prospectus. Accordingly, if the CC requires the Security Group to dispose of Gatwick Airport, such sale will be permitted under the Security Group's financing arrangements although there can be no assurance that such disposal will not result in a Trigger Event or a Loan Event of Default.

Any sale of Gatwick (or another Designated Airport) will need to take into account the concerns expressed by the CC in its Provisional Findings and will be made in consultation with the CC. In addition, the CC has stated in the Provisional Findings that it was considering when it issued its final report appointing a monitoring trustee (to ensure that the divestiture assets are held separate from BAA's remaining businesses) and/or a divestiture trustee (to secure effective divestiture within a specified period). Accordingly, following the CC's final report, BAA may no longer be in a position to control the disposal process. The appointment of either such trustee and loss of control by BAA over the sale process could have an adverse effect on the operation of the Security Group and the success and efficiency of the disposal process.

In any event, the sale of Gatwick Airport would leave the Security Group with a smaller asset pool and less diversified customer base and with exposure to more limited market segments. It also may require significant management time and resources to be expended during any disposal and transitional periods, which could adversely affect the revenues of the remaining Airport Operators. See also "*Risk Factors – Regulatory Risks – CC investigation into BAA's ownership of UK airports*" in the Prospectus for impacts of disposals of an airport or airports.

Macroeconomic Performance

Management expectations of UK gross domestic product growth for the short term have lowered as concerns over the economic outlook, notably consumer spending, have risen. UK household consumption, the key driver of leisure-related air travel from the Designated Airports, has slowed in response to tighter credit conditions, rising levels of household indebtedness and higher energy prices. The slow UK economic growth outlook is matched by that amongst the leading world economies, with economic growth forecasts having markedly reduced from an estimated 2.0 per cent. in January 2008, both in North America and Western Europe (Source: Consensus Economics).

However, in recent years, demand for air travel in the United Kingdom has tended to return relatively quickly to or above historic levels following external shocks, suggesting a level of demand

resilience. Between April 1999 and March 2008, passenger traffic at the Designated Airports increased at a compound annual growth rate of 2.9 per cent. Management expects growth in passenger traffic to continue at similar or increasing rates in the coming years, although there can be no assurance that this rate of growth can be maintained. See "*Risk Factors – Commercial and Financial Risks – Aeronautical Income*" in the Prospectus. Developments in terminal facilities/space, notably at Terminal 5 and Gatwick South Terminal, also mitigate impacts on retail income. Retail income at the Designated Airports is less dependent on the UK economy as customers of the Designated Airports travel to/from a wide nationality base. The value of sterling relative to other currencies has an effect on the price competitiveness of the products offered by retailers of the Designated Airports and, therefore, also has an impact on retail income.

Recent Turmoil in Financial Markets

BAA has been monitoring the recent turmoil in the financial markets and assessing its exposure to troubled financial institutions, including AIG, as well as the potential impact of recent events on passenger numbers.

Although the Airport Operators have insurance with AIG, the coverage is with AIG's UK insurance business, with respect to which BAA has received assurances as to the ability of such business to continue to meet its obligations. If the Security Group became concerned that such business were no longer able to meet its obligations or if such business failed to satisfy the criteria for insurers under the Common Terms Agreement, the Security Group would be required to seek alternative coverage or risk financing (for example, self insurance or pre-agreed loan facilities to be drawn upon in the event of a loss). There can be no assurance that such coverage or risk financing will be available or available on commercially reasonable terms. If specified criteria as to unavailability are satisfied, this will not constitute a breach of the Common Terms Agreement.

In addition, there can be no assurance that further market turmoil or economic issues affecting other financial institutions will not affect the Airport Operators' exposure to such financial institutions or that the difficulties experienced by such financial institutions and the effect those difficulties may have on the broader economy or on the business of the Airport Operators in general, including travel on the New York/London route, will not have an adverse effect on passenger numbers.

Airlines' Strategy and Flight Reductions

Management believes that airfares have in general been increasing and, in turn, dampening demand. This is the result of various factors including, but not limited to, continuing high oil prices and fuel surcharges, the doubling of UK Air Passenger Duty in February 2007, airline pricing and yield management strategies (especially at Heathrow), and low cost carriers applying ancillary charges (e.g., for baggage).

Management's forecasts for the 12 months ended 31 March 2009 assume passenger numbers of 128 million. Recently, Ryanair announced it was reducing the number of flights (in particular, cutting its weakest performing services) to and from Stansted during the 2008/09 winter season by 14 per cent. in comparison with winter 2007/08 and that it would increase the number of grounded planes at Stansted. Management estimates that such a reduction could result in a decrease in passenger numbers of up to 0.6 million. British Airways has also announced schedule reductions at Gatwick. Management estimates that such a reduction could result in a decrease in passenger numbers of approximately 0.5 million over the upcoming winter schedule in comparison with winter 2007/08. Management does not expect the recent administration of Zoom and XL, which operated out of Gatwick Airport, to have a significant financial impact on the Airport Operators, as it did not have significant exposure to those airlines and expects to be able to fill their landing slots.

Actual Performance Against Forecast for the Three Months Ended 30 June 2008

The financial forecast for the three months ended 30 June 2008 has been extracted from the financial forecast for the 12 months ended 31 March 2009 set out in "*Unaudited Forecast Financial Data and Pro Forma Financial Ratios for the Year Ended 31 March 2009*" in the Prospectus, which was prepared for illustrative purposes only. Actual events and circumstances may vary materially from the assumptions made in the financial forecast for the 12 months ended 31 March 2009 and no representation is made or intended, nor should any be inferred, with respect to the likely occurrence or existence of any particular fact or circumstance.

The table below presents the actual number of passengers of each of the Airport Operators against the forecast number of passengers for the three months ended 30 June 2008.

Actual Number of Passengers against Forecast Number of Passengers by Airport Operator

	3 months ended 30 June 2008
	(in millions)
HAL	
Actual Number of Passengers	17.1
Forecast Number of Passengers	17.8
Variance	(0.7)
GAL	
Actual Number of Passengers	9.0
Forecast Number of Passengers	9.0
Variance	0.0
STAL	
Actual Number of Passengers	6.0
Forecast Number of Passengers	5.9
Variance	0.1
Total	
Actual Number of Passengers	32.1
Forecast Number of Passengers	32.7
Variance	(0.6)

Souce: BAA.

At Heathrow, passenger numbers in the period from April 2008 to June 2008, as compared to the forecast for that period, were affected by the slowing world economy and the continuing rise in oil prices. In addition, there were 350 flight cancellations in April due to adverse weather conditions and operational difficulties in the first few days after the opening of Terminal 5.

At Gatwick, April 2008 to June 2008 passenger numbers were in line with the forecast.

At Stansted, an increase in passengers from April 2008 to June 2008, as compared to the forecast for the period, was helped by an advertising campaign from Ryanair and passengers choosing to travel for their Easter school holidays in April rather than March, when the Easter school holiday began.

The table below sets forth actual EBITDA for each of the Airport Operators against the forecast EBITDA for the three months ended 30 June 2008.

Actual EBITDA against Forecast EBITDA(1)

	3 months ended 30 June 2008
	(£ millions)
HAL	
Actual unaudited EBITDA	134.4
Unaudited forecast EBITDA	136.0
Variance	(1.6)
GAL	
Actual unaudited EBITDA	52.4
Unaudited forecast EBITDA	48.7
Variance	3.7
STAL	
Actual unaudited EBITDA	33.2
Unaudited forecast EBITDA	31.8
Variance	1.4
Total	
Actual unaudited EBITDA	220.0
Forecast unaudited EBITDA	216.5
Variance	3.5

Source: BAA.

(1) EBITDA, or earnings before interest, taxes, depreciation and amortisation, is not a measure of performance under UK GAAP and should not be considered as an alternative to:

- operating profit or profit/(loss) on ordinary activities after taxation (as determined in accordance with generally accepted accounting principles), or as a measure of the Airport Operators' operating performance;
- cash flows from operating, investing or financing activities (as determined in accordance with generally accepted accounting principles), or as a measure of the Airport Operators' ability to meet cash needs; or
- any other measures of performance under generally accepted accounting principles. EBITDA may not be indicative of the Airport Operators' historical operating results, nor is it meant to be a projection or forecast of their future results.

At Heathrow, EBITDA in April 2008 to June 2008 was down against forecast driven by the passenger shortfall, which was partially offset by savings made in general expenses and professional consultancy as a result of delays in the airline relocation project.

At Gatwick, an increase in EBITDA performance from April 2008 to June 2008 was driven by the timing of actual maintenance spend in the period relative to the budgeted spend for the year and continuing strong retail performance. Management expects the benefit from the timing of maintenance spend to balance out over the full year.

At Stansted, a favourable EBITDA from April 2008 to June 2008 was driven by aeronautical income being in line with passenger performance, in addition to savings in maintenance and staff costs.

Update on Illustrative Forecast Assumptions

Based on the factors described above under "*Macroeconomic Performance*", "*Airlines' Strategy and Schedule Reductions*" and "*Actual Performance Against Forecast for the Three Months Ended 30 June 2008*", management believes that for the remainder of the year ending on 31 March 2009, actual numbers of passengers will be lower than those originally assumed in the preparation of the forecast included in the Prospectus under "*Unaudited Forecast Financial Data and Pro Forma Financial Ratios for the Year ended 31 March 2009*". However, it also believes that stronger than anticipated performance in items such as retail revenues, cost reductions and favourable passenger mix may partially counterbalance the negative impact of the passenger shortfall on the results forecast. As a result, management does not expect the negative impact on forecast EBITDA from the lower revenues resulting from lower than assumed passenger numbers to exceed 5% of the forecast EBITDA included in the Prospectus. Any decline in forecast EBITDA for the year ended 31 March 2009 will flow through to the forecast *pro forma* financial ratios for that period set out on page 173 of the Prospectus. By way of illustration, if the reduction in forecast EBITDA were to be as much as 5% (and there were no other changes to the forecast assumptions), the forecast *pro forma* Senior ICR

would move from 2.09x to 1.94x and the forecast *pro forma* Junior ICR would move from 1.71x to 1.59x.

As a result of the margin flex on the Initial Credit Facilities and the Refinancing Facility described under "*Exercise of Margin Flex*" below, interest expense for the year ending on 31 March 2009 will be higher than that originally assumed in the preparation of the forecast, with the actual amount depending upon actual hedging activities and the actual indebtedness outstanding during the period. Any increase in interest expense over the amount assumed for purposes of the forecast will flow through to the forecast *pro forma* financial ratios. The flex is expected to result in an increase in interest expense over the amount forecast of £5 million for *pro forma* Senior Debt plus £3 million for *pro forma* Junior Debt, and the effect of those increases (and not changing any other forecast assumptions) is expected to be a reduction on the forecast *pro forma* Senior ICR from 2.09x to 2.06x and on the forecast *pro forma* Junior ICR from 1.71x to 1.68x.

Combining the illustrative EBITDA impact described above and the change in interest expense assumption resulting from the margin flex described above (and assuming no other changes to the forecast assumptions), the forecast *pro forma* Senior ICR would reduce from 2.09x to 1.91x and the forecast *pro forma* Junior ICR would reduce from 1.71x to 1.56x.

Actual events and circumstances may vary materially from those described in this Supplement and in the Prospectus and no representation is made or intended, nor should any be inferred, with respect to the likely occurrence of any particular fact or circumstance or as to any future financial results.

Ryanair Litigation

Ryanair has withheld £1.14 per passenger from the departing passenger charge with effect from 1 April 2008. After pre-action correspondence with Ryanair, STAL issued a claim for recovery of withheld sums (£1.35 million) on 3 July 2008 and served it on Ryanair on 11 July 2008. As at the end of September 2008, Ryanair had withheld a total of approximately £3.17 million, which relates to passenger charges through to the end of July. Ryanair has submitted a defence. The financial results have been prepared on the basis that the withheld sums will be paid by Ryanair. See "*Risk Factors – Regulatory Risks – Judicial review of CAA's Q5 price decision*" in the Prospectus.

Judicial Review of the CAA's Q5 Price Decision

The court has not yet decided on whether easyJet should be granted leave to judicially review the CAA's March 2008 decision on prices at Gatwick. A decision on whether leave is to be granted is expected shortly. It is difficult for the Airport Operators to predict at this stage when a hearing would take place were easyJet successful in obtaining leave as this will depend on, among other things, the court list and whether the court believes the issue merits an expedited hearing. See "*Risk Factors – Regulatory Risks – Judicial review of CAA's Q5 price decision*" in the Prospectus.

Update on Pension Scheme Negotiations with Trade Unions

In June 2008, the trade union ballot concluded with a significant majority of trade union members voting to accept BAA's proposals to close its Defined Benefit Scheme to new recruits. Job offers made on or after 16 June 2008 have provided membership details of the new BAA Pension Scheme, operated by Fidelity, and all of the necessary administrative processes are in place to manage the new scheme.

In July 2008, an agreement was reached with the BAA Pension Trustee whose main points included that, subject to the refinancing being successfully completed, annual contributions will not exceed £80 million per annum for at least the three years on and from 1 January 2009 until 31 December 2011. In addition, BAA will fund redundancy costs to the Scheme in excess of £5 million as a result of redundancies after 30 September 2007 up to and including 31 December 2008 (on and after 1 January 2009, any redundancy costs will be funded on a pay-as-you-go basis), and there is a right of the Scheme to receive £300 million out of the proceeds of an enforcement of the security granted by the Security Group, to rank *pari passu* with the Class A Bonds. See "*Risk Factors – Other Risks to the Designated Airports' Operations and Income of the Designated Airports – Pensions*" in the Prospectus.

Terminal 5

After the initial operational issues which took place on the opening of Terminal 5 at the end of March and first days of April 2008, operations stabilised and service levels have improved to what management considers a high standard. Management believes that there will be no material financial

impact arising from any claims in relation to the initial operational disruption which followed the opening of Terminal 5. The move of British Airways to Terminal 5 is proceeding smoothly and according to plan and it is expected to be finalised on 22 October 2008.

British Airways/Iberia Merger Proposal

If a merger between British Airways and Spanish national air carrier Iberia were finalised, management expects that the major traffic impact on Heathrow would likely be some rationalisation of services to Spanish destinations in favour of more long haul services by British Airways at Heathrow. Since long haul services tend to be operated by larger capacity aircraft with higher load factors, management expects that the long-term result of the proposed merger would be a net positive for Heathrow in terms of passenger numbers. The retail benefit of shifting from short haul European traffic to long haul international traffic is also expected to be positive.

British Airways/American Airlines Alliance Proposal

The proposal for a closer 'alliance' between British Airways and American Airlines (a merger is currently not permissible under US law) is not expected to result in significant change at Heathrow, where British Airways has already announced it has no intention of giving up any of its existing runway slots. Management expects any gains that may accrue for Heathrow as a result of this alliance to be achieved through a stimulation of more connecting passengers for both airlines at Heathrow through better integration of the respective airline networks.

Financing Structure

On 18 August 2008, Replacement Bonds were subscribed by BAA for the BAA Payables and then delivered by BAA to its existing bondholders in exchange for such existing bondholders delivering their existing bonds back to BAA as part of the completion of the consent solicitation process undertaken by BAA in connection with the refinancing of its then existing bond indebtedness. As each of the nine classes of existing bondholders approved the resolution to exchange their bonds, there were no Non-Migrated Bonds on the Initial Issue Date, and the Non-Migrated Bond Facility was consequently cancelled in full. See "*Overview of Financing Structure*" in the Prospectus. FGP Topco, an indirect holding company of the Security Group, has advised BAA that it holds £225,083,000 par value of the Issuer's 2031/33 Bonds. These Bonds were received in exchange for its old BAA 2031 Bonds as part of the bond migration process.

Exercise of Margin Flex

Margin flex rights were exercised on 26 September 2008 and the Initial Credit Facilities Agreement and the Refinancing Facility Agreement will be amended and restated to reflect the increased margins. The margin applicable to the B tranche of loans under the Capex Facility will be increased by 0.25 per cent. to 1.50 per cent. per annum. The increased margins under the Refinancing Facility Agreement will be those set out in the tables below:

Tranche A Loans outstanding (Senior Debt)	Tranche A Loan margin
£0 – £1,200,000,000	1.25 per cent. per annum
£1,200,000,000.01 – £2,200,000,000	1.50 per cent. per annum
£2,200,000,000.01 – £3,200,000,000	1.75 per cent. per annum
£3,200,000,000.01 – £3,400,000,000	2.00 per cent. per annum

Tranche B Loans outstanding (Junior Debt)	Tranche B Loans margin
£0 – £330,000,000	2.00 per cent. per annum
£330,000,000.01 – £660,000,000	2.50 per cent. per annum
£660,000,000.01 – £1,000,000,000	2.75 per cent. per annum

For summaries of the Initial Credit Facilities Agreement and the Refinancing Facility Agreement, see "*Summary of Financing Agreements – Additional Resources Available – Initial Credit Facilities Agreement*" and "*Summary of Financing Agreements – Additional Resources Available – Refinancing Facility Agreement*" in the Prospectus. For information regarding the effect of the above on the illustrative forecast, see "*Update on Illustrative Forecast Assumptions*" above.

Transfer of HEX Opco

The Secretary of State for Transport indicated that Government consent for the transfer was not required, and the transfer of HEX Opco to HAL was effected on 7 August 2008.

Application of Disposal Proceeds and Bond Proceeds in accordance with the Refinancing Facility Agreement

For so long as any amount is outstanding under the Refinancing Facility Agreement and notwithstanding the Terms of the Common Terms Agreement or any other Finance Document, the Borrowers shall, and, in the case of Net Disposal Proceeds the Security Parent shall ensure that the Borrowers will, apply:

(a) an amount of any Net Disposal Proceeds equal to the CTA Required Amount and any cash proceeds (net of costs, expenses (including legal fees, commissions, underwriting fees and all other costs and expenses relating to any such issue, auditors' fees, out of pocket restructuring and reorganisation costs), taxes and amounts held in escrow) received under a Borrower Loan Agreement and derived from the issue by the Issuer of any Bonds in the following order:

    (i) *firstly*, in prepayment of the Senior Debt (without double counting) and/or (provided that the Senior RAR for each subsequent Relevant Date calculated by reference to the most recently occurring Calculation Date (adjusted on a *pro forma* basis to take into account the proposed prepayment and, if relevant, disposal) does not exceed 0.70) Junior Debt in each case maturing within six months of the receipt of the Net Disposal Proceeds or, as the case may be, the date of issue of the relevant Bonds;

    (ii) *secondly*, in prepayment of loans outstanding under the Capex Facility (the "**Capex Facility Loans**") together with all Associated Amounts relating to the prepaid Capex Facility Loans until the available Capex Facility is equal to the projected Capex certified by the Security Group Agent for: (a) the 12 month period following the date of the prepayment; or (b) if the aggregate principal amount of the loans outstanding under the Refinancing Facility (the "**Refinancing Facility Loans**") is less than 50 per cent. of the aggregate principal amount of the Refinancing Facility Loans as at the Initial Issue Date, the 18 month period following the date of the prepayment;

    (iii) *thirdly*, in prepayment of the Refinancing Facility Loans and Associated Amounts relating to the prepaid Refinancing Facility Loans with a final maturity date falling within 12 months of the date of the prepayment or, as the case may be, receipt of Net Disposal Proceeds with such prepayment proceeds to be applied towards the Refinancing Facility Loans in ascending order of final maturity date beginning with the Refinancing Facility Loans that have the earliest final maturity date (such order being the "**Ascending Order**"); and

    (iv) *fourthly*, any remaining proceeds (the "**Remaining Amount**") shall be applied in prepayment of Refinancing Facility Loans that are designated as Senior Debt ("**Tranche A Loans**") and/or Refinancing Facility Loans that are designated as Junior Debt ("**Tranche B Loans**") and, in each case, Associated Amounts relating to the prepaid Tranche A Loans and/or prepaid Tranche B Loans, as the case may be, in descending order of final maturity date beginning with the Refinancing Facility Loans that have the latest final maturity date (such order being the "**Descending Order**") provided that if the principal amount of the Refinancing Facility Loans is less than 50 per cent. of the principal amount of the Refinancing Facility Loans as at the Initial Issue Date, the Remaining Amount shall be applied in prepayment of Refinancing Facility Loans and Associated Amounts relating to the prepaid Refinancing Facility Loans as follows: (i) 70 per cent. of the Remaining Amount will be applied in prepayment of Refinancing Facility Loans and Associated Amounts relating to the prepaid Refinancing Facility Loans in the Descending Order; and (ii) 30 per cent. of the Remaining Amount will be applied towards Refinancing Facility Loans and Associated Amounts relating to the prepaid Refinancing Facility Loans in the Ascending Order; and

(b) an amount of the Net Disposal Proceeds equal to the amount of the Net Disposal Proceeds less the CTA Required Amount in prepayment of the Refinancing Facility Loans in Ascending Order together with all Associated Amounts relating to the prepaid Refinancing Facility Loans.

In relation to sub-paragraphs (a)(iii) and (iv) above:

(A) subject, at all times, to the provisions of the Common Terms Agreement, if, at any time, the outstanding amount of a Tranche B Loan is greater than the outstanding amount of the corresponding Tranche A Loan with the same final maturity date (a "**Relevant Event**") the Borrower shall, within ten Business Days of the earlier of the Refinancing Facility Agent notifying the Security Group Agent of the occurrence of that Relevant Event and any Obligor becoming aware of the occurrence of that Relevant Event, prepay that Tranche B Loan and all Associated Amounts relating to that prepaid Tranche B Loan to the extent necessary so that immediately following such prepayment of that Tranche B Loan the outstanding amount of that Tranche B Loan is equal to or less than the outstanding amount of the corresponding Tranche A Loan with the same final maturity date;

(B) where the Borrower has prepaid a Tranche A Loan such that sub-paragraph (A) above applies so that no further prepayment of that Tranche A Loan is permitted, the Borrower may then prepay either: (y) the Tranche B Loan and Associated Amounts relating to the Tranche B Loan corresponding to that Tranche A Loan; or (z) the next Tranche A Loan and Associated Amounts relating to that Tranche A Loan in Descending Order as described in sub-paragraph (a)(iv) above; and

(C) where a Borrower elects to prepay Tranche B Loans, sub-paragraphs (a)(iii) and (iv) apply with respect to Tranche B Loans and the relevant Associated Amounts only.

The prepayments described above shall be applied on the last day of the interest period of the relevant loan or, if earlier, the date falling one month after receipt of the relevant proceeds provided that, if a Loan Event of Default has occurred and is continuing, the prepayment shall be immediately due and payable.

"**Associated Amounts**" means any termination amounts payable by the Borrowers (i) to the Borrower Hedge Counterparties in respect of any Treasury Transactions under any related Borrower Hedging Agreements that fall to be terminated in whole or in part as a consequence of prepayment of Refinancing Facility Loans or the Refinancing Facility (or the Capex Facility Loans or the Capex Facility, as the case may be), or (ii) to the Issuer by way of Ongoing Facility Fee (or pursuant to a back-to-back hedge agreement) in respect of any Treasury Transactions under any related Issuer Hedging Agreements that fall to be terminated in whole or in part as a consequence of prepayment of Refinancing Facility Loans or the Refinancing Facility (or the Capex Facility Loans or the Capex Facility, as the case may be).

"**CTA Required Amount**" means the amount of the Net Disposal Proceeds equal to the amount required to be applied in accordance with the Common Terms Agreement to ensure that, immediately following such application, the Senior RAR for each subsequent Relevant Date calculated by reference to the most recently occurring Calculation Date (adjusted on a *pro forma* basis to take into account the proposed disposal and prepayment) shall be no more than or equal to 0.70 and the Junior RAR for each subsequent Relevant Date calculated by reference to the most recently occurring Calculation Date (adjusted on a *pro forma* basis to take into account the proposed disposal and prepayment) shall be no more than or equal to 0.85.

"**Net Disposal Proceeds**" means the net cash consideration received by any member of the Group (including any amount receivable in repayment of intercompany debt owed to the seller where such repayment of intercompany debt is reflected in the purchase price) for any Designated Airport Disposal made by any member of the Group after deducting:

(a) any reasonable expenses, (including legal fees, agents' commission, auditors' fees, out-of-pocket redundancy costs, out-of-pocket closure costs, out-of-pocket restructuring costs and out-of-pocket reorganisation costs both preparatory to and/or in consequence of the relevant disposal) which are incurred by any member of the Group with respect to that Designated Airport Disposal to persons who are not members of the Group;

(b) any Tax incurred and required to be paid or reserved for (so long as the Tax liability has actually been incurred) by the seller in connection with that Designated Airport Disposal (as reasonably determined by the seller);

(c) any deferred consideration (but only until received, at which point such consideration shall constitute Net Disposal Proceeds);

(d) any amounts held in escrow or held in an account for warranty claims (but only until released from escrow or such accounts, at which point such amounts shall constitute Net Disposal Proceeds);

(e) any amount owing to the BAA Pension Trustee in connection with that Designated Airport Disposal;

(f) any amount of reserve or any provisions made on account of any indemnity claim or other purchase price adjustment until such amount is released from such reserve or provision or the relevant indemnity claim is discharged or no longer applicable or the relevant purchase price adjustment is no longer applicable, at which point the amount of such reserve or provision or purchase price adjustment shall constitute Net Disposal Proceeds; and

(g) other provisions for liability in connection with disposal of such assets until such time as such provision for the relevant liability is no longer required, at which point the amount of such provision shall constitute Net Disposal Proceeds.

ADDITION TO SECTION TITLED "DESCRIPTION OF INITIAL HEDGE COUNTERPARTIES" IN THE PROSPECTUS

Barclays Bank PLC

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP. Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

Barclays Bank PLC and its subsidiary undertakings (taken together, the "**Group**") is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group and one of the largest financial services companies in the world by market capitalisation.

The short term unsecured obligations of Barclays Bank PLC are rated A-1+ by Standard & Poor's, P-1 by Moody's and F1+ by Fitch Ratings Limited and the long-term obligations of Barclays Bank PLC are rated AA by Standard & Poor's, Aa1 by Moody's and AA by Fitch Ratings Limited.

Based on the Group's unaudited financial information for the half year ended 30 June 2008, the Group had total assets of £1,365,752 million (June 2007: £1,158,539 million), total net loans and advances[1] of £449,981 million (June 2007: £364,434 million), total deposits[2] of £409,491 million (June 2007: £380,079million), and total shareholders' equity of £32,627 million (June 2007: £28,789 million) (including minority interests of £1,826 million (June 2007: £1,810 million)). The profit before tax of the Group for the period ended 30 June 2008 was £2,784 million (June 2007: £4,128 million) after impairment charges on loans and advances and other credit provisions of £2,448 million (June 2007: £959 million). The financial information in this paragraph is extracted from the unaudited Results Announcement of the Group for the half year ended 30 June 2008.

Based on the Group's audited financial information for the year ended 31 December 2007, the Group had total assets of £1,227,583 million (2006: £996,503 million), total net loans and advances[1] of £385,518 million (2006: £313,226 million), total deposits[2] of £386,395 million (2006: £336,316 million), and total shareholders' equity of £31,821 million (2006: £27,106 million) (including minority interests of £1,949 million (2006: £1,685 million)). The profit before tax of the Group for the year ended 31 December 2007 was £7,107 million (2006: £7,197 million) after impairment charges on loans and advances and other credit provisions of £2,795 million (2006: £2,154 million). The financial information in this paragraph is extracted from the audited financial statements of the Group for the year ended 31 December 2007.

Morgan Stanley & Co. International plc

Morgan Stanley & Co. International plc ("**Morgan Stanley International**") is an indirect wholly owned subsidiary of Morgan Stanley and a registered U.K. broker-dealer. Morgan Stanley International was incorporated in England in 1986 and its registered address is 25 Cabot Square, Canary Wharf, London, E14 4QA. The principal activity of Morgan Stanley International is the provision of financial services to corporations, governments, financial institutions and individual investors. It is authorised and regulated by the U.K. Financial Services Authority.

The description appearing below shall replace "*Description of Initial Hedge Counterparties – Citibank, N.A., London Branch*" in the Prospectus.

Citibank, N.A., London Branch

Citibank, N. A. ("**Citibank**") was originally organised on 16 June 1812, and now is a national banking association organised under the National Bank Act of 1864 of the United States. Citibank is

1 Total net loans and advances include balances relating to both bank and customer accounts.

2 Total deposits include deposits from bank and customer accounts.

an indirect wholly owned subsidiary of Citigroup Inc. ("**Citigroup**"), a Delaware holding company. As of 30 June 2008, the total assets of Citibank and its consolidated subsidiaries represented approximately 58 per cent of the total assets of Citigroup and its consolidated subsidiaries.

Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

As a U.S. national bank, Citibank is a regulated entity permitted to engage only in banking and activities incidental to banking. Citibank's earnings may be affected by certain monetary policies of the Board of Governors of the Federal Reserve System. Citibank is primarily regulated by the Office of the Comptroller of the Currency (the "**Comptroller**"), which also examines its loan portfolios and reviews the sufficiency of its allowance for credit losses.

Citibank, N.A., London Branch was registered in the UK as a foreign company in July 1920. The principal offices of the London Branch are located at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England. The London Branch is primarily regulated by The Financial Services Authority and operated in the UK as a fully authorised commercial banking institution offering a wide range of corporate banking products. Citibank does not publish audited financial statements. However, Citigroup publishes audited financial statements which include certain data relevant to Citibank and its consolidated subsidiaries, including an audited balance sheet of Citibank and its consolidated subsidiaries. Citibank's earnings may differ significantly from those of Citigroup. The activities carried on by subsidiaries of Citigroup other than Citibank and its subsidiaries generally include certain consumer lending activities in the United States (including the credit card business, some residential mortgage lending, and secured and unsecured personal loans) and certain overseas banking operations, as well as investment banking services and securities brokerage activities around the world.

The Quarterly Report on Form 10-Q of Citigroup and its subsidiaries for the quarter ended 30 June, 2008 (the "**June 2008 10-Q**"), sets forth certain data relative to the consolidated financial position of Citibank and its subsidiaries as of 30 June, 2008 and 31 December, 2007.

The consolidated balance sheets of Citibank as of 31 December 2007 and as of 31 December 2006 are set forth on page 110 of the Annual Report 2007 l0-K of Citigroup and its subsidiaries for the year ended 31 December 2007 and as of 30 June 2008 and 31 December 2007 are set forth on page 76 of the June 2008 10-Q. Consolidated balance sheets of Citibank subsequent to 30 June 2008 will be included in the Form l0-Q's (quarterly) and Form l0-K's (annually) filed by Citigroup with the Securities and Exchange Commission (the "**SEC**"), which will be filed not later than 40 days after the end of the calendar quarter or 60 days after the end of the calendar year to which the report relates, or on Form 8-K with respect to certain interim events. For further information regarding Citibank, reference is made to the June 2008 10-Q and to any subsequent reports on Forms 10-K, 10-Q or 8-K filed by Citigroup with the SEC. Copies of such material may be obtained, upon payment of a duplicating fee, by writing to the SEC at 100 F Street, N.E., Washington, D.C. 20549. In addition, such reports of Citigroup are available at the SEC website (http://www.sec.gov).

In addition, Citibank submits quarterly to the Comptroller certain reports called "Consolidated Reports of Condition and Income for a Bank With Domestic and Foreign Offices" ("Call Reports"). The Call Reports are on file with and publicly available at the Comptroller's offices at 250 E Street, S.W., Washington, D.C. 20219 and are also available on the website of the U.S. Federal Deposit Insurance Corporation (http://www.fdic.gov). Each Call Report consists of a Balance Sheet, Income Statement, Changes in Equity Capital and other supporting schedules at the end of and for the period to which the report relates. The Call Reports are prepared in accordance with the regulatory instructions issued by the U.S. Federal Financial Institutions Examination Council. While the Call Reports are supervisory and regulatory documents, not primarily accounting documents, and do not provide a complete range of financial disclosure about Citibank, the reports nevertheless provide important information concerning the financial condition and results of operations of Citibank. Citibank's Call Report as of the close of business on 30 June 2008 and any subsequent Call Reports filed by Citibank with the Comptroller are available upon request, without charge, from Citi Document Services, by calling toll free at (877) 936 2737 (outside the United States at (718) 831-8413), by emailing a request to docserve@citi.com or by writing to Citi Document Services, 540 Crosspoint Parkway, Getzville, New York 14068.

The obligations of Citibank, N.A., London Branch under any Hedging Agreement will not be guaranteed by Citigroup or by any other affiliate.

The information contained herein with respect to Citibank and Citigroup and their affiliates relates to and has been obtained from them.

The description appearing below shall replace "*Description of Initial Hedge Counterparties – RBS Group*" in the Prospectus.

RBS Group

General

The Royal Bank of Scotland Group plc ("**RBSG**") is the holding company of one of the world's largest banking and financial services groups, with a market capitalisation of £34.7 billion at 30 June 2008. Headquartered in Edinburgh, RBSG operates in the UK, the US and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc ("**RBS**") and National Westminster Bank Plc ("**NatWest**"). Both RBS and NatWest are major UK clearing banks whose origins go back over 275 years. RBSG has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers in over 50 countries.

RBSG's operations are conducted principally through RBS and its subsidiaries (including NatWest) other than ABN AMRO businesses (see below) and the general insurance business (primarily Direct Line Group and Churchill Insurance).

RBSG had total assets of £1,948.7 billion and total equity (including minority interests) of £103.7 billion at 30 June 2008. RBS had total assets of £1,202.8 billion and shareholders' equity of £58.0 billion at 30 June 2008. RBSG had a total capital ratio of 13.2 per cent., a core tier 1 ratio of 6.7 per cent. and a tier 1 capital ratio of 9.1 per cent as at 30 June 2008.

The short-term unsecured and unguaranteed debt obligations of RBS are currently rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch. The long-term senior unsecured and unguaranteed debt obligations of RBS are currently rated AA by S&P, Aa1 by Moody's and AA by Fitch.

ABN AMRO

On 17 October 2007, RFS Holdings B.V. (RFS Holdings), a company jointly owned by RBSG, Fortis N.V., Fortis SA/NV and Banco Santander S.A.) (the "**Consortium Banks**") and controlled by RBSG, completed the acquisition of ABN AMRO Holding N.V. (ABN AMRO). ABN AMRO is a major international banking group with a leading position in international payments and a strong investment banking franchise with particular strengths in emerging markets, as well as offering a range of retail and commercial financial services around the world via regional business units in Europe, the Netherlands, North America, Latin America and Asia. RFS Holdings is in the process of implementing an orderly separation of the business units of ABN AMRO with RBS principally retaining ABN AMRO's global wholesale businesses and international retail businesses in Asia and the Middle East. Certain other assets will continue to be shared by the Consortium Banks.

Rights Issue

On 9 June 2008, RBSG issued 6,123,010,462 new ordinary shares as a result of the rights issue of 11 ordinary shares for every 18 ordinary shares held at an issue price of 200 pence per share. The proceeds of the rights issue amounted to £12 billion net of expenses.

Angel Trains

On 6 August 2008, RBSG completed the sale of Angel Trains Group to a consortium advised by Babcock & Brown.

Tesco Personal Finance

On 28 July 2008, RBSG announced that it had agreed to sell its 50% shareholding in Tesco Personal Finance (TPF) to its joint venture partner, Tesco plc for a cash consideration of £950m, subject to transaction adjustments. As part of this transaction, RBSG will continue to provide certain commercial services to TPF post completion. The sale is subject to regulatory approvals and completion is expected to take place before the end of 2008.

Appointment of directors

On 27 August 2008, RBSG announced that Stephen Hester, John McFarlane and Arthur Ryan had been appointed Non-Executive Directors of RBSG with effect from 1 October 2008. RBSG also announced that Lawrence Kingsbaker Fish and Charles John Koch will retire as Non-Executive Directors ahead of the Annual General Meeting of RBSG in April 2009.

The description appearing below shall replace "*Description of Initial Hedge Counterparties – Banco Santander, S.A.*" in the Prospectus.

Banco Santander, S.A.

Banco Santander, S.A. is the parent bank of Grupo Santander. It was established on March 21, 1857 and incorporated in its present form by a public deed executed in Santander, Spain, on January 14, 1875. Grupo Santander is a financial group operating principally in Spain, the United Kingdom, other European countries and Latin America, offering a wide range of financial products.

At December 31, 2007, Grupo Santander was one of the eight largest banking groups in the world by market capitalization and the largest banking group in the euro zone with a stock market capitalization of Eur 92.5 billion, stockholders' equity of Eur 55.2 billion and total assets of Eur 912.9 billion.

Grupo Santander had an additional Eur 151.0 billion in mutual funds, pension funds and other assets under management at that date. As of December 31, 2007, we had 47,838 employees and 5,976 branch offices in Continental Europe, 16,827 employees and 704 branches in the United Kingdom (Abbey), 65,628 employees and 4,498 branches in Latin America and 1,526 employees in other geographic areas.

Grupo Santander's principal operations are in Spain, the United Kingdom, Portugal, Germany, Italy and Latin America. The Group also has significant operations in New York as well as financial investments in RFS Holdings B.V., Sovereign and Attijariwafa Bank Société Anonyme. In Latin America, we have majority shareholdings in banks in Argentina, Brazil, Chile, Colombia, Mexico, Puerto Rico, Uruguay and Venezuela.

On July 14, 2008, Banco Santander, S.A. and Alliance & Leicester plc reached an agreement in relation to the terms of a recommended acquisition by Banco Santander, S.A. of the entire share capital of Alliance & Leicester plc. At the date of filing of this document, the acquisition although approved by the shareholders of Banco Santander, S.A. (in relation to the capital increase) and of Alliance & Leicester plc is not completed since it is still conditional, amongst other things, upon the approval of the scheme of arrangement by the UK courts.

The description appearing below shall replace "*Description of Initial Hedge Counterparties – HSBC Bank plc*" in the Prospectus.

HSBC Bank plc

HSBC Bank plc and its subsidiaries form a UK-based group providing a comprehensive range of banking and related financial services.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a limited company in 1880. In 1923, the company adopted the name Midland Bank Limited which it held until 1982 when it re-registered and changed its name to Midland Bank plc.

During the year ended 31 December 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc, whose Group Head Office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in the year ended 31 December 1999.

The HSBC Group is one of the largest banking and financial services organisations in the world, with over 9,500 offices in 85 countries and territories in five geographical regions: Europe; the Asia-Pacific region; the Americas; the Middle East and Africa. Its total assets at 30 June 2008 were US$2,547 billion. HSBC Bank plc is the HSBC Group's principal operating subsidiary undertaking in Europe.

The short term senior unsecured and unguaranteed obligations of HSBC Bank plc are currently rated p-1 by Moody's, A-1+ by S&P and F1+ by Fitch and the long term senior, unsecured and unguaranteed obligations of HSBC Bank plc are currently rated Aa1 by Moody's, AA by S&P and AA by Fitch.

HSBC is regulated pursuant to the Financial Services and Markets Act 2000 and is authorised and regulated by the Financial Services Authority. HSBC Bank plc's principal place of business in the United Kingdom is 8 Canada Square, London E14 5HQ.

HSBC Bank plc has securities admitted to listing on the Official List of the Financial Services Authority of the United Kingdom (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000) and to trading on the London Stock Exchange plc (which is a regulated market for the purposes of Directive 2004/39/EC), on the Luxembourg Stock Exchange and on the main segment of the SWX Swiss Exchange.

The description appearing below shall replace "*Description of Initial Hedge Counterparties – BNP PARIBAS*" in the Prospectus.

BNP PARIBAS

The BNP Paribas Group (the "Group") (of which BNP Paribas is the parent company) is a European leader in banking and financial services. It has approximately 168,000 employees, 129,500 of whom are based in Europe. The Group occupies leading positions in three significant fields of activity: Corporate and Investment Banking, Asset Management & Services and Retail Banking. It has operations in 85 countries and has a strong presence in all the key global financial centers. It is present throughout Europe in all its business lines, with France and Italy constituting its two domestic retail banking markets. BNP Paribas has a significant and growing presence in the United States and leading positions in Asia and in emerging markets.

At June 30, 2008, the Group had consolidated assets of €1,817.2 billion (compared to €1,663.6 billion at June 30, 2007), consolidated loans and receivables due from customers of €471.6 billion (compared to €426.8 billion at June 30, 2007), consolidated items due to customers of €357.7 billion (compared to €321.9 billion at June 30, 2007) and shareholders' equity (Group share including income for first half of 2008) of €50.4 billion (compared to €52.2 billion at June 30, 2007). Pre tax net income at June 30, 2008 was €4,7 billion (compared to €6.8 billion at June 30, 2007). Net income, Group share, at June 30, 2008 was €3.5 billion (compared to €4.8 billion at June 30, 2007).

The Group currently has long term senior debt ratings of "Aa1" with stable outlook from Moody's, "AA+" with stable outlook from Standard & Poor's and "AA" with stable outlook from Fitch Ratings.

The Group has three divisions: Retail Banking, Asset Management and Services and Corporate and Investment Banking, the latter two of which also constitute "core businesses". Operationally, the Retail Banking division is itself comprised of three core businesses: French Retail Banking, Italian Retail Banking (BNL bc) and International Retail Services. The Group has additional activities, including those of its listed real estate subsidiary, Klépierre, that are conducted outside of its core businesses.

SELECTED FINANCIAL DATA

The tables below present selected profit and loss and other financial data for each of the Airport Operators. This data has been derived from the Airport Operators' financial statements. Readers should regard the summary financial information below as an introduction and should base their investment decision on a review of the entire Prospectus (together with documents incorporated by reference therein) and the entire Supplement.

Profit and Loss Data

	12 months ended 31 March 2006[1]	9 months ended 31 December 2006	12 months ended 31 December 2007	6 months ended 30 June 2007	6 months ended 30 June 2008
				(unaudited)	
	(£ millions)				
HAL					
Income	**1,195.4**	**957.1**	**1,324.8**	**629.3**	**692.7**
Operating costs – ordinary	(754.9)	(631.5)	(892.7)	(432.4)	(594.1)
Operating costs – exceptional	(25.4)	(37.9)	(154.2)	(35.7)	(63.9)
Operating profit	**415.1**	**287.7**	**277.9**	**161.2**	**34.7**
Net interest payable	**(94.9)**	**(128.3)**	**(185.6)**	**(90.4)**	**(155.2)**
Profit/(loss) on ordinary activities before taxation	**320.2**	**159.4**	**92.3**	**70.8**	**(120.5)**
Tax on (profit)/loss on ordinary activities	(96.3)	(52.2)	81.8	62.7	35.4
Profit/(loss) on ordinary activities after taxation	**223.9**	**107.2**	**174.1**	**133.5**	**(85.1)**
GAL					
Income	**361.5**	**312.9**	**409.7**	**188.1**	**211.6**
Operating costs – ordinary	(262.9)	(216.5)	(312.2)	(149.9)	(178.0)
Operating costs – exceptional	(18.0)	(7.2)	(16.7)	(2.8)	(0.0)
Operating profit	**80.6**	**89.2**	**80.8**	**35.4**	**33.6**
Net interest payable	**(4.7)**	**(16.3)**	**(25.3)**	**(12.7)**	**(16.5)**
Profit/(loss) on ordinary activities before taxation	**75.9**	**72.9**	**55.5**	**22.7**	**17.1**
Tax on (profit)/loss on ordinary activities	(23.6)	(23.9)	53.5	21.8	(5.0)
Profit/(loss) on ordinary activities after taxation	**52.3**	**49.0**	**109.0**	**44.5**	**12.1**
STAL					
Income	**176.5**	**149.7**	**241.8**	**108.1**	**122.0**
Operating costs – ordinary	(127.1)	(107.6)	(156.1)	(75.4)	(87.5)
Operating costs – exceptional	(3.4)	(3.5)	(9.1)	(0.3)	(0.0)
Operating profit	**46.0**	**38.6**	**76.6**	**32.4**	**34.5**
Net interest payable	**(7.5)**	**(5.5)**	**(11.6)**	**(5.7)**	**(5.7)**
Profit on ordinary activities before taxation	**38.5**	**33.1**	**65.0**	**26.7**	**28.8**
Tax on profit on ordinary activities	(12.6)	(11.2)	23.5	9.7	(8.5)
Profit on ordinary activities after taxation	**25.9**	**21.9**	**88.5**	**36.4**	**20.3**

(1) In the case of HAL, the financial statements for the 12 months ended 31 March 2006 incorporate a re-statement due to the adoption of the presentation provisions of FRS 25 "*Financial Instruments disclosure and presentation*". For further information, see HAL's statutory accounts for the three months ended 30 June 2006 incorporated by reference in the Prospectus.

Other Financial Data

	12 months ended 31 March 2006	9 months ended 31 December 2006	12 months ended 31 December 2007	6 months ended 30 June 2007	6 months ended 30 June 2008
				(unaudited)	
	(£ millions, except percentages)				
HAL					
Net capital expenditure	1,272.2	837.7	878.8	473.0	366.3
EBITDA[1][2]	583.6	440.9	547.8	286.6	227.0
EBITDA margin[3]	48.8%	46.1%	41.3%	45.5%	32.8%
Adjusted EBITDA[2]	609.0	461.8	635.7	296.3	248.8
Adjusted EBITDA margin[4]	50.9%	48.2%	48.0%	47.1%	35.9%
GAL:					
Net capital expenditure	81.2	68.0	90.0	56.5	67.4
EBITDA[1][2]	131.4	130.6	137.3	62.5	64.6
EBITDA margin[3]	36.3%	41.7%	33.5%	33.2%	30.5%
Adjusted EBITDA[2]	149.4	137.8	154.0	65.3	64.6
Adjusted EBITDA margin[4]	41.3%	44.0%	37.6%	34.7%	30.5%
STAL:					
Net capital expenditure	56.7	86.5	89.0	33.5	68.7
EBITDA[1][2]	74.9	60.5	105.7	46.7	50.6
EBITDA margin[3]	42.4%	40.4%	43.7%	43.2%	41.5%
Adjusted EBITDA[2]	78.3	64.0	114.8	47.0	50.6
Adjusted EBITDA margin[4]	44.4%	42.8%	47.5%	43.5%	41.5%

(1) EBITDA, or earnings before interest, taxes, depreciation and amortisation, is not a measure of performance under UK GAAP and should not be considered as an alternative to:

- operating profit or profit/(loss) on ordinary activities after taxation (as determined in accordance with generally accepted accounting principles), or as a measure of the Airport Operators' operating performance;
- cash flows from operating, investing or financing activities (as determined in accordance with generally accepted accounting principles), or as a measure of the Airport Operators' ability to meet cash needs; or
- any other measures of performance under generally accepted accounting principles. EBITDA may not be indicative of the Airport Operators' historical operating results, nor is it meant to be a projection or forecast of their future results.

(Notes continue on the next page)

(2) The following table reconciles profit/(loss) on ordinary activities after taxation to EBITDA and adjusted EBITDA for the periods indicated:

	12 months ended 31 March 2006	9 months ended 31 December 2006	12 months ended 31 December 2007	6 months ended 30 June 2007	6 months ended 30 June 2008
				(unaudited)	
	(£ millions)				
HAL					
Profit/(loss) on ordinary activities after taxation	**223.9**	**107.2**	**174.1**	**133.5**	**(85.1)**
Depreciation	168.5	136.2	203.6	99.4	150.2
Accelerated depreciation[(a)]	0.0	17.0	66.3	26.0	42.1
Net interest payable	94.9	128.3	185.6	90.4	155.2
Tax on (profit)/loss on ordinary activities	96.3	52.2	(81.8)	(62.7)	(35.4)
EBITDA	**583.6**	**440.9**	**547.8**	**286.6**	**227.0**
Other operating costs – exceptional [(b)(c)]	25.4	20.9	87.9	9.7	21.8
Adjusted EBITDA	**609.0**	**461.8**	**635.7**	**296.3**	**248.8**
GAL:					
Profit/(loss) on ordinary activities after taxation	**52.3**	**49.0**	**109.0**	**44.5**	**12.1**
Depreciation	50.8	41.4	56.5	27.1	31.0
Net interest payable	4.7	16.3	25.3	12.7	16.5
Tax on (profit)/loss on ordinary activities	23.6	23.9	(53.5)	(21.8)	5.0
EBITDA	**131.4**	**130.6**	**137.3**	**62.5**	**64.6**
Operating costs – exceptional[(b)]	18.0	7.2	16.7	2.8	0.0
Adjusted EBITDA	**149.4**	**137.8**	**154.0**	**65.3**	**64.6**
STAL:					
Profit on ordinary activities after taxation	**25.9**	**21.9**	**88.5**	**36.4**	**20.3**
Depreciation	28.9	21.9	29.1	14.3	16.1
Net interest payable	7.5	5.5	11.6	5.7	5.7
Tax on profit on ordinary activities	12.6	11.2	(23.5)	(9.7)	8.5
EBITDA	**74.9**	**60.5**	**105.7**	**46.7**	**50.6**
Operating costs – exceptional[(b)]	3.4	3.5	9.1	0.3	0.0
Adjusted EBITDA	**78.3**	**64.0**	**114.8**	**47.0**	**50.6**

(a) Accelerated depreciation is recorded in HAL's statutory accounts under "*Operating costs – exceptional*". Accelerated depreciation relates to additional depreciation charges taken in relation to Heathrow's Terminal 1 and Terminal 2 due to the expected impact of the Heathrow East terminal complex project, which will shorten the lives of these assets. See "*Management's Discussion and Analysis of Financial Conditions and Results of Operations – Factors Having a Significant Influence on Results of Operations – Operating Cost – Operating Costs – Exceptional*" in the Prospectus.

(b) For information about operating costs-exceptional, see "*Management's Discussion and Analysis of Financial Conditions and Results of Operations – Factors Having a Significant Influence on Results of Operations – Operating Costs – Operating Costs – Exceptional*" in the Prospectus.

(c) Does not include the additional accelerated depreciation charges for Terminal 1 and Terminal 2 that are included above in the table under "Accelerated depreciation".

(3) EBITDA margin is calculated by dividing EBITDA by income, expressed as a percentage.

(4) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by income, expressed as a percentage.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Six Months Ended 30 June 2008 compared with Six Months Ended 30 June 2007

Investors should bear in mind that at each of the Airport Operators, the second and third quarters (April to September) of each calendar year have historically been stronger than the first (January to March) and fourth (October to December) quarters, with the first quarter being the weakest quarter, primarily reflecting the fall-off in passenger numbers following the UK winter holiday season. For further discussion, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Income – Aeronautical Income – Seasonality*" in the Prospectus.

Additionally, the comparison of the six months ended 30 June 2008 and the six months ended 30 June 2007 reflects the cost of the new and improved security measures put in place since March 2007 (at all three airports) and costs relating to the opening of Terminal 5 (at Heathrow). These incremental costs are recovered by increases in aeronautical charges in the regulatory period starting 1 April 2008. This mismatch of income compared to expenditure in the first six months of 2008 has therefore significantly suppressed operating profit compared to the prior period and, in the case of HAL and GAL, has resulted in decrease in operating profit. In addition, results for HAL and GAL in the period have been further affected as it was agreed with airlines to phase in the implementation of the new tariffs for 2008/09 with a lower increase in April 2008 and May 2008 (at Gatwick) and in April 2008 to June 2008 (at Heathrow). On the basis of forecast passenger numbers (and without adjustment for actual variations), the Airport Operators estimate that the phasing in of new tariffs had a combined approximate effect on EBITDA at Gatwick and Heathrow of £40-45 million for the period. Recovery of the full allowable yield (including tariff increases to ensure full year tariffs are equal to the maximum allowed tariffs) is expected later in the 2008/09 year.

(a) HAL

Heathrow has historically experienced the lowest level of seasonal fluctuations of the three Designated Airports as it serves a higher percentage of business and transfer travellers than either Gatwick or Stansted and is therefore less exposed to fluctuations around the UK peak family holiday periods.

(i) *Traffic*

The following tables set forth the number of passengers and air transport movements at Heathrow for the periods indicated:

Number of Passengers – Heathrow

	6 months ended 30 June		Variances	
	2007	2008		
	(in millions)			(%)
Total passengers	**32.6**	**32.5**	**(0.1)**	**(0.3)**
Domestic	2.8	2.7	(0.1)	(3.6)
International long haul	16.2	16.8	0.6	3.7
International short haul	13.6	13.0	(0.6)	(4.4)

Source: BAA.

Number of Air Transport Movements – Heathrow

	6 months ended 30 June		Variances	
	2007	2008		
	(in thousands)			(%)
Total air transport movements	**235.2**	**235.7**	**0.5**	**0.2**
Domestic	29.5	30.4	0.9	3.1
International long haul	77.5	81.8	4.3	5.5
International short haul	128.2	123.5	(4.7)	(3.7)

Source: BAA.

The total number of passengers at Heathrow remained relatively constant at 32.5 million for the six months ended 30 June 2008 and 32.6 million for the six months ended 30 June 2007. Air transport movements also remained relatively constant at 235,693 for the six months ended 30 June 2008 and 235,179 for the six months ended 30 June 2007. Both indicators show the same trend: the overall volume of movements and passengers remaining relatively stable in absolute terms due to Heathrow operating close to its maximum allowed capacity. However, for the reasons set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations – 12 months ended 31 December 2007 Compared with 12 months ended 31 March 2006 – HAL – Traffic*" in the Prospectus, the proportion and number of higher income generating international passengers have grown compared with domestic passengers, resulting in increased income. See "*Business – Traffic – Historic Growth in Passenger Traffic at the Designated Airports*" in the Prospectus.

(ii) *Profit and Loss Account*

Profit and Loss Account – HAL

	6 months ended 30 June		Variances	
	2007	2008		
	(unaudited)			
	(£ millions)			(%)
Income	629.3	692.7	63.4	10.1
Operating costs – ordinary	(432.4)	(594.1)	(161.7)	(37.4)
Operating costs – exceptional	(35.7)	(63.9)	(28.2)	(79.0)
Operating profit	**161.2**	**34.7**	**(126.5)**	**(78.5)**

The period on period comparison between the six months ended 30 June 2007 and 30 June 2008 is affected by impacts relating to the opening of Terminal 5, most notably a significant increase in depreciation (£99.4 million in six months ended 30 June 2007, £150.2 million in six months ended 30 June 2008) and related relocation of airlines. Additionally, the first six-month period of 2008 reflects costs associated with increased security requirements, which did not start to be recovered until after 1 April 2008. These are discussed more fully below; however, largely as a consequence of these factors, HAL's overall operating profit after exceptional items shows a reduction of £126.5 million over the same six-month period in the prior year.

(iii) *Income*

The following table sets forth HAL's income items for the periods indicated, together with the period-to-period changes in those items:

Total Income – HAL

	6 months ended 30 June		Variances	
	2007	2008		
	(unaudited)			
	(£ millions)			(%)
Aeronautical income	294.4	336.4	42.0	14.3
Retail income	154.9	158.1	3.2	2.1
Car parking	32.9	33.2	0.3	0.9
Duty and tax-free	33.9	35.2	1.3	3.8
Airside specialist shops	27.1	27.3	0.2	0.7
Bureaux de change	14.2	13.5	(0.7)	(4.9)
Catering	12.4	13.0	0.6	4.8
Landside shops and bookshops	8.1	10.2	2.1	25.9
Advertising	12.7	13.1	0.4	3.1
Car rental	5.2	5.1	(0.1)	(1.9)
Other	8.4	7.5	(0.9)	(10.7)
Operational facilities and utilities income	57.1	62.4	5.3	9.3
Property rental income	39.8	44.0	4.2	10.6
Rail income	38.9	41.4	2.5	6.4
Other income[1]	44.2	50.4	6.2	14.0
Total income	**629.3**	**692.7**	**63.4**	**10.1**

(1) Includes income received from BAA, mostly related to IT lease costs, which HAL charged to BAA and BAA, in turn, re-charges to its businesses (including HAL, GAL and STAL, as well as other subsidiaries not within the Security Group). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Income – Other Income*" in the Prospectus.

HAL's total income increased by 10.1 per cent. to £692.7 million for the six months ended 30 June 2008 from £629.3 million for the six months ended 30 June 2007. This increase was primarily due to the £42 million (14.3 per cent.) growth in aeronautical income. This growth largely reflects the annual increase in the maximum yield per passenger, as regulated by the CAA, that HAL may recover (£8.51 for the 2006/07 period, £9.28 for the 2007/08 period and £13.13 for 2008/09) and £14.3 million of new charges for NATS and passengers with restricted mobility ("**PRM**"). The favourable mix of passengers with higher numbers of international long haul passengers generated increased income during the period. For information about HAL's maximum allowable yields, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Income – Aeronautical Income – Historical Maximum Allowable Yields*" in the Prospectus.

Property rental income improved by £4.2 million (10.6 per cent.) reflecting leases on new property including the new Heathrow Control Tower.

(iv) *Operating Costs*

The following table sets forth HAL's operating cost items for the periods indicated, together with the period-to-period changes in those items:

Operating Costs – HAL

	6 months ended 30 June		Variances	
	2007	2008		
	(unaudited)			
	(£ millions)			(%)
Employment costs	103.6	129.7	26.1	25.2
Depreciation	99.4	150.2	50.8	51.1
Maintenance expenditure	33.5	53.2	19.7	58.8
Utility costs	34.6	37.7	3.1	9.0
Rents and rates	32.7	41.5	8.8	26.9
General expenses	30.2	74.2	44.0	145.7
Retail expenditure	5.9	9.6	3.7	62.7
Other intra-group charges[1]	92.2	98.0	5.8	6.3
(Profit)/loss on disposals of tangible fixed assets	0.3	0.0	(0.3)	(100.0)
Operating costs – ordinary	432.4	594.1	161.7	37.4
Operating costs – exceptional	35.7	63.9	28.2	79.0
Total	**468.1**	**658.0**	**189.9**	**40.6**

(1) Includes intra group charges from BAA for the use of common IT infrastructure and software which is owned by HAL on behalf of the BAA Group and re charged to its businesses (including HAL, GAL and STAL, as well as other subsidiaries not within the Security Group). Also includes intra group charges related to all operating expenses incurred by, and the management fee charged by, HEX Opco in running Heathrow Express. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Operating Costs – Other Intra group Charges*" in the Prospectus.

HAL's operating costs – ordinary increased by 37.4 per cent. to £594.1 million for the six months ended 30 June 2008 from £432.4 million for the six months ended 30 June 2007. This increase was primarily the result of the following factors:

- the £50.8 million (51.1 per cent.) increase in depreciation due to Terminal 5 assets brought into operation and other new assets brought into use from capital investment programmes.
- the £44 million (145.7 per cent.) increase in general expenses is mainly due to cleaning, police, marketing and communications, consultancy, noise and blight, airline relocations, extra bus services and build up to opening Terminal 5 costs. In addition, NATS costs and charges for passengers with restricted mobility (PRM), £14.3 million in total, are included in general expenses. These were previously charged directly to the airlines but are now recovered as additional income;
- the £26.1 million (25.2 per cent.) increase in employment costs mainly due to increases in staff (as of 30 June 2008, an increase of 206 non-security period-end FTEs and an increase of 1,545 security FTEs compared to 30 June 2007), primarily relating to the increase of staff for the opening of Terminal 5, impact of additional security requirements in the other terminals, and the annual pay review of 2007; and
- the £19.7 million (58.8 per cent.) increase in maintenance expenditure due to higher spend in terminal and airside areas in maintaining enhanced standards and the opening of Terminal 5, related connections and baggage related costs.

HAL's operating costs – exceptional increased to £63.9 million for the six months ended 30 June 2008 from £35.7 million for the six months ended 30 June 2007. This increase was due to:

- £14.7 million in Terminal 5 commissioning costs;
- £16.1 million in accelerated depreciation of Terminals 1 and 2 charged from April 2007 as a result of the shortening of the accounting life in connection with the transformation of the airport; and
- offset by £2.6 million decrease in reorganisation costs.

See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Operating Costs – Operating Costs – Exceptional*" in the Prospectus.

Net Interest Payable has also increased significantly from £90.4 million in the six months ended 30 June 2007 to £155.2 million for the same period in 2008. This is largely due to a reduction in interest capitalised in association with Terminal 5.

(b) GAL

(i) *Traffic*

The following tables set forth the number of passengers and air transport movements at Gatwick for the periods indicated:

Number of Passengers – Gatwick

	6 months ended 30 June			
	2007	2008	Variances	
	(in millions)			(%)
Total passengers	**16.1**	**16.4**	**0.3**	**1.9**
Domestic	2.0	1.9	(0.1)	(5.0)
International long haul	5.6	5.2	(0.4)	(7.1)
International short haul	8.5	9.3	0.8	9.4

Source: BAA.

Number of Air Transport Movements – Gatwick

	6 months ended 30 June			
	2007	2008	Variances	
	(in thousands)			(%)
Total air transport movements	**123.6**	**126.1**	**2.5**	**2.0**
Domestic	24.5	24.4	(0.1)	(0.4)
International long haul	28.2	25.8	(2.4)	(8.5)
International short haul	70.9	75.9	5.0	7.1

Source: BAA.

The number of passengers at Gatwick increased by 1.9 per cent. to 16.4 million for the six months ended 30 June 2008 from 16.1 million for the six months ended 30 June 2007. This increase reflects an increase in the number of international short haul passengers.

Air transport movements at Gatwick also increased 2 per cent. to 126,052 for the six months ended 30 June 2008 from 123,568 for the six months ended 30 June 2007. The number of international short haul movements increased largely due to the continued growth of easyJet and higher British Airways traffic which have offset the 8.5 per cent. reduction in long haul services due to airline moves by carriers such as American Airlines, the transfer of routes to Heathrow by carriers such as British Airways, Delta and Continental and the liquidation of both Oasis and Nationwide in April 2008.

(ii) *Profit and Loss Account*

Profit and Loss Account – GAL

	6 months ended 30 June		Variances	
	2007	2008		
	(unaudited)			
	(£ millions)			(%)
Income	188.1	211.6	23.5	12.5
Operating costs – ordinary	(149.9)	(178.0)	(28.1)	(18.7)
Operating costs – exceptional	(2.8)	0.0	2.8	(100.0)
Operating profit	**35.4**	**33.6**	**(1.8)**	**(5.1)**

GAL's operating profit after exceptional items declined by £1.8 million to £33.6 million in the period due, in general, to the higher operating costs related to enhanced security and strategies to improve the overall passenger experience and service levels which offset the 12.5 per cent. increase in income.

(iii) *Income*

The following table sets forth GAL's income items for the periods indicated, together with the period-to-period changes in those items:

Total Income – GAL

	6 months ended 30 June		Variances	
	2007	2008		
	(unaudited)			
	(£ millions)			(%)
Aeronautical income	80.3	98.3	18.0	22.4
Retail income	71.8	80.3	8.5	11.8
Car parking	21.2	26.6	5.4	25.5
Duty and tax-free	16.9	17.1	0.2	1.2
Airside specialist shops	7.0	7.6	0.6	8.6
Bureaux de change	6.6	7.2	0.6	9.1
Catering	7.1	8.0	0.9	12.7
Landside shops and bookshops	6.1	6.3	0.2	3.3
Advertising	2.0	2.6	0.6	30.0
Car rental	1.5	1.6	0.1	6.7
Other	3.4	3.3	(0.1)	(2.9)
Operational facilities and utilities income	17.2	12.1	(5.1)	(29.7)
Property rental income	13.5	13.4	(0.1)	(0.7)
Other income(1)	5.3	7.5	2.2	41.5
Total income	**188.1**	**211.6**	**23.5**	**12.5**

(1) Includes inter-company income received from BAA. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Income – Other Income*" in the Prospectus.

GAL's income increased by 12.5 per cent. to £211.6 million for the six months ended 30 June 2008 from £188.1 million for the six months ended 30 June 2007. This was primarily due to the following factors:

- the £18.0 million (22.4 per cent.) growth in aeronautical income. This growth largely reflects the annual increase in the maximum allowable yield per passenger, as regulated by the CAA, that GAL may recover (£4.73 for the 2006/07 period, £4.91 for the 2007/08 period and £6.97 for the 2008/09 period), as well as the increase in

the number of passengers and the inclusion of £5.6 million of new charges for NATS and PRM. For information about the maximum allowable yields, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Income – Aeronautical Income – Historical Maximum Allowable Yields*" in the Prospectus;

- the £8.5 million (11.8 per cent.) growth in retail income. This growth largely reflects the increase in gross car park revenues and the move to a management rather than a commission-based contractual structure as well as the re-opening of car parks following refurbishment, and stronger yield management. Other increases reflect the increase in passenger numbers; and
- partially offset by the £5.1 million (29.7 per cent) decrease in operational facilities and utilities income due to one-off charges related to check-in desks included last year.

(iv) *Operating Costs*

The following table sets forth GAL's operating costs items for the periods indicated, together with the period-to-period changes in those items:

Operating Costs – GAL

	6 months ended 30 June		Variances	
	2007	2008		
	(unaudited)			
	(£ millions)			(%)
Employment costs	46.3	51.3	5.0	10.8
Depreciation	27.1	31.0	3.9	14.4
Maintenance expenditure	11.4	11.9	0.5	4.4
Utility costs	12.1	12.5	0.4	3.3
Rents and rates	11.2	11.8	0.6	5.4
General expenses	17.2	29.7	12.5	72.7
Retail expenditure	4.5	7.7	3.2	71.1
Other intra-group charges[1]	20.0	22.1	2.1	10.5
(Profit)/loss on disposals of tangible fixed assets	0.1	0.0	(0.1)	(100.0)
Operating costs – ordinary	149.9	178.0	28.1	18.7
Operating costs – exceptional	2.8	0.0	(2.8)	(100.0)
Total	**152.7**	**178.0**	**25.3**	**16.6**

(1) Includes intra-group charges from BAA for the use of common IT infrastructure and software which is owned by HAL on behalf of the BAA Group and re-charged to its businesses (including HAL, GAL and STAL, as well as other subsidiaries not within the Security Group). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Operating Costs – Other Intra-group Charges*" in the Prospectus.

GAL's operating costs – ordinary increased by 18.7 per cent. to £178.0 million for the six months ended 30 June 2008 from £149.9 million for the six months ended 30 June 2007. This increase was primarily the result of the following factors:

- the £12.5 million (72.7 per cent.) increase in general expenses due to costs incurred to improve service quality standards (mainly cleaning), increased airport licence fees and police costs, NATS and PRM costs of £5.6 million (previously charged directly to the airlines but now included as additional income) and provision for disruption in the terminals due to the integration of a number of capital projects;
- the £5.0 million (10.8 per cent.) increase in employment costs due to increases in staff, mainly related to security staff, and increases in non-exceptional restructuring costs;

- the £3.9 million (14.4 per cent.) increase in depreciation largely due to several capital investment projects completed during the period, mainly related to baggage facility improvements and South Terminal upgrades; and
- the £3.2 million (71.1 per cent) increase in retail expenditures largely due to a change in the contractual structure for GAL's short term car parks which have moved from a commission-based to a management fee based contract (car park income is now booked gross and a charge is reflected in retail expenditure in respect of management fees paid to the car park operator).

GAL's operating costs-exceptional include £2.8 million for the six months ended 30 June 2007 related to reorganisation costs.

(c) STAL

Stansted's seasonal fluctuations are less pronounced than Gatwick's but more pronounced than Heathrow's as it serves a relatively high proportion of leisure travellers and short-haul destinations. It has also suffered the loss of certain airlines compared to the prior year.

(i) *Traffic*

The following tables set forth the number of passengers and air transport movements at Stansted for the periods indicated:

Number of Passengers – Stansted

	6 months ended 30 June			
	2007	2008	Variances	
	(in millions)			(%)
Total passengers	**11.3**	**10.8**	**(0.5)**	**(4.4)**
Domestic	1.3	1.2	(0.1)	(7.7)
International long haul	0.2	0.2	—	—
International short haul	9.8	9.4	(0.4)	(4.1)

Source: BAA.

Number of Air Transport Movements – Stansted

	6 months ended 30 June			
	2007	2008	Variances	
	(in thousands)			(%)
Total air transport movements	**94.6**	**89.5**	**(5.1)**	**(5.4)**
Domestic	14.4	13.5	(0.9)	(6.3)
International long haul	4.1	3.6	(0.5)	(12.2)
International short haul	76.1	72.4	(3.7)	(4.9)

Source: BAA.

The total number of passengers at Stansted decreased 4.4 per cent. to 10.8 million for the six months ended 30 June 2008 from 11.3 million for the six months ended 30 June 2007. This decrease is largely due to the impact of lost airlines including Maxjet declaring bankruptcy in December 2007, Globespan and Sky Europe leaving Stansted and Air Berlin ceasing domestic routes in late 2007. easyJet and Ryanair have also shown a decline in passenger numbers year on year following changes to route networks. Conversely, the introduction of American Airlines in October 2007, and equally Wizz and Cyprus Turkish Airlines, have offset some of the decline. The number of air transport movements also decreased to 89,528 for the six months ended 30 June 2008 from 94,575 for the six months ended 30 June 2007.

The number of international short haul movements decreased largely due to the loss of airlines mentioned above. For more information on air traffic levels, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Income – Aeronautical Income – Air Traffic Levels*" in the Prospectus.

(ii) *Profit and Loss Account*

Profit and Loss Account – STAL

	6 months ended 30 June		Variances	
	2007	2008		
	(unaudited)			
	(£ millions)			(%)
Income	108.1	122.0	13.9	12.9
Operating costs – ordinary	(75.4)	(87.5)	(12.1)	(16.0)
Operating costs – exceptional	(0.3)	0.0	0.3	(100.0)
Operating profit	**32.4**	**34.5**	**2.1**	**6.5**

Despite the 16.0 per cent. increase in Operating costs – ordinary (discussed below), STAL increased its overall profit in the period compared to the prior year by 6.5 per cent. to £34.5 million. The key driver for this has been the expiry of airline incentives reflected in an increase in aeronautical income in the period.

(iii) *Income*

The following table sets forth STAL's income items for the periods indicated, together with the period-to-period changes in those items:

Total Income – STAL

	6 months ended 30 June		Variances	
	2007	2008		
	(unaudited)			
	(£ millions)			(%)
Aeronautical income	54.2	68.6	14.4	26.6
Retail income	42.5	42.2	(0.3)	(0.7)
Car parking	19.3	18.8	(0.5)	(2.6)
Duty and tax-free	4.8	4.8	0.0	0.0
Airside specialist shops	2.0	2.3	0.3	15.0
Bureaux de change	5.3	4.3	(1.0)	(18.9)
Catering	4.6	4.7	0.1	2.2
Landside shops and bookshops	3.1	3.3	0.2	6.5
Advertising	0.8	1.2	0.4	50.0
Car rental	1.1	1.2	0.1	9.1
Other	1.5	1.6	0.1	6.7
Operational facilities and utilities income	6.4	6.2	(0.2)	(3.1)
Property rental income	3.7	3.6	(0.1)	(2.7)
Other income[(1)]	1.3	1.4	0.1	7.7
Total income	**108.1**	**122.0**	**13.9**	**12.9**

(1) Includes inter-company income received from BAA. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Income – Other Income*" in the Prospectus.

STAL's total income increased by 12.9 per cent. to £122 million for the six months ended 30 June 2008 from £108.1 million for the six months ended 30 June 2007. This increase was primarily the result of the £14.4 million (26.6 per cent.) growth in aeronautical

income. This growth primarily reflects the expiry of discounts on airport fees on a large scale with effect from 1 April 2007 and the inclusion of £3.4 million of new charges for NATS and PRM. For more information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Income – Aeronautical Income – Current Maximum Allowable Yields*" in the Prospectus.

Retail income fell by 0.7 per cent with reductions in bureaux de change and car parking partly offset by improved advertising, shopping, catering and other income.

(iv) *Operating Costs*

The following table sets forth STAL's operating cost items for the periods indicated, together with the period-to-period changes in those items:

Operating Costs – STAL

	6 months ended 30 June		Variances	
	2007	2008		
	(unaudited)			
	(£ millions)			(%)
Employment costs	25.8	26.4	0.6	2.3
Depreciation	14.3	16.1	1.8	12.6
Maintenance expenditure	4.8	4.8	0.0	0.0
Utility costs	6.0	6.1	0.1	1.7
Rents and rates	4.8	5.8	1.0	20.8
General expenses	6.4	13.7	7.3	114.1
Retail expenditure	1.0	1.2	0.2	20.0
Other intra-group charges[1]	12.0	13.4	1.4	11.7
(Profit)/loss on disposals of tangible fixed assets	0.3	0.0	(0.3)	(100.0)
Operating costs – ordinary	75.4	87.5	12.1	16.0
Operating costs – exceptional	0.3	0.0	(0.3)	(100.0)
Total	**75.7**	**87.5**	**11.8**	**15.6**

(1) Includes intra-group charges from BAA for the use of common IT infrastructure and software which is owned by HAL on behalf of the BAA Group and re-charged to its businesses (including HAL, GAL and STAL, as well as other subsidiaries not within the Security Group). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Operating Costs – Other Intra-group Charges*" in the Prospectus.

STAL's operating costs – ordinary increased by 16.0 per cent. to £87.5 million for the six months ended 30 June 2008 from £75.4 million for the six months ended 30 June 2007. This increase was primarily the result of the following factors:

- the £7.3 million (114.1 per cent.) increase in general expenses due to cleaning, marketing and communication costs incurred to improve service quality standards in connection with the putting the passenger first strategy, support of the new airline marketing strategy to encourage long haul services, NATS and PRM costs of £3.4 million (previously charged directly to airlines but now included as additional income) and increases in bad debts as a result of the Maxjet and EOS bankruptcies;

- the £1.8 million (12.6 per cent.) increase in depreciation due to new assets brought into use from the capital investment programme; and

- the £1.0 million (20.8 per cent.) increase in rents and rates expenditure due to the rates review during the year.

STAL's operating costs – exceptional include £0.3 million for the six months ended 30 June 2007 related to reorganisation costs.

LIQUIDITY AND CAPITAL RESOURCES

On 18 August 2008, £4.5 billion of existing bonds of BAA were migrated into the Programme, and this movement represented a 100% migration of the existing eligible bond indebtedness of BAA into the Issuer. In return, an equivalent amount of Financial Indebtedness of the Airport Operators to BAA was cancelled and replaced by Borrower Loans from the Issuer on substantially the same terms as the new Bonds issued in the migration. At the time of the migration, the £4.4 billion Refinancing Facility was drawn in full by the Airport Operators and used to refinance Financial Indebtedness of the Airport Operators.

In addition, the Airport Operators have the £2.7 billion Capex Facility available for capital expenditure purposes and the £50 million Working Capital Facility available for funding general corporate and working capital requirements and for servicing payments of interest on any loan made to Security Parent or Asset Holdco by any other Obligor. See "*Overview of Financing Structure*" in the Prospectus. Subject to complying with the Additional Indebtedness Tests described in the Prospectus (see "*Summary of the Financing Agreements – Common Terms Agreement – Covenants – Covenants – General*" and "*Summary of the Financing Agreements – Additional Resources Available – Refinancing Facility Agreement*" in the Prospectus), the Airport Operators may incur further indebtedness under these, or any other Authorised Credit Facilities, from time to time.

The following table sets forth the principal amount of outstanding unaudited long-term indebtedness of HAL, GAL and STAL as of 31 August 2008:

Principal Amount of Long-Term[1] Indebtedness of HAL, GAL and STAL[2]

	Principal Amount as of 31 August 2008 (unaudited) (£ millions)
Long-Term Indebtedness	
Senior	
Refinancing Facility (Tranche A Loans)	3,400
Borrower Loans in respect of Class A Bonds	4,499
EIB Facility	435
Capex Facility	—
Total Long-Term Senior Debt	8,334
Junior	
Refinancing Facility (Tranche B Loans)	1,000
Capex Facility	—
Total Long-Term Junior Debt	1,000

(1) For purposes of this table, "long-term" debt or indebtedness is indebtedness with a maturity in excess of one year.
(2) HAL, GAL and STAL each cross-guarantees the obligations of the other Obligors.

As of 31 August 2008, the principal amount of the Issuer's outstanding unaudited long-term indebtedness was £4,499 million.

The proceeds from the issue of any Bonds for cash will be loaned to the Airport Operators on terms substantially equivalent to the terms of such Bonds. Such proceeds will be used by the Airport Operators to repay or service Financial Indebtedness of the Airport Operators or for general corporate purposes. For so long as any amount is outstanding under the Refinancing Facility, subject to prepayment of certain short-term debt obligations and, in certain circumstances, amounts outstanding under the Capex Facility, the Group is required to apply net cash proceeds received under a Borrower Loan Agreement and derived from the issue by the Issuer of Bonds in prepayment of amounts outstanding under the Refinancing Facility (see "*Application of Disposal Proceeds and Bond Proceeds in accordance with the Refinancing Facility Agreement*" above).

UNAUDITED COMBINED FINANCIAL INFORMATION OF THE OPERATING COMPANIES FOR THE SIX MONTHS ENDED 30 JUNE 2008

BAA Limited (formerly BAA plc) currently prepares consolidated financial statements comprising the consolidated operating results and balance sheet for all companies in the BAA Group. Therefore, BAA Limited does not separately report on the combined results for the Operating Companies.

The Security Group comprises the Security Parent, Asset Holdco and the Operating Companies. The Security Parent directly holds 100 per cent. of Asset Holdco, which directly holds 100 per cent. of the Borrowers, and HAL directly holds 100 per cent. of HEX Opco. The Security Group has not prepared consolidated statements for any periods.

The unaudited combined profit and loss data, balance sheet data and other financial information set forth below has been prepared to show the results and financial position of the Operating Companies on a combined basis for the six months ended 30 June 2008. These results and financial position have been prepared for illustrative purposes only. Therefore, they do not represent the actual results or financial position of the Operating Companies had the books of account been maintained, and statutory accounts prepared, for these companies on a combined basis for the six months ended 30 June 2008.

The unaudited combined financial information does not include the historical results of the Security Parent, Asset Holdco or the Issuer and does not represent the actual results or financial position of the Security Group if it had been operating as a group for the six months ended 30 June 2008. The combined information therefore does not take account of any acquisition accounting by the Security Parent on transfer of the Operating Companies to the Security Group. Management does not believe that these adjustments would materially affect EBITDA in the consolidated accounts of the Security Parent had such accounts been prepared.

The interest charges and borrowings included in the unaudited combined financial information reflect the position as at 30 June 2008 and for the six months ended 30 June 2008. The combined financial information does not therefore reflect the issuance of the Bonds and the new financial structure of the Security Group.

The unaudited combined profit and loss information for the six months ended 30 June 2008 has been derived from the unaudited interim statements of the Operating Companies, subject to an adjustment to eliminate inter-company trading between HAL and HEX Opco.

The combined balance sheet data is an aggregation of the unaudited balance sheet information for each of the Operating Companies as of 30 June 2008, also subject to an adjustment to eliminate intra-group management fees between HAL and HEX Opco.

The unaudited combined profit and loss information and the combined balance sheet data have been compiled on a basis that is consistent with the accounting policies of the Operating Companies.

The tables below also set forth certain unaudited operational data that has been derived from the Operating Companies' operating systems and other non-financial sources. Prospective investors are cautioned that this operating data may not be indicative of the Operating Companies' historical or future results of operations.

Combined Profit and Loss Data for the 6 Months Ended 30 June 2008

	12 months ended 31 December 2007[2]	6 months ended 30 June 2007[3]	6 months ended 30 June 2008[4]
		(unaudited)	
		(£ millions)	
Income	**1,976.3**	**925.5**	**1,026.3**
Operating costs – ordinary	(1,356.3)	(655.6)	(857.0)
Operating costs – exceptional	(180.0)	(38.8)	(63.9)
Operating profit	**440.0**	**231.1**	**105.4**
Net interest payable[1]	**(220.0)**	**(107.6)**	**(176.4)**
Profit/(loss) on ordinary activities before taxation	**220.0**	**123.5**	**(71.0)**
Tax on (profit)/loss on ordinary activities	156.6	93.2	20.8
Profit/(loss) on ordinary activities after taxation	**376.6**	**216.7**	**(50.2)**

(1) The increase in net interest payable in the six months ended 30 June 2008 compared with the same period in 2007 is largely due to a reduction in interest capitalised in association with Terminal 5.

(2) For a breakdown of each Airport Operator, see Note 2 in the "*Notes to the Income Statement Data*" below.

(3) For a breakdown of each Airport Operator, see Note 3 in the "*Notes to the Income Statement Data*" below.

(4) For a breakdown of each Airport Operator, see Note 4 in the "*Notes to the Income Statement Data*" below.

Combined Balance Sheet Data as of 30 June 2008

	As of 30 June 2008[1]
	(unaudited) (£ millions)
Fixed Assets	
Tangible assets	12,771.6
Current Assets	
Stocks	8.5
Debtors: due within one year	843.9
due after more than one year	625.5
Cash at bank and in hand	—
Total current assets	1,477.9
Creditors: due within one year	(9,283.4)
Net current liabilities	(7,805.5)
Total assets less current liabilities	**4,966.1**
Creditors: amounts falling due after more than one year	(223.3)
Provisions for liabilities and charges	(711.3)
Net Assets	**4,031.5**

(1) For a breakdown of each Airport Operator, see Note 9 in the "*Notes to the Income Statement Data*" below.

Other Non-Financial Data for the 6 months ended 30 June 2008

	12 months ended 31 December 2007	6 months ended 30 June 2007	6 months ended 30 June 2008
Total Passengers (in millions)	126.9	60.0	59.7
Total Air Transport Movements (in thousands)	926.0	453.3	451.3
Total Rail Passengers (in millions)	5.4	2.7	2.7

Source: BAA.

NOTES TO THE INCOME STATEMENT DATA

1. Basis of Preparation

The unaudited financial information presented herein should be read in conjunction with the statutory accounts for each of the Operating Companies, which have been incorporated by reference into the Prospectus and included on the CD-ROM attached to the Prospectus, and the unaudited interim financial statements for each of the Operating Companies, which appear at the end of this Supplement.

The unaudited combined financial information presented in the tables above has been prepared by combining the relevant financial information of the Operating Companies, extracted without adjustment from each of these companies' individual statutory accounts for the 12 months ended 31 December 2007 and their unaudited interim financial statements as of and for the 6 months ended 30 June 2007 and 2008, prepared in accordance with UK GAAP, which appear at the end of this Supplement.

2. Combined Profit and Loss Data for the year ended 31 December 2007

	HAL	GAL	STAL	Adjustment for HEX Opco	Total
				(unaudited)	
	(£ millions)				
Income	**1,324.8**	**409.7**	**241.8**	**—**	**1,976.3**
Operating costs – ordinary	(892.7)	(312.2)	(156.1)	4.7	(1,356.3)
Operating costs – exceptional	(154.2)	(16.7)	(9.1)	—	(180.0)
Operating profit	**277.9**	**80.8**	**76.6**	**4.7**	**440.0**
Net Interest (payable)/receivable	**(185.6)**	**(25.3)**	**(11.6)**	**2.5**	**(220.0)**
Profit on ordinary activities before taxation	**92.3**	**55.5**	**65.0**	**7.2**	**220.0**
Tax on profit on ordinary activities	81.8	53.5	23.5	(2.2)	156.6
Profit on ordinary activities after taxation	**174.1**	**109.0**	**88.5**	**5.0**	**376.6**

3. Combined Profit and Loss Data for the 6 months ended 30 June 2007

	HAL	GAL	STAL	Adjustment for HEX Opco	Total
	(unaudited)				
	(£ millions)				
Income	**629.3**	**188.1**	**108.1**	**—**	**925.5**
Operating costs – ordinary	(432.4)	(149.9)	(75.4)	2.1	(655.6)
Operating costs – exceptional	(35.7)	(2.8)	(0.3)	—	(38.8)
Operating profit	**161.2**	**35.4**	**32.4**	**2.1**	**231.1**
Net Interest (payable)/receivable	**(90.4)**	**(12.7)**	**(5.7)**	**1.2**	**(107.6)**
Profit/(loss) on ordinary activities before taxation	**70.8**	**22.7**	**26.7**	**3.3**	**123.5**
Tax on (profit)/loss on ordinary activities	62.7	21.8	9.7	(1.0)	93.2
Profit/(loss) on ordinary activities after taxation	**133.5**	**44.5**	**36.4**	**2.3**	**216.7**

4. Combined Profit and Loss Data for the 6 months ended 30 June 2008

	HAL	GAL	STAL	Adjustment for HEX Opco	Total
	(unaudited)				
	(£ millions)				
Income	**692.7**	**211.6**	**122.0**	**—**	**1,026.3**
Operating costs – ordinary	(594.1)	(178.0)	(87.5)	2.6	(857.0)
Operating costs – exceptional	(63.9)	0.0	0.0	—	(63.9)
Operating profit	**34.7**	**33.6**	**34.5**	**2.6**	**105.4**
Net Interest (payable)/receivable	**(155.2)**	**(16.5)**	**(5.7)**	**1.0**	**(176.4)**
(Loss)/profit on ordinary activities before taxation	**(120.5)**	**17.1**	**28.8**	**3.6**	**(71.0)**
Tax on loss/(profit) on ordinary activities	35.4	(5.0)	(8.5)	(1.1)	20.8
(Loss)/profit on ordinary activities after taxation	**(85.1)**	**12.1**	**20.3**	**2.5**	**(50.2)**

5. Adjustment for HEX Opco

HEX Opco operates Heathrow Express on HAL's behalf under a management contract. Under the terms of this agreement, HAL is entitled to all revenues generated from the operation of Heathrow Express, which HAL recognises under "rail income" in its accounts. HAL reimburses HEX Opco for its operating costs and pays HEX Opco a management fee in the amount of 10 per cent. of such operating costs for managing Heathrow Express. In preparing the unaudited combined information, the inter-company management fee between HAL and HEX Opco has been eliminated.

6. Analysis of Other Financial Operating Data

The table below sets forth a break-down of income and operating costs for the 6 months ended 30 June 2008.

Combined Profit and Loss Data for the 6 months ended 30 June 2008

	HAL	GAL	STAL	Adjustment for HEX Opco	Total
	(unaudited)				
	(£ millions)				
Aeronautical income	336.4	98.3	68.6		503.3
Retail	158.1	80.3	42.2		280.6
Operational facilities and utilities	62.4	12.1	6.2		80.7
Property rental	44.0	13.4	3.6		61.0
Rail	41.4	0.0	0.0		41.4
Other income[1]	50.4	7.5	1.4		59.3
Total income	**692.7**	**211.6**	**122.0**	**—**	**1026.3**
Employment costs	129.7	51.3	26.4		207.4
Depreciation	150.2	31.0	16.1		197.3
Maintenance expenditure	53.2	11.9	4.8		69.9
Utility costs	37.7	12.5	6.1		56.3
Rent and rates	41.5	11.8	5.8		59.1
General expenses	74.2	29.7	13.7		117.6
Retail expenditure	9.6	7.7	1.2		18.5
Other intra-group charges[2]	98.0	22.1	13.4	(2.6)	130.9
(Profit)/loss on disposals of tangible fixed assets	0.0	0.0	0.0	—	0.0
Operating costs – ordinary	594.1	178.0	87.5	(2.6)	857.0
Operating costs – exceptional	63.9	0.0	0.0	—	63.9
Total operating costs	**658.0**	**178.0**	**87.5**	**(2.6)**	**920.9**
Total operating profit	**34.7**	**33.6**	**34.5**	**2.6**	**105.4**

(1) Includes income received from BAA, mostly related to IT lease costs, which HAL charged to BAA and BAA, in turn, re-charges to its businesses (including HAL, GAL and STAL, as well as other subsidiaries not within the Security Group). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Income – Other Income*" in the Prospectus.

(2) Includes intra-group charges from BAA for the use of common IT infrastructure and software which is owned by HAL on behalf of the BAA Group and re-charged to its businesses (including HAL, GAL and STAL, as well as other subsidiaries not within the Security Group). In the case of HAL, it also includes intra-group charges related to all operating expenses incurred by, and the management fee charged by, HEX Opco in running Heathrow Express. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors Having a Significant Influence on Results of Operations – Operating Costs – Other Intra-group Charges*" in the Prospectus.

7. Combined EBITDA and Adjusted EBITDA

EBITDA, or earnings before interest, taxes, depreciation and amortisation, has been defined previously (see "*Presentation of Financial and Other Information*" in the Prospectus). Adjusted EBITDA is calculated by adding back to EBITDA exceptional operating costs other than accelerated depreciation charges, which have been added back in the calculation of non-adjusted EBITDA. Management believes that adjusted EBITDA allows for a comparison of the Operating Companies' performance on a consistent basis without regard to a non-recurring expense that management believes does not reflect the regular operating performance of the Operating Companies' businesses.

The following table sets forth Combined EBITDA and Combined Adjusted EBITDA for the Operating Companies for the six months ended 30 June 2008:

	12 months ended 31 December 2007	6 months ended 30 June 2007	6 months ended 30 June 2008
		(unaudited)	
		(£ millions)	
Profit/(loss) on ordinary activities after taxation	**376.6**	**216.7**	**(50.2)**
Depreciation	289.2	140.8	197.3
Accelerated depreciation(1)	66.3	26.0	42.1
Net interest payable	220.0	107.6	176.4
Tax on (profit)/loss on ordinary activities	(156.6)	(93.2)	(20.8)
Combined EBITDA	**795.5**	**397.9**	**344.8**
Other operating costs – exceptional(2)(3)	113.7	12.8	21.8
Combined Adjusted EBITDA	**909.2**	**410.7**	**366.6**

(1) Accelerated depreciation is recorded in HAL's statutory accounts under "*Operating costs-exceptional*". Accelerated depreciation relates to additional depreciation charges taken in relation to Heathrow's Terminal 1 and Terminal 2 due to the expected impact of the Heathrow East terminal complex project, which will shorten the lives of these assets. See "*Management's Discussion and Analysis of Financial Conditions and Results of Operations – Factors Having a Significant Influence on Results of Operations – Operating Costs – Operating Costs – Exceptional*" in the Prospectus.

(2) For information about operating costs-exceptional, see "*Management's Discussion and Analysis of Financial Conditions and Results of Operations – Factors Having a Significant Influence on Results of Operations – Operating Costs – Operating Costs – Exceptional*" in the Prospectus.

(3) Does not include the additional accelerated depreciation charges for Terminal 1 and Terminal 2 that are included above in the table under "Accelerated depreciation".

8. Other Non-Financial Data

	12 months ended 31 December 2007	6 months ended 30 June 2007	6 months ended 30 June 2008
Total Passengers (in millions)			
HAL	67.9	32.6	32.5
GAL	35.2	16.1	16.4
STAL	23.8	11.3	10.8
Total	**126.9**	**60.0**	**59.7**
Total Air Transport Movements (in thousands)			
HAL	475.7	235.2	235.7
GAL	258.8	123.6	126.1
STAL	191.5	94.6	89.5
Total	**926.0**	**453.4**	**451.3**
Total Rail Passengers (in millions)			
HEX Opco	5.4	2.7	2.7

Source: BAA.

NOTES TO THE BALANCE SHEET DATA

9. Basis of Preparation

The unaudited combined balance sheet information presented above has been prepared by aggregating the relevant financial information of the Operating Companies, extracted without adjustment from the Operating Companies' individual statutory balance sheets as of 31 December 2007 and the interim balance sheets as of 30 June 2008, prepared in accordance with UK GAAP, which appear at the end of this Supplement. In addition, the adjustment to eliminate inter-company trading between HAL and HEX Opco is also incorporated.

Combined Balance Sheet Data as of 30 June 2008

	HAL	GAL	STAL	Adjustment for HEX Opco	Total
	(unaudited) (£ millions)				
Fixed assets					
Tangible assets	9,657.3	1,632.9	1,481.4	—	12,771.6
Current assets					
Stocks	2.7	4.0	1.8	—	8.5
Debtors: due within one year	611.4	178.8	51.4	2.3	843.9
due after more than one year	392.8	71.6	129.2	31.9	625.5
Cash at bank and in hand	—	—	—	—	
Total current assets	**1,006.9**	**254.4**	**182.4**	**34.2**	**1,477.9**
Creditors : due within one year	(8,239.8)	(596.5)	(450.0)	2.9	(9,283.4)
Net current liabilities	(7,232.9)	(342.1)	(267.6)	37.1	(7,805.5)
Total assets less current liabilities	**2,424.4**	**1,290.8**	**1,213.8**	**37.1**	**4,966.1**
Creditors: amounts falling due after more than one year	(13.5)	(202.4)	(7.4)	—	(223.3)
Provisions for liabilities and charges	(600.1)	(63.1)	(48.1)	—	(711.3)
Net Assets	**1,810.8**	**1,025.3**	**1,158.3**	**37.1**	**4,031.5**

APPENDIX 1

UNAUDITED FINANCIAL STATEMENTS OF HAL
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2007 AND 2008

HEATHROW AIRPORT LIMITED

Report and Unaudited Interim Financial Statements for the six months ended 30 June 2008

Company Registration Number 1991017

REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2008

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REPORT OF THE DIRECTORS

HALF YEARLY PERFORMANCE

- Passenger traffic down 0.3% to 32.5 million (30 June 2007: 32.6 million).
- Revenue up 10.1% to £692.7 million (30 June 2007: £629.3 million).
- Operating profit down 78.5% to £34.7 million (30 June 2007: £161.2 million).

OTHER HIGHLIGHTS

On 17 January 2008, a British Airways flight from Beijing suffered a systems failure on its final approach resulting in an emergency landing on Heathrow's southern runway. BAA Limited, on behalf of Heathrow Airport Limited ("the Company"), is currently pursuing a claim under its property damage/business interruption insurance arrangement for losses sustained following the incident which resulted in damage to runway lighting and the runway entrance as well as clean up costs. Business interruption losses were incurred as capacity at the airport was reduced until the middle of the following week due to restriction on the runway. A number of flights were cancelled resulting in a loss of revenue. Final costs arising from the incident are being compiled and discussions are underway with the insurer's appointed loss adjuster. The final cost of the loss is currently estimated to be in the region of £2.0 million.

On 31 January 2008, ownership of this Company was transferred from London Airports 1992 Limited to BAA Limited at open market value. BAA Limited subsequently has sold its interest in the Company to another subsidiary company, BAA (AH) Limited.

On 11 March 2008, the Civil Aviation Authority ("CAA") published its decision for price controls for Heathrow Airport for the five years from 1 April 2008 to 31 March 2013. It set out the maximum allowable yield for each passenger of £13.13 per passenger excluding K Factor in 2008/09 (in 2007/08 prices: £12.80), an increase of 2.6 per cent in real terms from the previous (2007/08) price cap £10.36 (£9.28 plus adjustments for Aerodrome Navigation Services £0.73 and Baggage and Fuel charging changes £0.35). The CAA also announced that, for each of the following four years, charges could increase by no more than the retail price index (RPI) plus 7.5 per cent each year. The CAA left the cost of capital unchanged at 6.20% pre tax real.

Her Majesty the Queen officially opened Heathrow Terminal 5 (T5) on 14 March 2008, and so paved the way for the operational start of Heathrow's new terminal on the morning of 27 March 2008 when a British Airways flight from Hong Kong arrived safely. In the period immediately following its opening, T5's end to end passenger product supplied by several parties, did not deliver its expected level of service, receiving significant adverse media publicity over several weeks. Since opening all parties have worked, and continue to work, closely to strengthen the service proposition. This co-ordinated approach has seen a marked improvement in performance across the board (to a level now higher than that available in Heathrow's other terminals), an enhanced understanding of the complex systems and processes, and endorsement by British Airways, the terminal's sole operating airline, that the terminal is now more than ready and being enjoyed by its passengers. British Airways has continued to move its services from other terminals at Heathrow, with the final moves scheduled for October (after the summer seasonal peak).

After the initial operational issues which took place on the opening of Terminal 5 at the end of March and first days of April 2008, operations stabilised and high levels of service standards have been achieved. The management consider that there will be no material impact arising from any claims in relation to the initial operational disruption which followed the opening of Terminal 5.

The first commercial Airbus A380 flight from Singapore arrived on the 18th March 2008, operating a daily service. Singapore Airlines have recently announced their deployment of a second A380 service between London and Singapore, bringing the frequency of flights served by this impressive aircraft to eleven per week. Since its maiden flight, the aircraft has carried 88,965 passengers to end of June, into and out of Heathrow with an average load factor of 97.8% for arrivals and 82.1% for departure. Emirates and Qantas have also announced plans for their A380 aircraft to be flying on Heathrow services from early 2009.

The Open Skies deal between the EU and US began on the 29th March 2008; this is expected to result in better value and increased passenger choice with European and American airlines offering more options from Heathrow.

On 20 August 2008, Competition Commission has announced its provisional findings from the investigation into the BAA Group's airports.

The dramatic increase in the cost of oil has been felt worldwide and in all industries, but is particularly acute in aviation where fuel comprises a significant proportion of airline operating costs. Some carriers have tried to pass on some of the increase onto their passengers by way of fuel surcharges, as well as cutting down on other operating costs to strive to make their services economically viable. There have also been announced major reductions in airline operations, particularly in the domestic US market. However at Heathrow, with the exception of a few reductions in winter flying schedules, the demand for flights remains as high. This is evidenced by Heathrow's busiest ever day on 24 June, when 1,384 flights took off or landed.

SUMMARY OF RESULTS

	6 months to 30 June 2008	6 months to 30 June 2007	Change
	(£ millions)		(%)
Revenue	692.7	629.3	10.1
Operating costs	(658.0)	(468.1)	(40.6)
Operating profit	34.7	161.2	(78.5)
(Loss)/Profit before tax	(120.5)	70.8	(270.2)
Net cash inflow from operating activities (including movements in amounts owed to group undertakings)	597.1	752.4	(20.6)
Net capital expenditure	366.3	473.0	(22.6)

Traffic

The number of passengers at Heathrow remained relatively constant at 32.5 million for the 6 months ended 30 June 2008 against 32.6 million for the 6 months ended 30 June 2007. Heathrow's Air Transport Movement (ATM) numbers remained level at 235,693 (30 June 2007: 235,179) ATMs in both periods. Both indicators have followed the same trend; the overall volume of movements and passengers remain relatively stable in absolute terms due to Heathrow operating at close to maximum capacity, with mix of passengers switching from a domestic to international flights.

Revenue

Total revenue increased by 10.1% to £692.7 million for the 6 months ended 30 June 2008 from £629.3 million for the 6 months ended 30 June 2007. This increase was primarily due to £42.0 million (14.3%) growth in aeronautical income largely due to an annual tariff increase by 10%. Also, National Air Traffic Service (NATS) and Passengers with Reduced Mobility (PRM) are now recovered through airport charges and corresponding costs are incurred directly as operating costs.

Seasonality

Similar to other London airports within the BAA Group, Heathrow's income experiences a somewhat different level of seasonality at different times. The main influences on the seasonality of income are primarily:

- the mix of business and leisure passengers;
- the timing of the peak UK holiday seasons and the associated seasonality in the charter airline market; and
- the proportion of transferring passenger served by the airport.

The second and third quarters of each calendar year have historically been stronger than the first and fourth quarters, with the first quarter being the weakest quarter, primarily reflecting the fall-off in passenger numbers following the UK winter holiday season.

As Heathrow serves a higher percentage of business and transfer travellers than either Gatwick or Stansted, Heathrow has historically experienced the lowest level of seasonal fluctuations of the three Airports.

Operating costs

Operating costs increased by £189.9 million (40.6%) to £658.0 million, mainly due to staff costs (up by £26.1 million, including £21.5 million for the recruitment of additional security staff and a £1.2

million increase in pay related costs), maintenance costs (up by £19.7 million due to major work), general expenses (up by £40.4 million mainly due to airlines relocation programme, £19.5 million; and National Air Traffic Service (NATS) costs and Passengers with Reduced Mobility (PRM) costs are now incurred directly and recovered through airport charges, £14.3 million), depreciation (up by £50.8 million due T5 transfer to operational assets) and exceptional costs (up by £28.2 million due to cost relating to opening of T5 and accelerated depreciation of Terminal 1 and Terminal 2).

"Fix the basics", BAA's airport improvement programme of 2007 has been largely embedded in to business as usual activities in 2008. The success of the programme is evident through sustained, or improved, customer satisfaction scores.

Net finance costs

The Company's net interest charge was £155.2 million (30 June 2007: £90.4 million; 31 December 2007: £185.6 million), after capitalised interest of £73.6 million (30 June 2007: £116.1 million; 31 December 2007: £251.9 million) largely in respect of capital expenditure on T5.

Taxation

The tax credit of £35.4 million (30 June 2007: credit £62.7 million; 31 December 2007: credit £81.8 million) for the first 6 months to 30 June 2008 represents an estimated effective rate for the full year of 29.5% (30 June 2007 tax credit: 88.7%; 31 December 2007 tax credit: 88.7%).

The effective tax rates for the periods ended 30 June 2007 and 31 December 2007 reflect large tax credits being released to the profit and loss account as a result of changes enacted in the 2007 Finance Act. These changes resulted in a decrease in the deferred tax liability due to the reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008 and to the abolition of balancing adjustments for industrial building allowances.

Cash flow

Net cash inflow from operating activities (including the movement in amounts owed to the group undertakings) decreased 20.6% to £597.1 million (30 June 2007: £752.4 million; 31 December 2007: £1,401.6 million). After deducting interest and tax paid £370.0 million (30 June 2007: £548.5 million; 31 December 2007: £958.0 million) of cash was generated by the Company's operations and contributed towards funding capital investment of £366.3 million (30 June 2007: £473.0 million; 31 December 2007: £878.8 million) and a dividend payment of £nil (30 June 2007: £71.9 million; 31 December 2007: £71.9 million).

Capital investment programme

Capital expenditure during the period was £420.8 million of which £78.8 million relates to T5 which opened on time and on budget in March 2008.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company manages these risks, of which the principal ones are:

Safety and security risks

Safety and security risks are regarded as important risks to manage. The Company mitigates these risks by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in leading-edge security technology. The Company and BAA Limited and its subsidiaries ('the BAA Group') work closely with government agencies, police and the Armed Forces to match security measures to a level commensurate with the current raised threat environment.

Assurance is provided through management reporting processes and a specialist compliance audit function, reporting directly to the Health, Safety, Security and Environment Committee at the BAA Group level.

Regulatory – CAA regulator

The Company's operations are subject to regulatory review by the CAA and Competition Commission every five years and the risk of an adverse review is minimised by a dedicated team which ensures full compliance with the formal regulatory requirements and establishes a sound relationship with the regulator.

Part of the regulatory framework is BAA's involvement in constructive engagement with the airlines. In order to manage the risk of adverse airline relations, all airlines have been invited to participate at all stages and to be represented on all fora – e.g. joint steering groups. When feedback was sought or processes measured, independent third parties have been utilised for data gathering and analysis to ensure confidentiality and neutrality of interpretation. In addition, key stakeholders are engaged on a joint planning basis which provides the airlines with the opportunity of airing views and sharing plans, thereby ensuring their ongoing requirements are articulated and understood.

Competition rules

The penalties for failing to comply with the 1998 Competition Act and relevant EU law are recognised as risks to manage within the Company, given its position in certain markets. Clear policy direction, which includes compulsory awareness training and close support from the BAA Group's internal legal department, has reduced the likelihood of the Company breaching these regulations.

Capacity shortfall

The Company's failure to secure the necessary planning permission would lead to the Company having insufficient capacity to meet the expected demands of the airline industry, resulting in increased congestion and declining passenger service. The Company mitigates this risk through extensive consultation with community groups and authorities. However, despite the Company's mitigating actions, it is anticipated that demand will exceed capacity over the next ten years. The planned capital expenditure for quinquennium 5 for Heathrow (2007/08) prices is £4,542 million. Existing planning approvals provide for 480,000 air traffic movements per annum, which allows for up to 90 million passengers per annum.

Environment

The Company recognises that environment risks can impact on its reputation and licence to operate and to expand. The Company mitigates these risks at a number of levels, including environmental management systems and training programmes embedded with operations, clear environmental strategies, resource conservation initiatives, proactive and progressive influencing of third parties, stakeholder engagement and community relations programmes. The Company works closely with a range of stakeholders to ensure that it reacts effectively to the challenges posed by the environmental agenda.

Commercial and financial risks

Capital Projects

The Company recognises that failure to control key capital project costs and delivery could damage its financial standing and reputation. The Company mitigates this risk through adherence to a continually enhanced project process and by systems of project reviews before approval, during construction and after project completion. In addition, specific additional controls for Heathrow T5 were introduced, including the strengthening of the project management team at the BAA Group level and the commitment of dedicated specialist internal audit and risk management resources to reinforce assurance to the Board.

Changes in demand

The Company recognises that there is a risk in that unanticipated long-term changes in passenger demand could lead to misaligned operational capacity. To mitigate this risk, the Company participates in group scenario planning exercises to evaluate the effects of such possible changes.

Simplify the organisation

The BAA Group announced its 'Simplifying the Organisation' programme in 2007 which is designed to build a more efficient company able to meet future challenges by removing duplication, and creating a simplified organisational structure, focussed on putting the passenger first. The programme, which commenced in late 2007, will be carried out during 2008-09. The BAA Group and the Company have identified that failure to manage this change programme could lead to the non-realisation of the identified benefits and/or a significant cost overrun which could result in reduced customer service, damage to company reputation, industrial action and an inability to generate planned revenues. This risk is mitigated through clear plans and detailed business cases, assignment of work stream change leaders, workforce consultation, employee agreement plans, effective and timely

communication, early engagement of affected third parties and frequent review of progress and issues by the BAA Group's Executive Committee.

On 21 April 2008, BAA's Chief Executive Officer, Colin Matthews, announced a revised senior management structure. The new structure will result in BAA and Heathrow executive committees becoming one team, and merge the Heathrow and Corporate organisations. The new structure will focus on the Heathrow operation and improving the passenger experience, particularly at Heathrow and reduce complexity across BAA.

Industrial relations

The risk of industrial action by key staff that affects critical services, curtails operations, and has an adverse financial and reputational impact on the Company is recognised. The wider BAA Group has a range of formal national and local consultative bodies to discuss pay, employment conditions and business issues with the Trade Unions. A three year Pay Agreement was reached in August 2006 covering negotiated grades within the BAA Group. The Company could also be exposed in the short term to the effect of industrial action at key clients (i.e. airlines).

Further details of the risk management policies of BAA Limited can be found in its financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management objectives are aligned with its intermediate parent company, BAA Limited, and can be found in its financial statements. Furthermore, details of the treasury policies for the wider BAA Group are also given in the financial statements of BAA Limited at 31 December 2007.

As at 30 June 2008, the Company's principal financial instruments comprise amounts due to/from other BAA Group undertakings, including BAA Limited. Subsequent to the finalisation of the refinancing transactions on 18 August 2008 by the intermediate parent, Airport Development and Investment Limited ('ADIL') the Company's principal financial instruments, except derivatives, comprise bank loans, loans due to/from other group companies, cash and short term deposits. The main purpose of these instruments is to raise finance for the Company's operations. Details of these are provided in Note 10 of these unaudited interim financial statements.

The main risks arising from the Company's financial instruments are market risk (primarily fair value interest rate risk, foreign currency risk), cash flow interest rate risk, credit risk and liquidity risk.

Cash flow and fair value interest rate risk

As at 30 June 2008, the Company's interest rate risk arises from amounts due to/from other BAA Group undertakings. The Company deposits funds with, and borrows funds from BAA Limited on a daily basis and either pays or receives interest on such funds at Bank of England base rate +1.5%. Amounts due to/from other BAA Group undertakings issued at variable interest rates expose the Company to cash flow interest rate risk.

Subsequent to the completion of the refinancing transactions (refer to Note 10), the Company's interest rate risk arises primarily from its borrowings. Borrowings issued at variable interest rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's policy is to maintain a mix of fixed and floating rate debt within Board approved parameters. To manage this mix, the Company enters into interest rate swaps. These swaps may be designated to hedge underlying debt obligations. The Company may use forward-starting interest rate swaps to minimise exposure to cash flow interest rate risk for future forecast issuance of debt.

Credit risk

The Company has no significant concentrations of credit risk other than amounts owed by other BAA Group undertakings. The Company's exposure to credit related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument and ensuring only counterparties within defined credit risk parameters are used. The credit risks of the BAA Group are further discussed in its financial statements and the directors do not consider that the Company faces any additional significant credit risks.

Liquidity risk

In the six months ended 30 June 2008, the Company deposited funds with, and borrowed funds from BAA Limited on a daily basis to ensure sufficient funding was available. Subsequent to finalisation of the refinancing transactions on 18 August 2008 the objective of the Company is to maintain continuity of funding and flexibility, ensuring debt maturities are spread over a range of dates, thereby ensuring that the Company is not exposed to excessive refinancing risk in any one year.

As at 30 June 2008, the Company has guaranteed certain of the financial obligations of BAA Limited and of its intermediate parent, ADIL. Details of these guarantees are provided in Note 9 of these unaudited interim financial statements.

POST BALANCE SHEET EVENTS

On 18 August 2008 BAA Limited and ADIL, its parent company, successfully completed the £13.3 billion refinancing of its United Kingdom airports (''the Transaction''). The Transaction establishes a stable, long-term, investment grade financing platform for investment in Heathrow, Gatwick and Stansted airports over the coming decades. Implementation of the refinancing comprised a corporate reorganisation to separate the financing of the Designated Airports (Heathrow, Gatwick and Stansted) as well as Heathrow Express into a ring-fenced group. The funding programme established for the Designated Airports allows access to both the bank and bond markets in a range of maturities and currencies to maximise financing flexibility.

As a result of the refinancing, the Company has drawn £3,185 million under new and migrated bank facilities as well as entering into a number of bank facilities that remained undrawn as at the date of these financial statements. The Company has incurred one-off costs in relation to these facilities. In addition, £2,598 million notional of interest rate swaps with total fair value of £211.9 million assets have been novated to the Company to hedge cash flow interest rate risk of borrowings entered into at the finalisation of the refinancing transactions.

On the finalisation of the refinancing transactions, the Company became a guarantor of principal and accrued interest in relation to borrowings of Stansted Airport Limited and Gatwick Airport Limited from BAA Funding Limited under the Borrower Loan Agreement dated 18 August 2008. At the date of issuing of these financial statements there are no such borrowings outstanding.

Subsequent to the finalisation of the refinancing transactions, the Company became a joint guarantor in respect of the terms of the BAA (SH) Limited Junior Finance Documents. The Company, as an obligor, jointly and severally guarantees the BAA (SH) Limited Subordinated facility with all other obligors to the extent of £1,565.5 million.

The other obligors are Gatwick Airport Limited, Stansted Airport Limited, BAA (AH) Limited, BAA (SP) Limited, BAA (DSH) Limited and Heathrow Express Operating Company Limited ('HEX').

On 7 August 2008 the Company acquired, from BAA Limited, the ownership of HEX at the deemed fair market value of £3.8 million equivalent to the net book value of HEX. The purchase consideration was settled in cash.

By order of the Board

Jose Leo
Director, Heathrow Airport Limited

22 September 2008

Registered Office:
130 Wilton Road
London
SW1V 1LQ

PROFIT AND LOSS ACCOUNT
For the period ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Revenue – continuing operations	692.7	629.3	1,324.8
Operating costs – ordinary	(594.1)	(432.4)	(892.7)
Operating costs – exceptional	(63.9)	(35.7)	(154.2)
Total operating costs	(658.0)	(468.1)	(1,046.9)
Operating profit – continuing operations	34.7	161.2	277.9
Net interest payable and similar charges	(155.2)	(90.4)	(185.6)
(Loss)/profit on ordinary activities before taxation	(120.5)	70.8	92.3
Tax on (loss)/profit on ordinary activities	35.4	62.7	81.8
(Loss)/profit on ordinary activities after taxation	(85.1)	133.5	174.1

There are no material differences between the (loss)/profit on ordinary activities before taxation and the (loss)/profit on ordinary activities after taxation for the period and their historical cost equivalents.

The notes on pages 11 to 16 form an integral part of these unaudited interim financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the period ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
(Loss)/profit for the financial period	(85.1)	133.5	174.1
Revaluation deficit	(70.6)	(9.3)	(45.8)
Revaluation adjustment	(2.1)	—	(6.0)
Total recognised gains and losses relating to the period	(157.8)	124.2	122.3

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the period ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
(Loss)/profit for the financial year	(85.1)	133.5	174.1
Dividends paid	—	(71.9)	(71.9)
Revaluation deficit	(70.6)	(9.3)	(45.8)
Revaluation adjustment	(2.1)	—	(6.0)
Net (reduction)/addition to shareholders' funds	(157.8)	52.3	50.4
Opening shareholders' funds	1,968.6	1,918.2	1,918.2
Closing shareholders' funds	1,810.8	1,970.5	1,968.6

BALANCE SHEET
As at 30 June 2008

	30 June 2008	30 June 2007	31 December 2007
	(£ millions)		
FIXED ASSETS			
Tangible assets	9,657.3	9,068.2	9,427.9
CURRENT ASSETS			
Stocks	2.7	2.3	2.0
Debtors: due within one year	611.4	565.8	586.8
: due after more than one year	392.8	366.5	379.9
TOTAL CURRENT ASSETS	1,006.9	934.6	968.7
CREDITORS: amounts falling due within one year	(8,239.8)	(7,392.1)	(7,794.1)
NET CURRENT LIABILITIES	(7,232.9)	(6,457.5)	(6,825.4)
TOTAL ASSETS LESS CURRENT LIABILITIES	2,424.4	2,610.7	2,602.5
CREDITORS: amounts falling due after more than one year	(13.5)	(22.6)	(18.8)
Provisions for liabilities and charges	(600.1)	(617.6)	(615.1)
NET ASSETS	1,810.8	1,970.5	1,968.6
CAPITAL AND RESERVES			
Called up share capital	380.2	380.2	380.2
Share premium account	23.2	23.2	23.2
Revaluation reserve	1,055.9	1,172.1	1,128.6
Profit and loss reserve	351.5	395.0	436.6
TOTAL SHAREHOLDERS' FUNDS	1,810.8	1,970.5	1,968.6

These financial statements were approved by the Board of Directors on 22 September 2008 and were signed on its behalf by:

Jose Leo
Director, Heathrow Airport Limited

SUMMARY CASH FLOW STATEMENT
For the period ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Operating activities			
Operating profit	34.7	161.2	277.9
Adjustments for:			
Depreciation (including exceptional depreciation)	192.3	125.4	269.9
(Increase)/decrease in stock and debtors	(32.9)	3.4	(9.5)
Increase in amount owed to group undertakings	390.8	469.2	820.4
Increase/(decrease) in creditors	15.2	(4.2)	32.2
Loss on disposal of fixed assets	—	0.3	0.3
(Decrease)/increase in provisions	(3.0)	(2.9)	10.4
Net cash inflow from operating activities (including movements in amounts owed to group undertakings)	597.1	752.4	1,401.6
Net interest paid	(227.1)	(203.9)	(432.3)
Corporation tax paid	—	—	(11.3)
Net capital expenditure	(366.3)	(473.0)	(878.8)
Dividend paid	—	(71.9)	(71.9)
Cash inflow before use of liquid resources and financing	3.7	3.6	7.3
Decrease in loan from BAA Limited	(3.7)	(3.6)	(7.3)
Increase / (decrease) in cash in the period	**—**	**—**	**—**

Note
Items settled through BAA Limited current account relating to taxation, interest and fixed assets additions, are treated as paid for the purposes of this summary cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2008

1. Basis of preparation

These financial statements contain the unaudited interim financial statements of Heathrow Airport Limited for the 6 months ended 30 June 2008.

The directors confirm that the condensed interim financial information has been prepared in accordance with the ASB Statement: Half Yearly Financial Reports, and that the interim management report includes a fair review of the key events impacting upon the condensed financial statements for the 6 months period disclosed.

The validity of the going concern assumption as at 30 June 2008 depends on the continued support of the Company's ultimate UK parent undertaking, FGP Topco Limited. On 18 August 2008 the refinancing transactions were finalised enabling the Company access to sufficient liquid funds for the foreseeable future. In light of the finalisation of the refinancing transactions, the Directors consider that it is appropriate for the interim financial statements to be prepared on a going concern basis.

The unaudited interim financial statements were approved by the directors on 22 September 2008.

2. Accounting policies

The accounting policies adopted by Heathrow Airport Limited for these interim financial statements are consistent with those described in page 14 to page 19 of the Report and Financial Statements prepared under UK GAAP for the year ended 31 December 2007.

3. General information

This condensed interim financial information has not been audited.

The unaudited information shown for the period ended 30 June 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (Section 434 of the Companies Act 2006). The last full financial statements which have been filed with the Registrar of Companies were for the year ended 31 December 2007. The auditors report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain statements under section 237 of the Companies Act 1985 (Section 498 of Companies Act 2006). Those financial statements were prepared in accordance with UK GAAP.

4. Segmental information

The directors consider the business has only one segment. All of the Company's revenue arises in the United Kingdom and additional details of the revenue generated by each of the Company's key activities are given below.

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
		(£ millions)	
Revenue			
Airport and other traffic charges	336.4	294.4	634.6
Retail	158.1	154.9	324.9
Property and operational facilities	106.4	96.9	197.7
Rail	41.4	38.9	79.5
Other	50.4	44.2	88.1
	692.7	629.3	1,324.8

5. Operating Costs – Ordinary

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Wages and salaries	100.5	74.1	156.3
Social security costs	8.0	6.1	12.6
Pension costs	12.4	18.9	31.5
Other staff related costs	8.8	3.8	10.9
Share-based payments	—	0.7	1.5
Staff costs	129.7	103.6	212.8
Retail expenditure	9.6	5.9	11.8
Depreciation – owned assets	150.2	99.4	203.6
Maintenance expenditure	53.2	33.5	86.3
Rent and rates	41.5	32.7	65.7
Utility costs	25.1	24.1	46.0
Police costs	16.6	13.0	26.7
General expenses	57.6	17.2	34.2
Distribution fee	12.6	10.5	21.3
Other intra-group charges	98.0	92.2	184.0
	594.1	432.1	892.4
Loss on disposals of tangible fixed assets	—	0.3	0.3
	594.1	432.4	892.7

6. Operating costs – Exceptional

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Reorganisation costs[(a)]	—	2.6	43.1
Exceptional depreciation[(b)]	42.1	26.0	66.3
Terminal 5 operational readiness costs[(c)]	21.8	7.1	44.8
	63.9	35.7	154.2

(a) No costs were charged during the period associated with the wider BAA Group's change programmes (6 months ended 30 June 2007: £2.6 million; 12 months ended 31 December 2007: £43.1 million). The charge in the 12 months ended 31 December 2007 is in relation to severance and pension payments associated with the 'Simplifying the Organisation' programme which will be carried out during 2008-09.

(b) With the anticipated development of Heathrow East, Terminal 1 and 2 at Heathrow Airport will be demolished. Depreciation on these assets has been accelerated amounting to an additional depreciation charge of £42.1 million in the period ended 30 June 2008 (6 months to June 2007: £26.0 million; 12 months to 31 December 2007: £66.3 million) to reflect the shortened useful lives of the assets.

(c) Terminal 5 operational readiness costs of £21.8 million (6 months to 30 June 2007: £7.1 million; 12 months to 31 December 2007: £44.8 million) were incurred during the period. These costs were associated with managing the opening of Terminal 5 to ensure it was smoothly integrated into the Heathrow operations, including fit-out, facilitating the mobilisation of key contractors, the recruitment and enabling of staff, testing to ensure the building 'fit for purpose', co-ordinating the major overnight move activities, IT costs and running and testing baggage systems.

7. Tax On Profit On Ordinary Activities

The taxation charge for the six months ended 30 June 2008 has been based on the estimated effective rate for the full year of 29.5% (30 June 2007 tax credit: 88.7%; 31 December 2007: 88.7%). The effective tax rates for the periods ended 30 June 2007 and 31 December 2007 reflect large tax credits being released to the profit and loss account as a result of changes enacted in the 2007 Finance Act. These changes resulted in a decrease in the deferred tax liability due to the reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008 and to the abolition of balancing adjustments for industrial building allowances.

8. Tangible Fixed Assets

	Investment properties	Land held for development	Terminal complexes	Airfields	Rail Assets	Group occupied properties	Plant equipment & other assets	Assets in the course of construction	Total
					(£ millions)				
Cost or valuation									
1 January 2008	1,349.5	62.7	2,805.4	597.1	679.2	53.1	317.5	5,328.8	11,193.3
Additions at cost	0.2	—	8.3	—	—	—	2.9	409.4	420.8
Transfers (to)/from completed assets	235.4	—	3,388.8	239.4	651.8	0.6	20.8	(4,536.8)	—
Interest capitalised	—	—	—	—	—	—	—	73.6	73.6
Intercompany transfer	—	—	—	(0.1)	—	—	0.1	—	—
Disposals	—	—	—	—	—	—	(0.1)	—	(0.1)
Reclassifications	(2.4)	—	(0.3)	0.2	0.3	2.0	(0.3)	0.5	—
Revaluation	(70.5)	(0.1)	—	—	—	—	—	—	(70.6)
Revaluation adjustment	—	—	—	—	—	(2.1)	—	—	(2.1)
30 June 2008	**1,512.2**	**62.6**	**6,202.2**	**836.6**	**1,331.3**	**53.6**	**340.9**	**1,275.5**	**11,614.9**
Depreciation									
1 January 2008	—	—	1,218.6	132.1	181.6	18.0	215.1	—	1,765.4
Charge for the year	—	—	142.4	12.9	15.0	1.5	20.5	—	192.3
Disposals	—	—	—	—	—	—	(0.1)	—	(0.1)
30 June 2008	**—**	**—**	**1,361.0**	**145.0**	**196.6**	**19.5**	**235.5**	**—**	**1,957.6**
Net Book Value									
30 June 2008	**1,512.2**	**62.6**	**4,841.2**	**691.6**	**1,134.7**	**34.1**	**105.4**	**1,275.5**	**9,657.3**
31 December 2007	1,349.5	62.7	1,586.8	465.0	497.6	35.1	102.4	5,328.8	9,427.9

Valuation

Investment properties and land held for development were valued at open market value by Mr J M Arbuckle BLE (Hons), Head of BAA Professional Services at £1,574.8 million as at 30 June 2008. As a result of the valuation, a deficit of £70.6 million has been recognised in the revaluation reserve. During the period, previously recognised valuation gains amounting to £2.1 million were released as a result of the reclassification of a number of investment properties to Group occupied properties.

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

Capitalised interest

Included in the net book value of the assets are interest costs of £922.3 million (30 June 2007: £739.0 million; 31 December 2007: £862.7 million). £73.6 million (30 June 2007: £116.1 million; 31 December 2007: £251.9 million) has been capitalised in the period at a rate of 6.94% (30 June 2007: 5.77%; 31 December 2007: 5.95%) based on a weighted average of borrowings.

A tax deduction of £73.6 million for capitalised interest was taken in the period. Subsequent depreciation of the capitalised interest is disallowed for tax purposes, consequently, the capitalised interest gives rise to a deferred tax liability, which is released each year in line with the depreciation charged on the relevant assets.

Historical cost

The historical cost of investment properties and land held for development at 30 June 2008 was £518.8 million (30 June 2007: £282.1 million; 31 December 2007: £283.6 million).

BAA Group occupied properties

BAA Group occupied properties are freehold except for certain short leasehold properties with a net book value at 30 June 2008 of £18.0 million (30 June 2007: £18.8 million; 31 December 2007: £17.3 million).

Leased assets

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

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Cost or valuation	2,257.8	1,700.5	1,675.6
Accumulated depreciation	(116.6)	(94.7)	(106.9)
Net book amount	2,141.2	1,605.8	1,568.7

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

Assets in the course of construction

Included within assets in the course of construction are Airside projects of £60 million, Non Business Unit projects of £82 million, connection projects of £44 million, Heathrow Express projects of £36 million, Heathrow East Terminal projects of £50 millions, Airport Development projects of £102 million, Terminal 1 projects of £128 million and Terminal 3 projects of £87 million and other projects of £162 million. Further, assets in the course of construction include £179.0 million (30 June 2007: £179.0 million and 31 December 2007: £179.0 million) for the acquisition of land. The operational assets employed by the vendor of this land have been relocated and the acquisition cost represents the present value of the estimated deferred payments to be made over 35 years from the date of acquisition to the vendor in compensation for relocation.

Security

BAA Limited has granted security over the Company's assets as disclosed in the BAA Limited Group's report and accounts as at 31 December 2007. Subsequent to the completion of the refinancing transactions the securities were released and transferred to other group companies. Details of these are provided in Note 10 of these unaudited interim financial statements.

9. Contingent Liabilities

In July 1998, the Company and BAA Limited, entered into a cross border lease and leaseback establishing a special purpose vehicle, Paddington Railcars Company Limited ('PRC') to act as an intermediate entity under various leasing arrangements. The Company has entered into an agreement to lease to and to lease back from PRC the assets comprising the Heathrow Express rolling stock. As part of the arrangement, the Company and BAA Limited guarantee payments that are decreased by a deposit US$59.4 million with Rabobank and US$15 million in US Government securities. In addition, they guarantee early termination payments. The amounts payable under this guarantee at 30 June 2008 was US$12.3 million (31 December 2007: US$13.4 million).

As at 30 June 2008, the Company is a joint guarantor of the £400 million 5.75% bond due 2013, the two £150 million 11.75% bonds due 2016, the £250 million 8.5% bond due 2021, the £750 million 5.125% bond due 2023, the £200 million 6.375% bond due 2028, the £900 million 5.75% bond due 2031, the Euro 1,000 million 3.875% bond due 2012, the Euro 750 million 4.5% bond due 2014 and the Euro 750 million 4.5% bond due 2018, all issued by BAA Limited. These guarantees were released due to finalisation of the refinancing transactions on 18 August 2008. Details of these are provided in Note 10 of these unaudited interim financial statements.

As at 30 June 2008 the Company was also a joint guarantor in respect of the terms of the Airport Development and Investment Limited Senior Finance Documents and the Airport Development and Investment Limited Junior Finance Documents. The Company, as an obligor, jointly and severally guarantees the Senior and Subordinated facilities with all other obligors up to a maximum value that shall be no greater than the aggregate amount such as causes the financial and other covenants contained in the BAA Limited Bonds to be breached.

As at 30 June 2008, the other obligors are BAA Limited, BAA Partnership Limited, Gatwick Airport Limited, Stansted Airport Limited, London Airports Limited, London Airports 1992 Limited, London Airport 1993 Limited, Scottish Airport Limited and World Duty Free Limited.

Subsequent to the finalisation of the refinancing transactions the Senior facility has been repaid by ADIL and Subordinated facility has been partially repaid for an amount of £400 million and then migrated to BAA (SH) Limited. Details on guarantees in relation to the remaining Subordinated facility, post finalisation of the refinancing are provided in Note 10 of these unaudited interim financial statements.

10. Post Balance Sheet Events

On 18 August 2008 BAA Limited and ADIL, its parent company, successfully completed the £13.3 billion refinancing of its United Kingdom airports ("the Transaction"). The Transaction establishes a stable, long-term, investment grade financing platform for investment in Heathrow, Gatwick and Stansted airports over the coming decades. Implementation of the refinancing comprised a corporate reorganisation to separate the financing of the Designated Airports (Heathrow, Gatwick and Stansted) as well as Heathrow Express into a ring-fenced group. The funding programme established for the Designated Airports allows access to both the bank and bond markets in a range of maturities and currencies to maximise financing flexibility.

As a result of the refinancing, the Company has drawn £3,185 million under new and migrated bank facilities as well as entering into a number of bank facilities that remained undrawn as at the date of these financial statements. The Company has incurred one-off costs in relation to these facilities. In addition, £2,598 million notional of interest rate swaps with total fair value of £211.9 million assets have been novated to the Company to hedge cash flow interest rate risk of borrowings entered into at the finalisation of the refinancing transactions.

On the finalisation of the refinancing transactions, the Company became a guarantor of principal and accrued interest in relation to borrowings of Stansted Airport Limited and Gatwick Airport Limited from BAA Funding Limited under the Borrower Loan Agreement dated 18 August 2008. At the date of issuing of these financial statements there are no such borrowings outstanding.

Subsequent to the finalisation of the refinancing transactions, the Company became a joint guarantor in respect of the terms of the BAA (SH) Limited Junior Finance Documents. The Company, as an obligor, jointly and severally guarantees the BAA (SH) Limited Subordinated facility with all other obligors to the extent of £1,565.5 million.

The other obligors are Gatwick Airport Limited, Stansted Airport Limited, BAA (AH) Limited, BAA (SP) Limited, BAA (DSH) Limited and Heathrow Express Operating Company Limited ('HEX').

On 7 August 2008 the Company acquired, from BAA Limited, the ownership of HEX at the deemed fair market value of £3.8 million equivalent to the net book value of HEX. The purchase consideration was settled in cash.

APPENDIX 2

UNAUDITED FINANCIAL STATEMENTS OF GAL FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2007 AND 2008

GATWICK AIRPORT LIMITED

Report and Unaudited Interim Financial Statements for the six months ended 30 June 2008

Company Registration Number 1991018

REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2008

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REPORT OF THE DIRECTORS

HALF YEARLY PERFORMANCE

- Passenger traffic up 1.9% to 16.4 million (30 June 2007: 16.1 million)
- Revenue up 12.5% to £211.6 million (30 June 2007: £188.1 million)
- Operating profit down 5.1% to £33.6 million (30 June 2007: £35.4 million profit)

OTHER HIGHLIGHTS

On 31 January 2008, ownership of Gatwick Airport Limited ("the Company") was transferred from London Airports Limited to BAA Limited at open market value. BAA Limited subsequently has sold its interest in the Company to another subsidiary company, BAA (AH) Limited.

On 11 March 2008, the Civil Aviation Authority published its decision for price controls for Gatwick Airport for the five years from 1 April 2008 to 31 March 2013. It set out the maximum allowable yield for each passenger of £6.97 per passenger in 2008/09 prices excluding K Factor (in 2007/08 prices: £6.79), an increase of £1.18 on a like for like basis, representing a 21.00 percent increase in real terms from the (2007/08) price cap of £5.61(£4.91 plus adjustments for Aerodrome Navigation Service £0.43 and Baggage & Fuel charging changes £0.27), with allowed charges subsequently increasing in each of the following four years by no more than the retail price index (RPI) plus 2 per cent each year. The Civil Aviation Authority (CAA) set the cost of capital at 6.5% pre tax real, which was 1.25 percentage points lower that the Q4 level of 7.75% pre-tax real.

On 14 March 2008, the Company was notified, through BAA Limited, of the intention of easyJet Airline Company Limited to seek permission from the Administrative Court to apply for Judicial Review of the CAA's decision under section 46(5) of the Airports Act 1986 setting maximum airport charges at Gatwick Airport over the period 1 April 2008 to 31 March 2013. The court has not yet decided on whether easyJet should be granted leave to judicially review the CAA's March 2008 decision on prices at Gatwick. A decision on whether leave is to be granted is expected in September.

The Open Skies deal between the EU and US began on the 29th March 2008; this is expected to result in better value and increased choice for passengers with European and American airlines offering more options from Heathrow. The major transatlantic airlines flying from Gatwick have therefore moved routes from Gatwick to Heathrow.

On 20 August 2008, Competition Commission (CC) has announced its provisional findings from the investigation into the BAA Group's airports. In recognition that CC would probably have required the sale of a London airport, BAA announced and started the sale process on Gatwick airport on 17 September 2008.

SUMMARY OF RESULTS

	6 months to 30 June 2008	6 months to 30 June 2007	Change
	(£ millions)		(%)
Revenue	211.6	188.1	12.5
Operating costs	(178.0)	(152.7)	(16.6)
Operating profit	33.6	35.4	(5.1)
Profit before tax	17.1	22.7	(24.7)
Net cash inflow from operating activities (including movements in amounts owed to group undertakings)	85.5	104.9	(18.5)
Net capital expenditure	67.4	56.5	19.3

Traffic

The number of passengers at Gatwick increased to 16.4 million for the 6 months ended 30 June 2008 from 16.1 million for the 6 months ended 30 June 2007. The increase primarily reflects the growth of international passengers during the period.

Revenue

Total revenue increased by 12.5% to £211.6 million for the 6 months ended 30 June 2008 from £188.1 million for the 6 months ended 30 June 2007. This increase was primarily due to the £18.0 million (22.4%) growth in aeronautical income. This growth was largely due to an annual tariff increase of 5% coupled with an increase in the number of passengers (1.9%). Also, National Air Traffic Service (NATS) and Passengers with Reduced Mobility (PRM) are now recovered through airport charges and corresponding costs are incurred directly as operating costs.

Retail income also increased by 11.8% to £80.3 million for the 6 months ended 30 June 2008 from £71.8 million for the 6 months ended 30 June 2007 mainly due to the impact of higher passenger numbers and the new security measures causing less disruption (shorter queue times) than previously, and therefore passengers had longer airside dwell time.

Seasonality

Similar to other London airports within the BAA Group, Gatwick's income experiences a somewhat different level of seasonality at different times. The main influences on the seasonality of income are primarily:

- the mix of business and leisure passengers;
- the timing of the peak UK holiday seasons and the associated seasonality in the charter airline market; and
- the proportion of transferring passenger served by the airport.

The second and third quarters of each calendar year have historically been stronger than the first and fourth quarters, with the first quarter being the weakest quarter, primarily reflecting the fall-off in passenger numbers following the UK winter holiday season.

Gatwick is the UK's largest charter airport in terms of passengers, with passenger flows skewed towards the major holiday months. Therefore, Gatwick has historically experienced the highest level of seasonal fluctuations of the three major airports in the group (Heathrow, Gatwick and Stansted).

Operating costs

Operating costs have increased by £25.3 million in comparison to the prior period. This is due to increases in staff costs of £5.0 million due to increased headcount, mainly in Security areas and £0.9 million of further provisions for non-exceptional restructuring costs. Maintenance costs are slightly higher than prior period by £0.5 million reflecting minor increases in equipment and maintenance costs. Retail expenditures are higher than prior period by £3.2 million reflecting increases in gross revenue and changes in contract structure. Rates have increased by £0.6 million reflecting increases in rateable value after assessment.

General expenses are £12.3 million higher than the prior period. As a result of the Civil Aviation Authority regulatory settlement for Gatwick Airport (1 April 2008 to 31 March 2013) costs have increased in this area. NATS costs and PRM costs are now incurred directly and recovered through airport charges and have increased general expenses by £4.5 million and £1.1 million respectively. New service quality requirements have increased general expenses by £2.2m whilst the remaining increases in general expenses of £4.5 million are driven mainly by increases in cleaning costs, provisions for bad debts, marketing and insurance costs.

There are sundry increases in other areas of £0.5 million and inter-company charges have increased by £2.1 million driven higher by significant increases in Corporate recharges from BAA Limited.

Depreciation is £3.9 million higher as capital projects around baggage facilities, airline moves and various other areas were completed during the second half of 2007.

In the prior year there were exceptional restructuring costs of £2.8 million. No such costs have been incurred in the first half of 2008.

"Fix the basics", BAA's airport improvement programme of 2007 has been largely embedded in to business as usual activities in 2008. The success of the programme is evident through sustained, or improved, customer satisfaction scores.

Net finance costs

The Company's net interest charge was £16.5 million (30 June 2007: £12.7 million; 31 December 2007: £25.3 million), after capitalised interest of £1.5 million (30 June 2007: £1.0 million; 31 December 2007: £2.1 million) in respect of expenditure on assets in the course of construction.

Taxation

The tax charge of £5.0 million (30 June 2007: credit £21.8 million; 31 December 2007: credit £53.5 million) for the first 6 months to 30 June 2008 represents an estimated effective rate for the full year of 29.5% (30 June 2007 tax credit: 96.2%; 31 December 2007 tax credit: 96.2%).

The effective tax rates for the periods ended 30 June 2007 and 31 December 2007 reflect large tax credits being released to the profit and loss account as a result of changes enacted in the 2007 Finance Act. These changes resulted in a decrease in the deferred tax liability due to the reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008 and to the abolition of balancing adjustments for industrial building allowances.

Cash flow

Net cash inflow from operating activities (including the movement in the amounts owed to the group undertakings) decreased by 18.5% to £85.5 million (30 June 2007: £104.9 million; 31 December 2007: £197.1 million). After deducting interest and tax paid, £67.4 million (30 June 2007: £91.1 million; 31 December 2007: £154.6 million) of cash was generated by the Company's operations and contributed towards funding capital investment, with payment of £67.4 million (30 June 2007: £56.5 million; 31 December 2007: £90.0 million) and the dividend payment of £nil (30 June 2007: £34.6 million; 31 December 2007: £64.6 million).

Capital investment programme

Capital expenditure during the period was £70.6 million. Major projects included within this spend are £14.2 million on security initiatives, £10.2 million on the reconfiguration and improvements to the South Terminal international departure lounge, £8.1 million on improvements to the inter-terminal transfer infrastructure and £5.3 million on car parking improvements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company manages these risks, of which the principal ones are:

Safety and security risks

Safety and security risks are regarded as important risks to mitigate. The Company mitigates these risks by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in leading-edge security technology. The Company and BAA Limited and its subsidiaries ("the **BAA Group**") work closely with government agencies, police and the Armed Forces to match security measures to a level commensurate with the current raised threat environment.

Assurance is provided through management reporting processes and a specialist compliance audit function, reporting directly to the Health, Safety, Security and Environment Committee at the BAA Group level.

Regulatory – CAA regulator

The Company's operations are subject to regulatory review by the CAA and Competition Commission every five years and the risk of an adverse review is mitigated by a dedicated team which ensures full compliance with the formal regulatory requirements and establishes a sound relationship with the regulator.

Part of the regulatory framework is BAA's involvement in constructive engagement with the airlines. In order to mitigate the risk of adverse airline relations, all airlines have been invited to participate at all stages and to be represented at the various consultations on all fora – e.g. Joint Steering Group. When feedback was sought or processes measured, independent third parties have been utilised for data gathering and analysis to ensure confidentiality and neutrality of interpretation. In addition, key stakeholders are engaged on a joint planning basis which provides the airlines with the opportunity of airing views and sharing plans, thereby ensuring their ongoing requirements are articulated and understood.

Competition rules

The penalties for failing to comply with the 1998 Competition Act and relevant EU law are recognised as risks to manage within the Company, given its position in certain markets. Clear policy direction, which includes compulsory awareness training and close support from the BAA Group's internal legal department, has reduced the likelihood of the Company breaching these regulations.

Capacity shortfall

The Company's failure to secure the necessary planning permission would lead to the Company having insufficient capacity to meet the expected demands of the airline industry. The Company mitigates this risk through extensive consultation with community groups and authorities. However, despite the Company's mitigating actions, it is anticipated that demand will exceed capacity over the next ten years. In addition, investment in additional capacity is dependent on the regulatory settlements in 2008 (announced 11 March 2008) and 2013. The planned capital expenditure for quinquennium 5 for Gatwick (2007/08 prices) is £874.0 million. A variety of buildings and facilities, such as the terminals and piers, will need to be extended in order to support passenger traffic growth to 40 million passenger traffic per annum and beyond; most of these capacity developments will require planning permission.

Environment

The Company recognises that environment risks can impact on its reputation and licence to operate and to expand. The Company mitigates these risks at a number of levels, including environmental management systems and training programmes embedded with operations, clear environmental strategies, resource conservation initiatives, proactive and progressive influencing of third parties, stakeholder engagement and community relations programmes. The Company works closely with a range of stakeholders to ensure that it reacts effectively to the challenges posed by the environmental agenda.

Commercial and financial risks

Capital Projects

The Company recognises that failure to control key capital project costs and delivery could damage its financial standing and reputation. The Company mitigates this risk through adherence to a continually enhanced project process and by systems of project reviews before approval, during construction and after project completion.

Changes in demand

The Company recognises that there is a risk in that unanticipated long-term changes in passenger demand could lead to misaligned operational capacity. To mitigate this risk, the Company participates in group scenario planning exercises to evaluate the effects of such possible changes.

Simplify the organisation

The BAA Group announced its 'Simplifying the Organisation' programme in 2007 which is designed to build a more efficient company able to meet future challenges by removing duplication, and creating a simplified organisational structure, focussed on putting the passenger first. The programme, which commenced in late 2007, is being carried out during 2008-09. The BAA Group and the Company have identified that failure to manage this change programme could lead to the non-realisation of the identified benefits and/or a significant cost overrun which could result in reduced customer service, damage to company reputation, industrial action and an inability to generate planned revenues. This risk is mitigated through clear plans and detailed business cases, assignment of work stream change leaders, workforce consultation, employee agreement plans, effective and timely communication, early engagement of affected third parties and frequent review of progress and issues by the BAA Group's Executive Committee.

Industrial relations

The risk of industrial action by key staff that affects critical services, curtails operations, and has an adverse financial and reputational impact on the Company is recognised. The wider BAA Group has a range of formal national and local consultative bodies to discuss pay, employment conditions and business issues with the Trade Unions. A three year Pay Agreement was reached in August 2006

covering negotiated grades within the BAA Group. The Company could also be exposed in the short term to the effect of industrial action at key clients (i.e. airlines).

Further details of the risk management policies of BAA Limited can be found in its financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management objectives are aligned with its intermediate parent company, BAA Limited, and can be found in its financial statements. Furthermore, details of the treasury policies for the wider BAA Group are also given in the financial statements of BAA Limited at 31 December 2007.

As at 30 June 2008, the Company's principal financial instruments comprise amounts due to/from other BAA Group undertakings, including BAA Limited. Subsequent to the finalisation of the refinancing transactions on 18 August 2008 by the intermediate parent, Airport Development and Investment Limited ('ADIL') the Company's principal financial instruments, except derivatives, comprise bank loans, loans due to/from other group companies, cash and short term deposits. The main purpose of these instruments is to raise finance for the Company's operations. Details of these are provided in Note 10 of these unaudited interim financial statements.

The main risks arising from the Company's financial instruments are market risk (primarily fair value interest rate risk, foreign currency risk), cash flow interest rate risk, credit risk and liquidity risk.

Cash flow and fair value interest rate risk

As at 30 June 2008, the Company's interest rate risk arises from amounts due to/from other BAA Group undertakings. The Company deposits funds with, and borrows funds from BAA Limited on a daily basis and either pays or receives interest on such funds at Bank of England base rate +1.5%. Amounts due to/from other BAA Group undertakings issued at variable interest rates expose the Company to cash flow interest rate risk.

Subsequent to the completion of the refinancing transactions (refer to Note 10), the Company's interest rate risk arises primarily from its borrowings. Borrowings issued at variable interest rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's policy is to maintain a mix of fixed and floating rate debt within Board approved parameters. To manage this mix, the Company enters into interest rate swaps. These swaps may be designated to hedge underlying debt obligations. The Company may use forward-starting interest rate swaps to minimise exposure to cash flow interest rate risk for future forecast issuance of debt.

Credit risk

The Company has no significant concentrations of credit risk other than amounts owed by other BAA Group undertakings. The Company's exposure to credit related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument and ensuring only counterparties within defined credit risk parameters are used. The credit risks of the BAA Group are further discussed in its financial statements and the directors do not consider that the Company faces any additional significant credit risks.

Liquidity risk

In the six months ended 30 June 2008, the Company deposited funds with, and borrowed funds from BAA Limited on a daily basis to ensure sufficient funding is available. Subsequent to finalisation of the refinancing transactions on 18 August 2008 the objective of the Company is to maintain continuity of funding and flexibility, ensuring debt maturities are spread over a range of dates, thereby ensuring that the Company is not exposed to excessive refinancing risk in any one year.

As at 30 June 2008, the Company has guaranteed certain of the financial obligations of BAA Limited and of its intermediate parent, ADIL. Details of these guarantees are provided in Note 9 of these unaudited interim financial statements.

POST BALANCE SHEET EVENTS

On 18 August 2008 BAA Limited and ADIL, its parent company, successfully completed the £13.3 billion refinancing of its United Kingdom airports ("the Transaction"). The Transaction establishes a

stable, long-term, investment grade financing platform for investment in Heathrow, Gatwick and Stansted airports over the coming decades. Implementation of the refinancing comprised a corporate reorganisation to separate the financing of the Designated Airports (Heathrow, Gatwick and Stansted) as well as Heathrow Express into a ring-fenced group. The funding programme established for the Designated Airports allows access to both the bank and bond markets in a range of maturities and currencies to maximise financing flexibility.

As a result of the refinancing, the Company has drawn £1,050 million under new bank facilities as well as entering into a number of bank facilities that remained undrawn as at the date of these financial statements. The Company has incurred one-off costs in relation to these facilities. In addition, £650 million notional of interest rate swaps with total fair value of £14.5 million asset have been novated to the Company to hedge cash flow interest rate risk of borrowings entered into at finalisation of the refinancing.

On the finalisation of the refinancing transactions, the Company became a guarantor of principal and accrued interest in relation to borrowing of Heathrow Airport Limited and Stansted Airport Limited from BAA Funding Limited under the Borrower Loan Agreement dated 18 August 2008. As at date of issuing these financial statements the principal amounts of the borrowing under the Borrower Loan Agreement was £4,382.7 million.

Subsequent to the finalisation of the refinancing transactions, the Company became a joint guarantor in respect of the terms of the BAA (SH) Limited Junior Finance Documents. The Company, as an obligor, jointly and severally guarantees the BAA (SH) Limited Subordinated facility with all other obligors to the extent of £1,565.5 million.

The other obligors are Stansted Airport Limited, Heathrow Airport Limited, BAA (AH) Limited, BAA (SP) Limited, BAA (DSH) Limited and Heathrow Express Operating Company Limited.

On the 12th September 2008, XL Leisure Group ('XL') and on the 28th August 2008, Zoom Airlines Inc and Zoom Airlines Ltd ('ZOOM') went into administration. Payments for all outstanding debts of XL as at 30th June 2008 had been received prior to this event and due to the low value of ZOOM trade debtors outstanding at 30 June 2008 no provision is made in these financial statements.

By order of the Board

Andy Flower
Managing Director, Gatwick Airport Limited

22 September 2008

Registered Office:
130 Wilton Road
London
SW1V 1LQ

PROFIT AND LOSS ACCOUNT
For the period ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Revenue – continuing operations	211.6	188.1	409.7
Operating costs – ordinary	(178.0)	(149.9)	(312.2)
Operating costs – exceptional	—	(2.8)	(16.7)
Total operating costs	(178.0)	(152.7)	(328.9)
Operating profit – continuing operations	33.6	35.4	80.8
Net interest payable and similar charges	(16.5)	(12.7)	(25.3)
Profit on ordinary activities before taxation	17.1	22.7	55.5
Tax on profit on ordinary activities	(5.0)	21.8	53.5
Profit on ordinary activities after taxation	12.1	44.5	109.0

There are no material differences between the profit on ordinary activities before taxation and the profit on ordinary activities after taxation for the period and their historical cost equivalents.

The notes on pages 11 to 16 form an integral part of these unaudited interim financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the period ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Profit for the financial period	12.1	44.5	109.0
Unrealised revaluation (deficit)/surplus	(22.5)	(8.1)	39.3
Total recognised gains and losses relating to the period	(10.4)	36.4	148.3

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the period ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Profit for the financial period	12.1	44.5	109.0
Dividends paid	—	(34.6)	(64.6)
Unrealised revaluation (deficit)/surplus	(22.5)	(8.1)	39.3
Net (reduction)/addition to shareholders' funds	(10.4)	1.8	83.7
Opening shareholders' funds	1,035.7	952.0	952.0
Closing shareholders' funds	1,025.3	953.8	1,035.7

BALANCE SHEET
As at 30 June 2008

	30 June 2008	30 June 2007	31 December 2007
	(£ millions)		
FIXED ASSETS			
Tangible assets	1,632.9	1,559.2	1,614.3
CURRENT ASSETS			
Stocks	4.0	4.3	4.2
Debtors: due within one year	178.8	176.7	168.8
: due after more than one year	71.6	66.8	69.2
TOTAL CURRENT ASSETS	254.4	247.8	242.2
CREDITORS: amounts falling due within one year	(596.5)	(546.6)	(550.9)
NET CURRENT LIABILITIES	(342.1)	(298.8)	(308.7)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,290.8	1,260.4	1,305.6
CREDITORS: amounts falling due after more than one year	(202.4)	(203.1)	(202.8)
Provisions for liabilities and charges	(63.1)	(103.5)	(67.1)
NET ASSETS	1,025.3	953.8	1,035.7
CAPITAL AND RESERVES			
Called up share capital	336.3	336.3	336.3
Revaluation reserve	527.7	502.7	550.2
Profit and loss reserve	161.3	114.8	149.2
TOTAL SHAREHOLDERS' FUNDS	1,025.3	953.8	1,035.7

These financial statements were approved by the Board of Directors on 22 September 2008 and were signed on its behalf by:

Andy Flower
Managing Director, Gatwick Airport Limited

SUMMARY CASH FLOW STATEMENT
For the period ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Operating activities			
Operating profit	33.6	35.4	80.8
Adjustments for:			
Depreciation	31.0	27.1	56.5
Increase in stock and debtors	(13.0)	(13.7)	(2.5)
Increase in amount owed to group undertakings	26.0	52.0	48.0
Increase in creditors	7.9	3.7	13.6
Loss on disposal of fixed assets	—	0.1	0.1
Increase in provisions	—	0.3	0.6
Net cash inflow from operating activities (including movements in amounts owed to group undertakings)	85.5	104.9	197.1
Net interest paid	(18.1)	(13.8)	(27.4)
Corporation tax paid	—	—	(15.1)
Net capital expenditure	(67.4)	(56.5)	(90.0)
Dividend paid	—	(34.6)	(64.6)
Cash inflow before use of liquid resources and financing	—	—	—
Increase/(decrease) in loan from BAA Limited	—	—	—
Increase/(decrease) in cash in the period	—	—	—

Note
Items settled through BAA Limited current account relating to taxation, interest and fixed assets additions, are treated as paid for the purposes of this summary cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2008

1. Basis of preparation

These financial statements contain the unaudited interim financial statements of Gatwick Airport Limited for the 6 months ended 30 June 2008.

The directors confirm that the condensed interim financial information has been prepared in accordance with the ASB Statement: Half Yearly Financial Reports, and that the interim management report includes a fair review of the key events impacting upon the condensed financial statements for the 6 months period disclosed.

The validity of the going concern assumption as at 30 June 2008 depends on the continued support of the Company's ultimate UK parent undertaking, FGP Topco Limited. On 18 August 2008 the refinancing transactions were finalised enabling the Company access to sufficient liquid funds for the foreseeable future. In light of the finalisation of the refinancing transactions, the Directors believe that it is appropriate for the interim financial statements to be prepared on a going concern basis.

The unaudited interim financial statements were approved by the directors on 20 September 2008.

2. Accounting policies

The accounting policies adopted by Gatwick Airport Limited for these interim financial statements are consistent with those described in page 16 to page 20 of the Report and Financial Statements prepared under UK GAAP for the year ended 31 December 2007.

3. General information

This condensed interim financial information has not been audited.

The unaudited information shown for the period ended 30 June 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (Section 434 of the Companies Act 2006). The last full financial statements which have been filed with the Registrar of Companies were for the year ended 31 December 2007. The auditors report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain statements under section 237 of the Companies Act 1985 (Section 498 of Companies Act 2006). Those financial statements were prepared in accordance with UK GAAP.

4. Segmental information

The directors consider the business has only one segment. All of the Company's revenue arises in the United Kingdom and additional details of the revenue generated by each of the Company's key activities are given below.

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Revenue			
Airport and other traffic charges	98.3	80.3	177.5
Retail	80.3	71.8	159.9
Property and operational facilities	25.5	30.7	61.0
Other	7.5	5.3	11.3
	211.6	188.1	409.7

5. Operating Costs – Ordinary

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Wages and salaries	40.7	33.4	71.7
Social security costs	2.8	2.4	5.1
Pension costs	4.8	8.4	13.7
Other staff related costs	3.0	1.9	3.8
Share-based payments	—	0.2	0.5
Staff costs	51.3	46.3	94.8
Retail expenditure	7.7	4.5	8.7
Depreciation – owned assets	31.0	27.1	56.5
Maintenance expenditure	11.9	11.4	27.3
Rent and rates	11.8	11.2	23.1
Utility costs	9.0	9.0	17.6
Police costs	6.9	6.7	13.4
General expenses	22.8	10.5	22.7
Distribution fee	3.5	3.1	6.3
Other intra-group charges	22.1	20.0	41.7
	178.0	149.8	312.1
Loss on disposals of tangible fixed assets	—	0.1	0.1
	178.0	149.9	312.2

6. Operating costs – Exceptional

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Reorganisation costs	—	2.8	16.7

No costs were charged during the period associated with the wider BAA Group's change programmes (6 months ended 30 June 2007: £2.8 million; 12 months to 31 December 2007: £16.7 million). The charge in the 12 months ended 31 December 2007 is in relation to severance and pension payments associated with the 'Simplifying the Organisation' programme which will be carried out during 2008-09.

7. Tax On Profit On Ordinary Activities

The taxation charge for the six months ended 30 June 2008 has been based on the estimated effective rate for the full year of 29.5% (30 June 2007 tax credit: 96.2%; 31 December 2007 tax credit: 96.2%).

The effective tax rates for the periods ended 30 June 2007 and 31 December 2007 reflect large tax credits being released to the profit and loss account as a result of changes enacted in the 2007 Finance Act. These changes resulted in a decrease in the deferred tax liability due to the reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008 and to the abolition of balancing adjustments for industrial building allowances.

8. Tangible Fixed Assets

	Investment properties	Land held for development	Terminal complexes	Airfields	Group occupied properties	Plant equipment & other assets	Assets in the course of construction	Total
	(£ millions)							
Cost or valuation								
1 January 2008	683.2	4.9	1,247.3	184.2	18.4	93.0	68.0	2,299.0
Additions at cost	—	—	—	—	—	—	70.6	70.6
Transfers from/ (to) completed assets	6.0	—	20.2	0.5	0.1	8.4	(35.2)	—
Interest capitalised	—	—	—	—	—	—	1.5	1.5
Disposals	—	—	—	—	—	(0.2)	—	(0.2)
Revaluation	(22.5)	—	—	—	—	—	—	(22.5)
30 June 2008	**666.7**	**4.9**	**1,267.5**	**184.7**	**18.5**	**101.2**	**104.9**	**2,348.4**
Depreciation								
1 January 2008	—	—	536.8	68.1	5.2	74.6	—	684.7
Charge for the year	—	—	24.2	3.2	0.3	3.3	—	31.0
Disposals	—	—	—	—	—	(0.2)	—	(0.2)
30 June 2008	**—**	**—**	**561.0**	**71.3**	**5.5**	**77.7**	**—**	**715.5**
Net Book Value								
30 June 2008	**666.7**	**4.9**	**706.5**	**113.4**	**13.0**	**23.5**	**104.9**	**1,632.9**
31 December 2007	683.2	4.9	710.5	116.1	13.2	18.4	68.0	1,614.3

Valuation

Investment properties and land held for development were valued at open market value by Mr J M Arbuckle BLE (Hons), Head of BAA Professional Services at £671.6 million as at 30 June 2008. As a result of the valuation, a deficit of £22.5 million has been recognised into revaluation reserve.

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

Capitalised interest

Included in the net book value of the assets are interest costs of £55.5 million (30 June 2007: £55.1 million; 31 December 2007: £55.1 million). £1.5 million (30 June 2007: £1.0 million; 31 December 2007: £2.1 million) has been capitalised in the period at a capitalisation rate of 6.94% (30 June 2007: 5.77%; 31 December 2007: 5.95%) based on a weighted average of borrowings.

A tax deduction of £1.5 million for capitalised interest was taken in the period. Subsequent depreciation of the capitalised interest is disallowed for tax purposes, consequently, the capitalised interest gives rise to a deferred tax liability, which is released each year in line with the depreciation charged on the relevant assets.

Historical cost

The historical cost of investment properties and land held for development at 30 June 2008 was £144.1 million (30 June 2007: £136.8 million; 31 December 2007: £137.8 million).

Leased assets

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

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Cost or valuation	811.5	775.6	825.9
Accumulated depreciation	(62.9)	(57.0)	(60.8)
Net book amount	748.6	718.6	765.1

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

Assets in the course of construction

Included within assets in the course of construction are North Terminal projects of £20.7 million, South Terminal projects of £34.4 million and other projects of £48.7 million.

Security

BAA Limited has granted security over the Company's assets as disclosed in the BAA Limited Group's report and accounts as at 31 December 2007. Subsequent to the completion of the refinancing transactions these securities were released and transferred to other group companies. Details of these are provided in Note 10 of these unaudited interim financial statements.

9. Contingent Liabilities

As at 30 June 2008, the Company was a joint guarantor of the £400 million 5.75% bond due 2013, the two £150 million 11.75% bonds due 2016, the £250 million 8.5% bond due 2021, the £750 million 5.125% bond due 2023, the £200 million 6.375% bond due 2028, the £900 million 5.75% bond due 2031, the Euro 1,000 million 3.875% bond due 2012, the Euro 750 million 4.5% bond due 2014 and the Euro 750 million 4.5% bond due 2018, all issued by BAA Limited. These guarantees were released due to finalisation of the refinancing transactions on 18 August 2008. Details of these are provided in Note 10 of these unaudited interim financial statements.

As at 30 June 2008 the Company was also a joint guarantor in respect of the terms of the Airport Development and Investment Limited Senior Finance Documents and the Airport Development and Investment Limited Junior Finance Documents. The Company, as an obligor, jointly and severally guarantees the Senior and Subordinated facilities with all other obligors up to a maximum value that shall be no greater than the aggregate amount such as causes the financial and other covenants contained in the BAA Limited Bonds to be breached.

Subsequent to the finalisation of the refinancing transactions the Senior facility has been repaid by ADIL and Subordinated facility has been partially repaid for an amount of £400 million and then migrated to BAA (SH) Limited. Details on guarantees in relation to the remaining Subordinated facility, post finalisation of the refinancing are provided in Note 10 of these unaudited interim financial statements.

As at 30 June 2008, the other obligors are BAA Limited, BAA Partnership Limited, Heathrow Airport Limited, Stansted Airport Limited, London Airports Limited, London Airports 1992 Limited, London Airport 1993 Limited, Scottish Airport Limited and World Duty Free Limited.

10. Post Balance Sheet Events

On 18 August 2008 BAA Limited and ADIL, its parent company, successfully completed the £13.3 billion refinancing of its United Kingdom airports ("the Transaction"). The Transaction establishes a stable, long-term, investment grade financing platform for investment in Heathrow, Gatwick and Stansted airports over the coming decades. Implementation of the refinancing comprised a corporate reorganisation to separate the financing of the Designated Airports (Heathrow, Gatwick and Stansted) as well as Heathrow Express into a ring-fenced group. The funding programme established for the Designated Airports allows access to both the bank and bond markets in a range of maturities and currencies to maximise financing flexibility.

As a result of the refinancing, the Company has drawn £1,050 million under new bank facilities as well as entering into a number of bank facilities that remained undrawn as at the date of these financial statements. The Company has incurred one-off costs in relation to these facilities. In addition, £650 million notional of interest rate swaps with total fair value of £14.5 million asset have been novated to the Company to hedge cash flow interest rate risk of borrowings entered into at finalisation of the refinancing.

On the finalisation of the refinancing transactions, the Company became a guarantor of principal and accrued interest in relation to borrowing of Heathrow Airport Limited and Stansted Airport Limited from BAA Funding Limited under the Borrower Loan Agreement dated 18 August 2008. As at date of issuing these financial statements the principal amounts of the borrowing under the Borrower Loan Agreement was £4,382.7 million.

Subsequent to the finalisation of the refinancing transactions, the Company became a joint guarantor in respect of the terms of the BAA (SH) Limited Junior Finance Documents. The Company, as an obligor, jointly and severally guarantees the BAA (SH) Limited Subordinated facility with all other obligors to the extent of £1,565.5 million.

The other obligors are Stansted Airport Limited, Heathrow Airport Limited, BAA (AH) Limited, BAA (SP) Limited, BAA (DSH) Limited and Heathrow Express Operating Company Limited.

On the 12th September 2008, XL Leisure Group ('XL') and on the 28th August 2008, Zoom Airlines Inc and Zoom Airlines Ltd ('ZOOM') went into administration. Payments for all outstanding debts of XL as at 30th June 2008 had been received prior to this event and due to the low value of ZOOM trade debtors outstanding at 30 June 2008 no provision is made in these financial statements.

APPENDIX 3

UNAUDITED FINANCIAL STATEMENTS OF STAL FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2007 AND 2008

STANSTED AIRPORT LIMITED

Report and Unaudited Interim Financial Statements for the six months ended 30 June 2008

Company Registration Number 1990920

REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2008

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REPORT OF THE DIRECTORS

HALF YEARLY PERFORMANCE

- Passenger traffic down 4.4% to 10.8 million (30 June 2007: 11.3 million)
- Revenue up 12.9% to £122.0 million (30 June 2007: £108.1 million)
- Operating profit up 6.5% to £34.5 million (30 June 2007: £32.4 million)

OTHER HIGHLIGHTS

On 31 January 2008, ownership of Stansted Airport Limited ("the Company") was transferred from London Airports Limited to BAA Limited at open market value. BAA Limited subsequently has sold its interest in the Company to another subsidiary company, BAA (AH) Limited.

The Government announced in January 2008, following industry consultation, that it rejected the Civil Aviation Authority's ("CAA") proposal for de-designation of Stansted Airport. The CAA is therefore obliged to undertake a price control review of Stansted for the five-year period commencing 1 April 2009. This process will include a review by the Competition Commission which is expected to make its recommendations to the CAA in October 2008 prior to the final price determination being published early in 2009. During the 2007/08 period, price increases at Stansted will remain at Retail Price Index ('RPI').

On the 31st March 2007 Ryanair came to the end of its discounted pricing structure at Stansted Airport. Since then year on year comparisons on airport charges have shown significant growth including the 6 months to 30th June 2008. This has contributed to an element of the year on year decline in passenger numbers. Further, on grounds of 'unacceptable' increase in airport charges Ryanair has withheld £1.14 per departing passenger charge with effect from 1 April 2008. After pre-action correspondence with Ryanair, the Company issued a claim for recovery of withheld amount of £1.35 million on 3 July 2008 and served it on Ryanair on 11 July 2008. Ryanair has until 12 September to submit a defence. The amount claimed is held in an escrow account. These financial statements have been prepared on the basis that the amount remains recoverable and therefore no provision has been made.

BAA submitted its Generation 2 (G2) planning application on the 11 March 2008 for the development of a second runway at Stansted Airport. Stansted is now preparing for the G2 public enquiry that is expected to commence in April 2009. The preparation and submission of outline statements relating to the second runway proposals are underway. The proposal is the result of four years of intensive and rigorous planning work to deliver this key milestone of the Government's Air Transport White Paper. Stansted is to be the location for the first new runway in the South East of England for over 50 years. The two-runway, two-terminal airport is expected to be open in 2015, serving 68 million passengers a year in around 2030. Airport development would take place in phases with construction expected to start in 2011 and open for operations in 2015. The cost of opening in 2015 is estimated at £1.4 billion. Further phases of expansion up to the year 2030 will include overall cost, including BAA's contribution to road and rail improvements, to around £2.5 billion. This compares to the original Government estimate of £5.0 billion.

On 20 August 2008, Competition Commission has announced its provisional findings from the investigation into the BAA Group's airports.

SUMMARY OF RESULTS

	6 months to 30 June 2008	6 months to 30 June 2007	Change
	(£ millions)		(%)
Revenue	122.0	108.1	12.9
Operating costs	(87.5)	(75.7)	(15.6)
Operating profit	34.5	32.4	6.5
Profit before tax	28.8	26.7	7.9
Net cash inflow from operating activities (including movements in amounts owed to group undertakings)	76.2	54.3	40.3
Net capital expenditure	68.7	33.5	105.1

Traffic

The number of passengers at Stansted reduced to 10.8 million for the 6 months ended 30 June 2008 from 11.3 million for the 6 months ended 30 June 2007. The fall is largely due to the impact of lost airlines including Maxjet filing for Chapter 11 bankruptcy in December 2007, Globespan and Sky Europe leaving Stansted, and Air Berlin ceasing UK domestic routes late in 2007. easyJet and Ryanair have also shown a decline in passenger numbers year on year. Passengers numbers were further reduced due to the discounts to support passenger growth expired in April 2007. The total value of discounts processed in the first 6 months of trading in 2007 amounted to £10.6m of which 75% related to Ryanair; easyjet benefited from £1.7m of discounts. Conversely, the introduction of American Airlines in October 2007, and Wizz and Cyprus Turkish Airlines, have offset some of the decline.

Revenue

Total revenue increased by 12.9% to £122.0 million for the 6 months ended 30 June 2008 from £108.1 million for the 6 months ended 30 June 2007. This increase was primarily due to a £14.4 million (+26.6%) growth in aeronautical income. This growth was largely due to long term discounts expiring on 1 April 2007 for a number of airlines, including Ryanair. The revenue improvement has benefited the underlying performance of Stansted but this impact has ceased from April 2008 onwards when year-on-year comparators are on a like for like basis and driven by passenger numbers. Also, National Air Traffic Service (NATS) and Passengers with Reduced Mobility (PRM) are now recovered through airport charges and corresponding costs are incurred directly as operating costs.

Seasonality

Similar to other London airports within the BAA Group, Stansted's income experiences a somewhat different level of seasonality at different times. The main influences on the seasonality of income are primarily:-

- the mix of business and leisure passengers;
- the timing of the peak UK holiday seasons and the associated seasonality in the charter airline market; and
- the proportion of transferring passenger served by the airport.

The second and third quarters of each calendar year have historically been stronger than the first and fourth quarters, with the first quarter being the weakest quarter, primarily reflecting the fall-off in passenger numbers following the UK winter holiday season.

Stansted serves a relatively high proportion of leisure travellers and a market built around the low-cost carriers that primarily serve passengers seeking short getaways throughout the year to short-haul destinations. As a result, Stansted's seasonal fluctuations are less pronounced than Gatwick's but more pronounced than Heathrow's.

Operating costs

The strong revenue growth to 30 June 2008 has benefited the financial performance for Stansted this period however this has been offset by increased costs. Staff costs have increased year on year (£0.6 million) as Stansted continues to invest in improved security queues and enhancing the customer journey through the airport. Further costs that have increased include rent and rates (£1.0 million), general expenses (£7.0 million), depreciation (£1.8 million) and management fees from BAA Limited (£1.4 million) and increase in the bad debts as a result of Maxjet and EOS bankruptcies. Also, NATS costs and PRM costs are now incurred directly and recovered through airport charges as revenue.

"Fix the basics", BAA's airport improvement programme of 2007 has been largely embedded in to business as usual activities in 2008. The success of the programme is evident through sustained, or improved, customer satisfaction scores.

Net finance costs

The Company's net interest charge was £5.7 million (30 June 2007: £5.7 million; 31 December 2007: £11.6 million), after capitalised interest of £1.8 million (30 June 2007: £0.9 million; 31 December 2007: £2.0 million) in respect of expenditure on assets in the course of construction.

Taxation

The tax charge of £8.5 million (30 June 2007: credit of £9.7 million; 31 December 2007: credit of £23.5 million) for the first 6 months to 30 June 2008 represents an estimated effective rate for the full year of 29.5% (30 June 2007 tax credit: 36.3%; 31 December 2007 tax credit: 36.3%).

The effective tax rates for the periods ended 30 June 2007 and 31 December 2007 reflect large tax credits being released to the profit and loss account as a result of changes enacted in the 2007 Finance Act. These changes resulted in a decrease in the deferred tax liability due to the reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008 and to the abolition of balancing adjustments for industrial building allowances.

Cash flow

Net cash inflow from operating activities (including the movement in amounts owed to the group undertakings) increased by 40.3% to £76.2 million (30 June 2007: £54.3 million; 31 December 2007: £123.7 million). After deducting interest and tax paid, £68.7 million (30 June 2007: £47.7 million; 31 December 2007: £103.2 million) of cash was generated by the Company's operations and contributed towards funding capital investment, with payment of £68.7 million (30 June 2007: £33.5 million; 31 December 2007: £89.0 million) and the dividend payment of £nil (30 June 2007: £14.2 million; 31 December 2007: £14.2 million).

Capital investment programme

Overall during the first half of 2008, Stansted had committed spend of £37.5m on its Capital Expenditure Portfolio. This reflects a £11.5 million underspend for the Terminal & Satellites Business Unit and £8.1 million underspend for the Airside & Landside Business Unit. Recovery plans have been developed by the Development and Capital Project teams to ensure that project delivery and commercial benefit is not compromised in 2008. In addition to the local projects at Stansted there have been ongoing developments for the G2 project which makes up the balance of the £58.4m capital investment in the period.

The Arrival Extension project was successfully handed over in June 2008 to the retail team for fit out and will be fully operational by mid October 2008.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company manages these risks, of which the principal ones are:

Safety and security risks

Safety and security risks are regarded as important risks to manage. The Company mitigates these risks by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in leading-edge security technology. The Company and BAA Limited and its subsidiaries ('the BAA Group') work closely with government agencies, police and the Armed Forces to match security measures to a level commensurate with the current raised threat environment.

Assurance is provided through management reporting processes and a specialist compliance audit function, reporting directly to the Health, Safety, Security and Environment Committee at the BAA Group level.

Regulatory – CAA regulator

The Company's operations are subject to regulatory review by the CAA and Competition Commission every five years and the risk of an adverse review is mitigated by a dedicated team which ensures full compliance with the formal regulatory requirements and establishes a sound relationship with the regulator.

Part of the regulatory framework is BAA's involvement in constructive engagement with the airlines. In order to manage the risk of adverse airline relations, all airlines have been invited to participate at all stages and to be represented on all fora – e.g. joint steering groups. When feedback was sought or processes measured, independent third parties have been utilised for data gathering and analysis to ensure confidentiality and neutrality of interpretation. In addition, key stakeholders are engaged on a joint planning basis which provides the airlines with the opportunity of airing views and sharing plans, thereby ensuring their ongoing requirements are articulated and understood.

Competition rules

The penalties for failing to comply with the 1998 Competition Act and relevant EU law are recognised as risks to manage within the Company, given its position in certain markets. Clear policy direction, which includes compulsory awareness training and close support from the BAA Group's internal legal department, has reduced the likelihood of the Company breaching these regulations.

Capacity shortfall

The Company's failure to secure the necessary planning permission would lead to the Company having insufficient capacity to meet the expected demands of the airline industry. The Company mitigates this risk through extensive consultation with community groups and authorities. However, despite the Company's mitigating actions, it is anticipated that demand will exceed capacity over the next ten years. In addition, the investment in additional capacity is dependent on the outcome of the regulatory settlements for 2009 to 2014.

During 2008 Stansted Airport is the subject of a review by the Civil Aviation Authority and the Competition Commission in respect of its pricing for the five years commencing 1 April 2009 (Quinquennium 5). One of the key aspects of this review will be the consideration of the extent to which planning and other costs already incurred in respect of SG2 can be recovered and the regulatory mechanism for proceeding with the project after planning consent is obtained.

Existing planning approvals provide for approximate passenger traffic growth to around 25 million. Planning consent to grow passenger traffic to 35 million passengers per annum using the existing single runway ('SG 1') was refused by Uttlesford District Council in November 2006. The BAA Group immediately submitted an appeal in order to obtain planning permission in line with Government policy. The inquiry into SG1 commenced in May 2007 and the outcome is expected to be announced in September 2008. In January 2007, BAA announced details of its development proposal for Stansted Generation 2 ('SG 2'). This proposal includes the provision of a second runway and terminal and will have an initial capacity for about 10 million passengers per annum. The planning application was submitted to Uttlesford District Council on 11 March 2008, and the proposal will be subject to a separate planning inquiry, which is expected to commence in April 2009.

The Company is currently incurring costs relating to the planning application and environment impact assessment relating to the second runway. The costs incurred to date have been capitalised as part of the runway development costs. This is based on management's belief that it is highly probable that the necessary consents will be received and the project will be developed to achieve a successful delivery of an asset such that future benefits will flow to the BAA Group. In the event that the planning application is unsuccessful the costs incurred to date will require to be written off to the profit and loss account.

Environment

The Company recognises that environment risks can impact on its reputation and licence to operate and to expand. The Company mitigates these risks at a number of levels, including environmental management systems and training programmes embedded with operations, clear environmental strategies, resource conservation initiatives, proactive and progressive influencing of third parties, stakeholder engagement and community relations programmes. The Company works closely with a range of stakeholders to ensure that it reacts effectively to the challenges posed by the environmental agenda.

Commercial and financial risks

Capital Projects

The Company recognises that failure to control key capital project costs and delivery could damage its financial standing and reputation. The Company manages this risk through adherence to a continually enhanced project process and by systems of project reviews before approval, during construction and after project completion.

Changes in demand

The Company recognises that there is a risk in that unanticipated long-term changes in passenger demand could lead to misaligned operational capacity. To mitigate this risk, the Company participates in group scenario planning exercises to evaluate the effects of such possible changes.

Simplify the organisation

The BAA Group announced its 'Simplifying the Organisation' programme in 2007 which is designed to build a more efficient company able to meet future challenges by removing duplication, and creating a simplified organisational structure, focussed on putting the passenger first. The programme, which commenced in late 2007, will be carried out during 2008-09. The BAA Group and the Company have identified that failure to manage this change programme could lead to the non-realisation of the identified benefits and/or a significant cost overrun which could result in reduced customer service, damage to company reputation, industrial action and an inability to generate planned revenues. This risk is mitigated through clear plans and detailed business cases, assignment of work stream change leaders, workforce consultation, employee agreement plans, effective and timely communication, early engagement of affected third parties and frequent review of progress and issues by the BAA Group's Executive Committee.

Industrial relations

The risk of industrial action by key staff that affects critical services, curtails operations, and has an adverse financial and reputational impact on the Company is recognised. The wider BAA Group has a range of formal national and local consultative bodies to discuss pay, employment conditions and business issues with the Trade Unions. A three year Pay Agreement was reached in August 2006 covering negotiated grades within the BAA Group. The Company could also be exposed in the short term to the effect of industrial action at key clients (i.e. airlines).

Further details of the risk management policies of BAA Limited can be found in its financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management objectives are aligned with its intermediate parent company, BAA Limited, and can be found in its financial statements. Furthermore, details of the treasury policies for the wider BAA Group are also given in the financial statements of BAA Limited at 31 December 2007.

As at 30 June 2008, the Company's principal financial instruments comprise amounts due to/from other BAA Group undertakings, including BAA Limited. Subsequent to the finalisation of the refinancing transactions on 18 August 2008 by the intermediate parent, Airport Development and Investment Limited ('ADIL') the Company's principal financial instruments, except derivatives, comprise bank loans, loans due to/from other group companies, cash and short term deposits. The main purpose of these instruments is to raise finance for the Company's operations. Details of these are provided in Note 10 of these unaudited interim financial statements.

The main risks arising from the Company's financial instruments are market risk (primarily fair value interest rate risk, foreign currency risk), cash flow interest rate risk, credit risk and liquidity risk.

Cash flow and fair value interest rate risk

As at 30 June 2008, the Company's interest rate risk arises from amounts due to/from other BAA Group undertakings. The Company deposits funds with, and borrows funds from BAA Limited on a daily basis and either pays or receives interest on such funds at Bank of England base rate +1.5%. Amounts due to/from other BAA Group undertakings issued at variable interest rates expose the Company to cash flow interest rate risk.

Subsequent to the completion of the refinancing transactions (refer to Note 10), the Company's interest rate risk arises primarily from its borrowings. Borrowings issued at variable interest rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's policy is to maintain a mix of fixed and floating rate debt within Board approved parameters. To manage this mix, the Company enters into interest rate swaps. These swaps may be designated to hedge underlying debt obligations. The Company may use forward-starting interest rate swaps to minimise exposure to cash flow interest rate risk for future forecast issuance of debt.

Credit risk

The Company has no significant concentrations of credit risk other than amounts owed by other BAA Group undertakings. The Company's exposure to credit related losses, in the event of non-

performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument and ensuring only counterparties within defined credit risk parameters are used. The credit risks of the BAA Group are further discussed in its financial statements and the directors do not consider that the Company faces any additional significant credit risks.

Liquidity risk

In the six months ended 30 June 2008, the Company deposited funds with, and borrowed funds from BAA Limited on a daily basis to ensure sufficient funding is available. Subsequent to finalisation of the refinancing transactions on 18 August 2008 the objective of the Company is to maintain continuity of funding and flexibility, ensuring debt maturities are spread over a range of dates, thereby ensuring that the Company is not exposed to excessive refinancing risk in any one year.

As at 30 June 2008, the Company has guaranteed certain of the financial obligations of BAA Limited and of its intermediate parent, ADIL. Details of these guarantees are provided in Note 9 of these unaudited interim financial statements.

POST BALANCE SHEET EVENTS

On 18 August 2008 BAA Limited and ADIL, its parent company, successfully completed the £13.3 billion refinancing of its United Kingdom airports ("the Transaction"). The Transaction establishes a stable, long-term, investment grade financing platform for investment in Heathrow, Gatwick and Stansted airports over the coming decades. Implementation of the refinancing comprised a corporate reorganisation to separate the financing of the Designated Airports (Heathrow, Gatwick and Stansted) as well as Heathrow Express into a ring-fenced group. The funding programme established for the Designated Airports allows access to both the bank and bond markets in a range of maturities and currencies to maximise financing flexibility.

As a result of the refinancing, the Company has drawn £600 million under new bank facilities as well as entering into a number of bank facilities that remained undrawn as at the date of these financial statements. The Company has incurred one-off costs in relation to these facilities. In addition, £464.5 million notional of interest rate swaps with total fair value of £3.7 million liability have been novated to the Company to hedge cash flow interest rate risk of borrowings entered into at the finalisation of the refinancing.

On the finalisation of the refinancing the transactions, the Company became a guarantor of principal and accrued interest in relation to the borrowings of Heathrow Airport Limited and Gatwick Airport Limited from BAA Funding Limited under the Borrower Loan Agreement dated 18 August 2008. At the date of issuing of of these financial statements the principal amounts of the borrowings under the Borrower Loan Agreement were £4,382.7 million.

Subsequent to the finalisation of the refinancing transactions, the Company became a joint guarantor in respect of the terms of the BAA (SH) Limited Junior Finance Documents. The Company, as an obligor, jointly and severally guarantees the BAA (SH) Limited Subordinated facility with all other obligors to the extent of £1,565.5 million.

The other obligors are Gatwick Airport Limited, Heathrow Airport Limited, BAA (AH) Limited, BAA (SP) Limited, BAA (DSH) Limited and Heathrow Express Operating Company Limited.

By order of the Board

Stewart Wingate
Managing Director, Stansted Airport Limited

22 September 2008

Registered Office:
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London
SW1V 1LQ

PROFIT AND LOSS ACCOUNT
For the period ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Revenue – continuing operations	122.0	108.1	241.8
Operating costs – ordinary	(87.5)	(75.4)	(156.1)
Operating costs – exceptional	—	(0.3)	(9.1)
Total operating costs	(87.5)	(75.7)	(165.2)
Operating profit – continuing operations	34.5	32.4	76.6
Net interest payable and similar charges	(5.7)	(5.7)	(11.6)
Profit on ordinary activities before taxation	28.8	26.7	65.0
Tax on profit on ordinary activities	(8.5)	9.7	23.5
Profit on ordinary activities after taxation	20.3	36.4	88.5

There are no material differences between the profit on ordinary activities before taxation and the profit on ordinary activities after taxation for the period and their historical cost equivalents.

The notes on pages 11 to 16 form an integral part of these unaudited interim financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the period ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Profit for the financial period	20.3	36.4	88.5
Unrealised revaluation (deficit)/surplus	(13.4)	15.2	32.3
Total recognised gains and losses relating to the period	6.9	51.6	120.8

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the period ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Profit for the financial period	20.3	36.4	88.5
Dividends paid	—	(14.2)	(14.2)
Unrealised revaluation (deficit)/surplus	(13.4)	15.2	32.3
Net addition to shareholders' funds	6.9	37.4	106.6
Opening shareholders' funds	1,151.4	1,044.8	1,044.8
Closing shareholders' funds	1,158.3	1,082.2	1,151.4

BALANCE SHEET
As at 30 June 2008

	30 June 2008	30 June 2007	31 December 2007
	(£ millions)		
FIXED ASSETS			
Tangible assets	1,481.4	1,389.2	1,450.7
CURRENT ASSETS			
Stocks	1.8	1.6	1.8
Debtors: due within one year	51.4	43.2	43.7
: due after more than one year	129.2	120.5	124.9
TOTAL CURRENT ASSETS	182.4	165.3	170.4
CREDITORS: amounts falling due within one year	(450.0)	(392.9)	(412.3)
NET CURRENT LIABILITIES	(267.6)	(227.6)	(241.9)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,213.8	1,161.6	1,208.8
CREDITORS: amounts falling due after more than one year	(7.4)	(7.8)	(7.7)
Provisions for liabilities and charges	(48.1)	(71.6)	(49.7)
NET ASSETS	1,158.3	1,082.2	1,151.4
CAPITAL AND RESERVES			
Called up share capital	503.9	503.9	503.9
Revaluation reserve	534.6	530.9	548.0
Profit and loss reserve	119.8	47.4	99.5
TOTAL SHAREHOLDERS' FUNDS	1,158.3	1,082.2	1,151.4

These financial statements were approved by the Board of Directors on 22 September 2008 and were signed on its behalf by:

Stewart Wingate
Managing Director, Stansted Airport Limited

SUMMARY CASH FLOW STATEMENT
For the period ended 30 June 2008

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Operating activities			
Operating profit	34.5	32.4	76.6
Adjustments for:			
Depreciation	16.1	14.3	29.1
Increase in stock and debtors	(7.7)	(16.6)	(17.3)
Increase in amount owed to group undertakings	32.5	26.3	34.7
Decrease in creditors	1.2	(1.5)	(2.3)
Loss on disposal of fixed assets	—	0.3	(0.1)
(Decrease)/increase in provisions	(0.4)	(0.9)	3.0
Net cash inflow from operating activities (including movements in amounts owed to group undertakings)	76.2	54.3	123.7
Net interest paid	(7.5)	(6.6)	(13.6)
Corporation tax paid	—	—	(6.9)
Net capital expenditure	(68.7)	(33.5)	(89.0)
Dividend paid	—	(14.2)	(14.2)
Cash inflow before use of liquid resources and financing	—	—	—
Increase/(decrease) in loan from BAA Limited	—	—	—
Increase/(decrease) in cash in the period	—	—	—

Note
Items settled through BAA Limited current account relating to taxation, interest and fixed assets additions, are treated as paid for the purposes of this summary cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2008

1. Basis of preparation

These financial statements contain the unaudited interim financial statements of Stansted Airport Limited for the 6 months ended 30 June 2008.

The directors confirm that the condensed interim financial information has been prepared in accordance with the ASB Statement: Half Yearly Financial Reports, and that the interim management report includes a fair review of the key events impacting upon the condensed financial statements for the 6 months period disclosed.

The validity of the going concern assumption as at 30 June 2008 depends on the continued support of the Company's ultimate UK parent undertaking, FGP Topco Limited. On 18 August 2008 the refinancing transactions were finalised enabling the Company access to sufficient liquid funds for the foreseeable future. In light of the finalisation of the refinancing transactions, the Directors believe that it is appropriate for the interim financial statements to be prepared on a going concern basis.

The unaudited interim financial statements were approved by the directors on 22 September 2008.

2. Accounting policies

The accounting policies adopted by Stansted Airport Limited for these interim financial statements are consistent with those described in page 16 to page 20 of the Report and Financial Statements prepared under UK GAAP for the year ended 31 December 2007.

3. General information

This condensed interim financial information has not been audited.

The unaudited information shown for the period ended 30 June 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (Section 434 of the Companies Act 2006). The last full financial statements which have been filed with the Registrar of Companies were for the year ended 31 December 2007. The auditors report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain statements under section 237 of the Companies Act 1985 (Section 498 of Companies Act 2006). Those financial statements were prepared in accordance with UK GAAP.

4. Segmental information

The directors consider the business has only one segment. All of the Company's revenue arises in the United Kingdom and additional details of the revenue generated by each of the Company's key activities are given below.

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Revenue			
Airport and other traffic charges	68.6	54.2	127.7
Retail	42.2	42.5	91.0
Property and operational facilities	9.8	10.1	20.3
Other	1.4	1.3	2.8
	122.0	108.1	241.8

5. Operating Costs – Ordinary

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Wages and salaries	21.5	19.1	39.9
Social security costs	1.7	1.4	3.1
Pension costs	2.0	4.2	8.1
Other staff related costs	1.2	1.1	2.1
Share-based payments	—	—	0.2
Staff costs	26.4	25.8	53.4
Retail expenditure	1.2	1.0	1.9
Depreciation – owned assets	16.1	14.3	29.1
Maintenance expenditure	4.8	4.8	12.0
Rent and rates	5.8	4.8	10.0
Utility costs	4.6	4.5	8.6
Police costs	3.5	3.2	6.8
General expenses	10.2	3.2	6.1
Distribution fee	1.5	1.5	3.1
Other intra-group charges	13.4	12.0	25.2
	87.5	75.1	156.2
Loss on disposals of tangible fixed assets	—	0.3	(0.1)
	87.5	75.4	156.1

6. Operating costs – Exceptional

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Reorganisation costs	—	0.3	9.1

No costs were charged during the period associated with the wider BAA Limited Group's change programmes (6 months ended June 2007: £0.3 million; 12 months ended 31 December 2007: £9.1 million). The charge in the 12 months ended 31 December 2007 is in relation to severance and pension payments associated with the 'Simplifying the Organisation' programme which will be carried out during 2008-09.

7. Tax On Profit On Ordinary Activities

The taxation charge for the six months ended 30 June 2008 has been based on the estimated effective rate for the full year of 29.5% (30 June 2007 tax credit: 36.3%; 31 December 2007 tax credit: 36.3%).

The effective tax rates for the periods ended 30 June 2007 and 31 December 2007 reflect large tax credits being released to the profit and loss account as a result of changes enacted in the 2007 Finance Act. These changes resulted in a decrease in the deferred tax liability due to the reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008 and to the abolition of balancing adjustments for industrial building allowances.

8. Tangible Fixed Assets

	Investment properties	Land held for development	Terminal complexes	Airfields	Group occupied properties	Plant equipment & other assets	Assets in the course of construction	Total
	(£ millions)							
Cost or valuation								
1 January 2008	558.1	82.0	661.2	188.6	3.7	48.5	231.9	1,774.0
Additions at cost	—	—	—	—	—	—	58.4	58.4
Transfers from/ (to) completed assets	0.5	—	5.0	1.9	3.9	1.9	(13.2)	—
Interest capitalised	—	—	—	—	—	—	1.8	1.8
Revaluation	(11.7)	(1.7)	—	—	—	—	—	(13.4)
30 June 2008	546.9	80.3	666.2	190.5	7.6	50.4	278.9	1,820.8
Depreciation								
1 January 2008	—	—	247.3	47.5	1.1	27.4	—	323.3
Charge for the year	—	—	11.3	3.5	0.2	1.1	—	16.1
30 June 2008	—	—	258.6	51.0	1.3	28.5	—	339.4
Net Book Value								
30 June 2008	546.9	80.3	407.6	139.5	6.3	21.9	278.9	1,481.4
31 December 2007	558.1	82.0	413.9	141.1	2.6	21.1	231.9	1,450.7

Valuation

Investment properties and land held for development were valued at open market value by Mr J M Arbuckle BLE (Hons), Head of BAA Professional Services at £627.2 million as at 30 June 2008. As a result of the valuations, a deficit of £13.4 million has been transferred to revaluation reserve.

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

Capitalised interest

Included in the net book value of assets are interest costs of £62.9 million (30 June 2007: £61.9 million; 31 December 2007: £62.1 million). £1.8 million (30 June 2007: £0.9 million; 31 December 2007: £2.0 million) capitalised in the period at a capitalisation rate of 6.94% (30 June 2007: 5.77%; 31 December 2007: 5.95%) based on a weighted average of borrowings.

A tax deduction of £1.8 million for capitalised interest was taken in the period. Subsequent depreciation of the capitalised interest is disallowed for tax purposes, consequently, the capitalised interest gives rise to a deferred tax liability, which is released each year in line with the depreciation charged on the relevant assets.

Historical cost

The historical cost of investment properties and land held for development at 30 June 2008 was £92.6 million (30 June 2007: £92.0 million; 31 December 2007: £92.1 million).

Asset in the course of construction

Assets in the course of construction include £150.4 million (30 June 2007: £116.8 million; 31 December 2007: £129.3 million) in respect of the development of a second runway and related infrastructure at Stansted Airport. The costs consist of £69.9 million (30 June 2007: £54.8 million; 31 December 2007: £63.5 million) incurred in respect of the initial planning application preparation and £80.5 million (30 June 2007: £62.0.0 million; 31 December 2007: £65.8 million) in respect of the purchase of domestic properties that fall within the expanded airport boundary. This includes a provision of £4.5 million (30 June 2007: £4.0 million; 31 December 2007: £4.1 million) for the additional 10% Home Loss payment under the Home Value Guarantee Scheme (HVGS) once planning permission has been obtained.

Leased assets

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

	6 months to 30 June 2008	6 months to 30 June 2007	12 months to 31 December 2007
	(£ millions)		
Cost or valuation	596.9	589.4	607.6
Accumulated depreciation	(17.2)	(15.6)	(16.3)
Net book amount	579.7	573.8	591.3

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

Security

BAA Limited has granted security over the Company's assets as disclosed in the BAA Limited Group's report and accounts as at 31 December 2007. Subsequent to the completion of the refinancing transactions the securities were released and transferred to other group companies. Details of these are provided in Note 10 of these unaudited interim financial statements.

9. Contingent Liabilities

As at 30 June 2008, the Company is a joint guarantor of the £400 million 5.75% bond due 2013, the two £150 million 11.75% bonds due 2016, the £250 million 8.5% bond due 2021, the £750 million 5.125% bond due 2023, the £200 million 6.375% bond due 2028, the £900 million 5.75% bond due 2031, the Euro 1,000 million 3.875% bond due 2012, the Euro 750 million 4.5% bond due 2014 and the Euro 750 million 4.5% bond due 2018, all issued by BAA Limited. These guarantees were released due to finalisation of the refinancing transactions on 18 August 2008. Details of these are provided in Note 10 of these unaudited interim financial statements.

As at 30 June 2008 the Company was also a joint guarantor in respect of the terms of the Airport Development and Investment Limited Senior Finance Documents and the Airport Development and Investment Limited Junior Finance Documents. The Company, as an obligor, jointly and severally guarantees the Senior and Subordinated facilities with all other obligors up to a maximum value that shall be no greater than the aggregate amount such as causes the financial and other covenants contained in the BAA Limited Bonds to be breached.

Subsequent to the finalisation of the refinancing transactions the Senior facility has been repaid by ADIL and Subordinated facility has been partially repaid for an amount of £400 million and then migrated to BAA (SH) Limited. Details on guarantees in relation to the remaining Subordinated facility, post finalisation of the refinancing are provided in Note 10 of these unaudited interim financial statements.

As at 30 June 2008, the other obligors are BAA Limited, BAA Partnership Limited, Gatwick Airport Limited, Heathrow Airport Limited, London Airports Limited, London Airports 1992 Limited, London Airport 1993 Limited, Scottish Airport Limited and World Duty Free Limited.

10. Post Balance Sheet Events

On 18 August 2008 BAA Limited and ADIL, its parent company, successfully completed the £13.3 billion refinancing of its United Kingdom airports ("the Transaction"). The Transaction establishes a stable, long-term, investment grade financing platform for investment in Heathrow, Gatwick and Stansted airports over the coming decades. Implementation of the refinancing comprised a corporate reorganisation to separate the financing of the Designated Airports (Heathrow, Gatwick and Stansted) as well as Heathrow Express into a ring-fenced group. The funding programme established for the Designated Airports allows access to both the bank and bond markets in a range of maturities and currencies to maximise financing flexibility.

As a result of finalisation of the refinancing, the Company has drawn £600 million under new bank facilities as well as entering into a number of bank facilities that remained undrawn as at the date of these financial statements. The Company has incurred one-off costs in relation to these facilities. In addition, £464.5 million notional of interest rate swaps with total fair value liability of £3.7 million

have been novated to the Company to hedge cash flow interest rate risk of borrowings entered at refinancing.

On the finalisation of the refinancing transaction, the Company became a guarantor of principal and accrued interest in relation to the advances received by Heathrow Airport Limited and Gatwick Airport Limited from BAA Funding Limited under the Borrower Loan Agreement dated 18 August 2008. As at the date of issuing of these financial statements the principal amounts of the advances under the Borrower Loan Agreement were £4,382.7 million.

Subsequent to the finalisation of the refinancing transactions, the Company became a joint guarantor in respect of the terms of the BAA (SH) Limited Junior Finance Documents. The Company, as an obligor, jointly and severally guarantees the BAA (SH) Limited Subordinated facility with all other obligors to the extent of £1,565.5 million.

The other obligors are Gatwick Airport Limited, Heathrow Airport Limited, BAA (AH) Limited, BAA (SP) Limited, BAA (DSH) Limited and Heathrow Express Operating Company Limited.

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