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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 20 November 2009 (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 audited financial statements of BAA (SP) Limited, the Issuer, Heathrow and Stansted, each for the year ended 31 December 2009, (ii) updates on recent regulatory and other developments in respect of the Borrowers and (iii) certain information in relation to Class B Bonds.

This Supplement is supplemental to, and should be read in conjunction 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, or incorporated by reference in, this Supplement and any other statement in, or incorporated by reference in, the Prospectus, the statements in, or incorporated by reference 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**
Crédit Agricole CIB	**Citi**	**HSBC**
RBC Capital Markets	**Santander Global Banking & Markets**	**The Royal Bank of Scotland**

Supplement dated 31 August 2010

RESPONSIBILITY STATEMENT

Each of the Issuer, Heathrow and Stansted accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuer, Heathrow and Stansted (each 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.

No other person has been authorised to give any information or to make representations contained in this Supplement and no other person accepts any responsibility or liability in respect of information contained or incorporated by reference in this Supplement.

CLASS B BOND ISSUANCE

Investors are reminded that Class B Bonds rank subordinate to Class A Bonds and other items ranking senior to the Class B Bonds in the Issuer Payment Priorities and the Borrower Post-Enforcement Priorities of Payments. As is mentioned in "*Risk Factors*" in the Prospectus, if the Issuer does not have sufficient funds to make payments under Class B Bonds, such payments will be deferred and no non-payment Bond Event of Default will arise as a result of such non-payment. While the Issuer does have access to an Issuer Liquidity Facility, it can only be drawn to service interest payments and similar finance charges. The amount available under the Issuer Liquidity Facility to be drawn in order to service such interest and similar finance charges in respect of Issuer Junior Debt (including the Class B Bonds) is sized to the equivalent of six months of such payments.

The Scheduled Redemption Date and the Maturity Date of any Class B Bonds will be specified in the applicable Final Terms. The Maturity Date under Class B Bonds may or may not fall on the same date as the maturity date of the corresponding Borrower Loan.

For information on the ranking, rights and restrictions with respect to Class B Bondholders, see "*Risk Factors – Issuer and Bond Considerations – Subordination of the Class B Bonds*", "*Risk Factors – Issuer and Bond Considerations – Conflict of Interest*", "*Summary of Financing Agreements – Documents Not Incorporated by Reference – Cash Management – Issuer Cash Management Agreement and Issuer Account Bank Agreement*", "*Summary of Financing Agreements – Documents Incorporated by Reference – Bond Trust Deed*" and "*Summary of Financing Agreements – Documents Not Incorporated by Reference – Liquidity Facility Agreements – The Issuer Liquidity Facilities*" in the Prospectus and the relevant provisions contained in the documents which have been incorporated by reference into the Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

This Supplement should be read in conjunction with the audited financial statements of BAA (SP) Limited, the Issuer, Heathrow and Stansted, each for the year ended 31 December 2009 (the ***2009 Financial Information***), which has previously been published and which has been filed with the Document Viewing Facility of the Financial Services Authority and which shall be deemed to be incorporated in, and to form part of, this Supplement. To the extent that there is any inconsistency between this Supplement and a statement contained in the 2009 Financial Information, this Supplement will prevail.

Each of the Issuer, Heathrow and Stansted will provide, without charge, to each person to whom a copy of this Supplement has been delivered, upon the request of such person, a copy of the 2009 Financial Information unless such document has been modified or superseded as specified above. Requests for the 2009 Financial Information should be directed to the registered offices of the Issuer, Heathrow and Stansted, as the case may be, as set out in the section in the Prospectus entitled "*Description of the Operating Companies and the Issuer*". Copies of the 2009 Financial Information may be viewed on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/prices-and-news/prices-news/home.htm or on the Special Purpose Website.

The list below sets out the details of each of the documents incorporated by reference in this Supplement.

Cross Reference List

- Audited annual financial statements of BAA (SP) Limited for the financial year ended December 2009 (all pages).
- Audited annual financial statements of the Issuer for the financial year ended December 2009 (all pages).
- Audited annual financial statements of Heathrow for the financial year ended December 2009 (all pages).
- Audited annual financial statements of Stansted for the financial year ended December 2009 (all pages).

DEVELOPMENTS SINCE THE PROSPECTUS

Sale of Gatwick

On 3 December 2009, the £1.51 billion sale of Gatwick to an entity controlled by Global Infrastructure Partners was formally completed. From that date, Gatwick ceased to be a Borrower and a member of the Borrower Group, and the Prospectus should now be read accordingly.

Completion of equity injection

On 29 January 2010, BAA announced the completion of the final tranche of a £500 million injection into the Borrower Group announced on 13 November 2009. This final £217 million tranche came largely from FGP Topco Limited (***FGP Topco***), which is jointly owned by BAA's three shareholders. The contribution from FGP Topco included net proceeds, after repayment of financing, from the sale of FGP Topco's entire holding of £225 million of BAA Funding Limited Sub-Class A-4 6.45 per cent. Bonds due 2033 and £129 million from new shareholder equity injected into FGP Topco. As a result of the equity injection, Heathrow's authorised share capital is now divided into 857,570,317 ordinary shares of £1 each, 100,000 preference shares of £1 each and 21,960,014 preference shares of £0.01 each, all of which are fully paid up.

Competition Appeal Tribunal decision

On 21 December 2009, the Competition Appeal Tribunal (the ***Tribunal***) released its judgment in BAA's appeal against the Competition Commission decision requiring the Borrower Group to dispose of Gatwick and Stansted. In the judgment, the Tribunal unanimously concluded that, in the light of the material facts, a fair-minded and informed observer would conclude that there was a real possibility of bias affecting the deliberations, thinking and ultimate outcome of the Competition Commission investigation of the supply of airport services by BAA in the UK. The Tribunal also concluded that BAA had not waived its right to object to the apparent bias.

On 25 February 2010, the Tribunal ordered that the Competition Commission's decisions be quashed and that the matter be referred back to the Competition Commission to reconsider but that this referral will not take effect until the conclusion of any appeal. On 26 March 2010, the Court of Appeal granted the Competition Commission leave to appeal against the Tribunal's findings in relation to apparent bias. The hearing of the appeal took place from 23 to 24 June 2010. The court has not yet delivered its decision.

UK Government review of economic regulation decision

On 21 July 2010, the UK Government announced details of its plans to reform the framework for airport regulation. The announcement provides clarity on the package of measures that the Government will take forward in new legislation to promote both the interests of passengers and investment in Britain's airports.

The new legislation will include:

- a primary duty for the CAA to promote the interests of passengers. The CAA will also be given a supplementary duty to ensure that licence holders are able to finance their activities;
- a minimum credit worthiness requirement for licensed airports;
- ring fencing provisions similar to those in place in other regulated sectors but with initial derogations from some of those provisions where the costs of implementation would exceed their benefits;
- a requirement on the CAA to apply agreed tests when considering the removal of an airport's derogations and an appeals process that is aligned with the wider licence modification process; and
- a requirement for airports to put in place continuity of service plans.

The Government has also confirmed:

- the earlier decision not to bring in a Special Administration regime; and
- that it will not be making changes to the basis on which the current price caps at Heathrow and Stansted are set.

The announcement largely confirmed the decision of the previous UK Government of 13 October 2009 and the content of the consultation document published in March 2009, as described in more detail in the Prospectus at "*Risk Factors—Regulatory Risks—Legal framework of regulation liable to change*" and "*Airport Regulation—Airport Regulation Generally—Potential Future Changes to the Regulatory Framework*". The UK Government has announced that legislation will be introduced to implement the reforms as soon as Parliamentary time allows.

Runway developments following change of government

In response to the new UK Government's 'Coalition Agreement', Heathrow Airport has announced that it will stop work on the planning application for a third runway and Stansted Airport will withdraw its current planning applications for Stansted's second runway. The decision on runways is expected to reduce BAA's financing requirements over the next quinquennium. As a result of this decision the Borrower Group has announced an impairment charge of £104.4 million in respect of runway planning application costs at both Heathrow and Stansted. The Borrower Group does not expect any accounting write off to have an impact on the RAB, the Borrower Group's financial ratios or its future cash flows.

Impact of volcanic ash and airline industrial action

Owing to the impact on UK airspace of ash from a volcanic eruption in Iceland, Heathrow and Stansted were closed from 15 April 2010 to 20 April 2010 with normal airline schedules re-established from 22 April 2010. There were further disruptions caused by the ash cloud during early May. In addition, industrial action by British Airways cabin crew affected services at Heathrow on 34 days up to the end of June 2010. These disruptions have had a combined estimated £38.0 million effect on reported turnover.

Pay settlement with unions

BAA has agreed a pay settlement with the Unite union whose members had previously voted for strike action. The union is balloting its members on the settlement and has recommended that they accept it. The outcome of this ballot is expected to be known in early September.

Subordinated debt refinancing

BAA has been evaluating in recent months its strategy for refinancing the £1.566 billion subordinated loan facility at BAA (SH) Limited (the "**Subordinated Facility**").

On 19 August 2010, the Borrower Group signed a new 4-year £625 million Class B loan facility with a group of eight international banks (the "**Class B Facility**"). The margin on the Class B Facility is 3.25 per cent. per annum over

LIBOR rising to 3.75 per cent. over LIBOR per annum in year 4. The Class B Facility, which was significantly oversubscribed, represents an important step in optimising use of financial headroom available at the Borrower Group in preparation for refinancing the Subordinated Facility.

On 19 August 2010, BAA obtained consent from the lenders under the Refinancing Facility to allow up to £1bn of cash from the Borrower Group to be paid to BAA (SH) Limited to be used in connection with prepayment of the Subordinated Facility and to a technical amendment to the Refinancing Facility to allow payments to be made by the Borrower Group in respect of new debt issuance by BAA (SH) Limited.

BAA expects to prepay up to £1.1 billion of the Subordinated Facility in September 2010 through a combination of:

- upstreaming of up to £1 billion cash from the Borrower Group (including the drawings on the Class B Facility);
- up to £100 million of proceeds from the disposal of BAA's joint venture interest in the APP Airport Property Partnership.

The remainder of the Subordinated Facility is expected to be repaid from a variety of sources which may include

- further non-core asset disposals; and
- new debt issuance by BAA (SH) Limited (either loan or bond or both).

The Class B Facility, and the associated upstreaming of cash to BAA (SH), will utilise only a proportion of the significant headroom that the Borrower Group has built up within its junior debt gearing covenants. BAA estimates that, if BAA (SP) Limited upstreams the full £1 billion permitted under the consent of the Refinancing Facility lenders, the Senior RAR as at 31 December 2010 would be 66.2 per cent. against a trigger level of 70 per cent. (£488 million headroom) and the Junior RAR 77.9 per cent. against a trigger level of 85 per cent. (£913 million headroom).

Change of directors

Mike Brown has resigned as director of Heathrow and Heathrow Express and has been replaced by Nick Cullen. Benjamin Harding has resigned as director of Heathrow Express and has been replaced by Mark Murphy. The business address of both directors is The Compass Centre, Nelson Road, Hounslow, Middlesex TW6 2GW. Because Heathrow has entered into the Shared Services Agreement with BAA Airports, there may be potential conflicts of interest for Nick Cullen, who is a director of BAA Airports and Heathrow. Save as disclosed in this paragraph and in the Prospectus at "*Business – Shared Services – Potential Conflicts of Interest*", there are no potential conflicts of interest between any duties owed to each of the Borrowers and the private interests or any other duties of any of their directors.

Auditors

With effect from 1 April 2010 the Issuer and the Borrowers have appointed Deloitte LLP, chartered accountants of 2 New Street Square, London, EC4A 3BZ as their auditors, replacing PricewaterhouseCoopers LLP.

Liquidity Facility Agreements

In accordance with the terms of the Initial Issuer Liquidity Facility Agreement and the Initial Borrower Liquidity Facility Agreement, from 11 May 2010 the commitment of Lloyds TSB Bank plc under the Initial Issuer Liquidity Facility Agreement is £524,465,656.13 (less its commitment under the Initial Borrower Liquidity Facility Agreement) and under the Initial Borrower Liquidity Facility Agreement is £205,000,000. These figures reflect a reduction in the Total RAB which occurred as a result of the sale of Gatwick and a reduction in the amount outstanding under the Refinancing Facility.

Issuer Cash Management Agreement

Pages 73-75 of the Prospectus summarise the Issuer Cash Management Agreement, including the Issuer Pre-Enforcement Priority of Payments. On 11 August 2010, the Bond Trustee concurred with the Issuer in making two amendments to the Issuer Pre-Enforcement Priority of Payments such that: (i) items previously paid seventh in the Issuer Pre-Enforcement Priority of Payments (relating to, among other things, interest on Class B Bonds) will now be paid eighth in the Issuer Pre-Enforcement Priority of Payments and items previously paid eighth in the Issuer Pre-Enforcement Priority of Payments (relating to, among other things, principal on Class A Bonds) will now be paid seventh in the Issuer Pre-Enforcement Priority of Payments and (ii) any funds remaining in an operating Issuer Account after all other payments have been made in accordance with the Issuer Pre-Enforcement Priority of Payments (and after retention of the Issuer Profit Amount) can be paid to the Borrowers.

The consequence of this change is that interest and principal on the Class A Bonds will in all circumstances rank senior to principal and interest on Class B Bonds.

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