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News Release

27 April 2011

BAA (SP) Limited

Results for the three months ended 31 March 2011

BAA (SP) Limited owns BAA's two London airports of Heathrow and Stansted. Throughout this document, BAA (SP) Limited and its subsidiaries are referred to as the Group. BAA (SH) plc is the parent company of BAA (SP) Limited.

- **Continued growth in Heathrow traffic**
- **Group passenger traffic of 18.7 million with 2.5% growth at Heathrow**
- **Revenue up 5.6% supported by continued strong retail performance**
- **Adjusted EBITDA up 15.4% reflecting revenue growth combined with lower costs**
- **Improved service standards including better punctuality**
- **Heathrow's current regulatory period extended by one year to March 2014**
- **Heathrow transformation continues with Terminal 2 construction progressing and Terminal 5C opening imminently**

At or for three months ended 31 March	**2011**	2010	Change (%)
(figures in £m unless otherwise stated)			
Revenue	**481.5**	456.1	5.6
Adjusted EBITDA(1)	**200.9**	174.1	15.4
Cash generated from operations(2)	**231.8**	209.1	10.9
Adjusted pre-tax loss(3)	**(107.7)**	(125.9)	(14.5)
Pre-tax loss	**(211.5)**	(195.5)	8.2
BAA (SP) Limited consolidated net debt(4)(5)	**9,928.5**	9,921.2	0.1
BAA (SH) plc consolidated net debt(4)(5)	**10,428.2**	10,401.1	0.3
Regulatory Asset Base(5)	**13,121.9**	12,776.0	2.7
Passengers (m)(6)	**18.7**	18.6	0.6
Net retail income per passenger(6)(7)	**£5.51**	£5.15	7.0

(1) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items
(2) Cash generated from operations in 2010 restated from £199.6 million
(3) Adjusted pre-tax loss is before exceptional items and fair value adjustments
(4) Nominal net debt excluding intra-BAA group loans and including index-linked accretion
(5) 2010 net debt and RAB figures are as at 31 December 2010
(6) Changes in passengers and net retail income per passenger are calculated using unrounded data
(7) See section 2.2.2.2 for calculation of net retail income per passenger

Colin Matthews, Chief Executive Officer of BAA, said:

"Our strong performance reflects growth in traffic, an improving international economic outlook and the efforts of everyone working at our airports to improve passengers' journeys. During the first quarter, Heathrow achieved strong service standards including some of the best statistics for departure punctuality in recent years and passengers continue to compare Heathrow favourably with other European hub airports.

But we must do better, and that is why I have established a Heathrow partnership to ensure BAA, airlines and their partners work more closely together for the benefit of our passengers. Our £5 billion investment programme at Heathrow continues to improve passenger journeys and airline operations through more modern facilities. In the coming weeks, the opening of Terminal 5C will ensure more passengers have a smoother journey through Terminal 5 while we continue to make good progress in constructing the brand new Terminal 2.

As the UK's only hub airport, Heathrow has a vital role to play in supporting the economic recovery. By keeping our focus on continuous improvement, I believe we can play our part in supporting business links with emerging markets and in ensuring that London continues to stand up to the threats from other hub airports in Amsterdam, Frankfurt, Madrid and Paris."

For further information please contact

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There will be a conference call today at 9.30 am (UK time) for bondholders and bank lenders to the Group and BAA (SH) plc and credit analysts to discuss the results for the three months ended 31 March 2011. The call will be hosted by Colin Matthews and Jose Leo, BAA's Chief Executive Officer and Chief Financial Officer respectively. Dial-in details for the call are: Confirmation Code: 7323347; UK free phone: 0800 028 1243; UK local/standard international: +44 (0)20 7806 1953. It will also be possible to view online the presentation as it is used during the call at:

https://premconfeurope.webex.com/premconfeurope/j.php?ED=9255333&UID=0

BAA (SP) Limited

Consolidated results for the three months ended 31 March 2011

Index

1 Key business developments

1.1 Passenger traffic

1.1.1 Passenger traffic in the first quarter of 2011

Passenger traffic for the three months ended 31 March 2011 at the Group's airports is analysed below:

(figures in millions unless otherwise stated)	**2011**	2010	Change (%)[1]
Passengers by airport			
Heathrow	**15.0**	14.6	2.5
Stansted	**3.7**	3.9	(6.6)
Passengers by market served			
UK	**1.5**	1.5	0.6
Europe[2]	**9.1**	9.1	0.2
Long haul	**8.0**	7.9	0.9
Total passengers[1]	**18.7**	18.6	0.6

(1) These figures have been calculated using un-rounded passenger numbers
(2) Includes North African charter traffic

In the three months ended 31 March 2011, combined passenger traffic at Heathrow and Stansted increased 0.6% to 18.7 million (2010: 18.6 million). Year on year performance reflects continued growth at Heathrow partially offset by Stansted's performance. Traffic in the first quarter of 2010 was affected by severe winter weather in January and airline industrial action at Heathrow during March. Traffic in the first quarter of 2011 was affected to a certain extent by events such as unrest in the Middle East and North Africa and the earthquake and tsunami in Japan. However, due to the different timing of Easter in the two years (with pre-Easter traffic that occurred in March in 2010 likely to have shifted to April in 2011) accurate assessment of underlying year on year performance is difficult. It is also possible that the recent significant increase in the oil price has started to affect levels of passenger traffic.

At Heathrow, traffic increased 2.5% to 15.0 million (2010: 14.6 million) with European scheduled traffic maintaining its recent position of being the most significant driver of overall performance, growing 5.4% to

5.5 million passengers (2010: 5.2 million). Domestic traffic also performed well, growing 5.7% to 1.2 million passengers (2010: 1.1 million), although this was driven by the absence in 2011 of the impact of the adverse weather and industrial action in early 2010 referred to above, as airlines tend to focus service reductions on their domestic route network when these types of disruption occur. Origin and destination traffic accounted for 64% of Heathrow's total traffic (2010: 64%).

Stansted's reported traffic declined 6.6% to 3.7 million (2010: 3.9 million). The decline partly reflects the fact that pre-Easter traffic that occurred in late March in 2010 is likely to have shifted to April in 2011. Adjusting for this, traffic is still estimated to have declined, reflecting airlines' ongoing redeployment of capacity from the UK to other European markets.

1.1.2 Long-term passenger traffic forecasts for Heathrow

As part of its planning processes, Heathrow is considering its long-term passenger forecast. Two factors merit particular attention – the sustained divergence of actual growth from forecasts in recent regulatory settlements and the impact of indefinite capacity constraints with no current prospect of a third runway. In addition, Heathrow has considered long-term trends affecting the aviation industry and airline opinions.

Trends currently particularly relevant include a slower shift to large aircraft and a stronger focus on more spacious premium cabins than volume growth in economy class. The review also incorporates the effects of sustained higher oil prices and aviation taxation.

The review's preliminary conclusion is that although passenger traffic will continue growing at Heathrow over the coming years, it will do so at a more modest pace than previously assumed. This view is consistent with recent airline feedback but remains subject to further consultation with Heathrow's airline community.

Heathrow continues to deliver resilient financial performance whilst operating below the passenger forecasts used for its current regulatory settlement. Further, under its regulatory framework, slower traffic growth should not materially affect the returns generated by the airport in the long term.

1.2 Transforming the Group's airports

The Group has continued to implement its strategy to improve passengers' experience and airlines' operations through sustained substantial investment in modern airport facilities and improved service standards. This will ensure customers enjoy superior facilities relative to competitors, encouraging greater utilisation of the Group's airports and supporting their long-term growth ambitions.

In particular, the Group's key strategic objective is to ensure Heathrow remains the UK's gateway to the world and Europe's hub of choice by making every journey better.

1.2.1 Investment in modern airport facilities

The Group continues its focus on transforming passengers' and airlines' experience of using Heathrow through investment in modern terminal facilities and related infrastructure.

Good progress continued in the early months of 2011 on constructing the new Terminal 2. A further three of the main terminal building's steel cores were installed in the first quarter of 2011 so that nine of the total 12 steel cores were in place by the period end. In addition, over 50% of the steelwork for the terminal building and its roof was in place. The base slab and perimeter wall of the terminal's substructure has also been completed. Work on the terminal superstructure, including the façade and roof panels, should be largely completed during 2011 with the building expected to be weather tight by early 2012.

In parallel with construction of the main terminal building, work progressed on the second phase of its satellite building and activity relating to the construction of the terminal's multi-storey car park commenced. At the satellite building, construction continued on the extensive basement structures to house the tracked transit and baggage systems and tunnels that will connect the satellite to the main building. Contracts were signed in March 2011 for the construction of the terminal's multi-storey car park with work on site due to commence in May 2011.

At Terminal 5C, with construction activity largely completed, operational readiness activities commenced in January 2011. Many of these activities, such as systems integration, trials for passenger, baggage and aircraft processes and BAA and British Airways staff training and familiarisation, have been completed. Partial live use of the facility is due to commence imminently with the intent that it will become fully operational prior to 2011's peak summer traffic season.

In relation to Heathrow's baggage systems, following fitting out in 2010 of the tunnel between Terminals 3 and 5 with an automated baggage transfer system, testing and commissioning of this system has occurred. In addition, apron level baggage system fit out and installation of baggage handling equipment in the interface building between the tunnel and the Central Terminal Area has started. Live operation of this facility should start by the end of 2011. Elsewhere in Heathrow's baggage investment programme, following re-assessment of the proposed new baggage system for Terminal 3, a project solution has been agreed and completion of design and the start of major works will occur as 2011 progresses.

1.2.2 Service standards

Service standards have shown a strong rebound from levels seen in both the comparable period of 2010 and the last quarter of 2010, particularly reflecting no recurrence of the severe winter weather experienced in both January and December 2010.

In relation to departure punctuality, the proportion of aircraft departing within 15 minutes of schedule during the three months ended 31 March 2011 was 82% (2010: 72%) at Heathrow and 89% (2010: 79%) at Stansted. In March 2011, Heathrow recorded its highest monthly rate of departure punctuality in recent years.

Heathrow's baggage misconnect rate improved to 15 per 1,000 passengers (2010: 21) during the three months ended 31 March 2011 with the airport delivering its best ever monthly baggage misconnect performance in February 2011.

On security queuing, passengers passed through central security within periods prescribed under service quality rebate schemes 97.4% (2010: 97.6%) of the time at Heathrow and 98.8% (2010: 99.7%) of the time at Stansted. This compares with 95.0% service standards in both cases.

1.3 Competition Commission inquiry into the supply of UK airport services by BAA

In March 2009, the Competition Commission ('CC') published its final decision in relation to its investigation into the supply of UK airport services by BAA. The key structural remedy called for the disposal of certain airports including Stansted.

The CC's decision was initially overturned by the Competition Appeal Tribunal but was upheld by the Court of Appeal in October 2010 and, in February 2011, BAA was refused permission to appeal to the Supreme Court. Separately, the CC has been considering whether there have been material changes in circumstances that might lead it to amend the scope of the remedies requiring the airport disposals contained in its final decision in March 2009.

In March 2011, the CC published its provisional decision concluding that there had not been any material changes in circumstances that would lead it to amend its original remedies package. The CC therefore confirmed its original requirement for BAA to sell the relevant airports and that there was no reason to change the original timescale for, or order of, the required disposals. The disposal timetable will commence no later than three months after the CC publishes its final decision.

The CC invited responses to its provisional decision before publishing its final decision in May or June. BAA intends to submit its comments to the CC reiterating its clear view that there have been several material changes in circumstances since the CC report was published in March 2009.

1.4 Airport economic regulation review and extension of Heathrow's current regulatory period

In March 2011, the Government confirmed its intention to implement reforms to the framework for the economic regulation of UK airports, as set out in its July 2010 statement, which largely build on proposals published by the Department for Transport in December 2009. The proposals are expected to be enacted into law in the proposed new Airport Economic Regulation bill (the 'Bill') in the 2012 parliamentary session.

Reflecting a desire that the terms of Heathrow's next regulatory settlement are negotiated using the new regulatory framework, following consultation with Heathrow and its airline community, in March 2011 the Civil Aviation Authority ('CAA') announced the extension of Heathrow's current regulatory period by one year from 31 March 2013 to 31 March 2014. During the one year extension, Heathrow's aeronautical tariffs will continue to be determined using the existing RPI + 7.5% formula. In addition, Heathrow has agreed with its airline community a cap on its capital programme for the extension year of £735 million (in 2007/08 prices).

1.5 Heathrow winter resilience enquiry

In March 2011, the Heathrow winter resilience enquiry, launched following disruption due to severe weather just before Christmas 2010, published its report. It recommends an improved resilience target that Heathrow should never close as a result of circumstances under its control, except for immediate safety or other emergency threats and made various recommendations in support of this target.

The report noted that the weather in December 2010 was unusual and that disruption was caused by a combination of factors including not fully anticipating the potential impact of the weather forecast which led to a low state of preparedness and insufficient stock of critical supplies.

Further, the report noted that the rate of stand clearance was slower than required and that there were failures in coordination and communication within BAA and between BAA and airlines leading to ineffective engagement between different parties, poor situational awareness, delays in response and escalation and confused messages between the airport, airlines and passengers. It also noted that crisis management groups managed the crisis effectively once invoked but should have been mobilised earlier.

Heathrow plans to implement all the report's recommendations. This should deliver improvements such as revised airport snow plans (including new equipment), increased staff resources and training, enhanced passenger welfare capabilities, improved crisis management processes and better integrated systems for command and control and communication amongst airport users including a single airport command and control crisis management centre. The enhancements will require a £50 million investment (that is expected to be included in Heathrow's regulatory asset base) which airlines and the CAA will be asked to support. The enhancements will also result in additional recurring operating costs although these are not expected to be significant.

2 Financial review

2.1 Basis of preparation

BAA (SP) Limited is the holding company of a group of companies that owns Heathrow and Stansted airports and operates the Heathrow Express rail service (the 'Group'). The Group's statutory accounts are prepared under UK GAAP. Consolidated financial information is set out in Appendix 1. A detailed analysis of turnover and operating costs both by airport and activity is set out in Appendix 2.

2.2 Profit and loss account

2.2.1 Introduction

The profit and loss account below provides more detailed disclosure than the statutory format in Appendix 1 in order to enable a better understanding of the results of the Group's operations.

Three months ended 31 March	**2011 £m**	2010 £m
Group turnover	**481.5**	456.1
Adjusted operating costs[1]	**(280.6)**	(282.0)
Adjusted EBITDA[2]	**200.9**	174.1
Operating gain/(costs) – exceptional – pensions[3]	**22.6**	(38.5)
Operating costs – exceptional – other[3]	**(11.0)**	(2.1)
EBITDA	**212.5**	133.5
Depreciation – ordinary	**(116.9)**	(119.0)
Depreciation – exceptional[3]	**-**	(14.0)
Operating profit	**95.6**	0.5
Net interest payable and similar charges	**(191.7)**	(181.0)
Fair value loss on financial instruments	**(115.4)**	(15.0)
Total net interest payable and similar charges	**(307.1)**	(196.0)
Loss on ordinary activities before taxation	**(211.5)**	(195.5)
Tax credit on loss on ordinary activities	**90.4**	45.5
Loss on ordinary activities after taxation	**(121.1)**	(150.0)

(1) Adjusted operating costs are stated before depreciation, amortisation and exceptional items
(2) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items
(3) See section 2.2.5 for further discussion of exceptional items

2.2.2 Turnover

In the three months ended 31 March 2011, turnover increased 5.6% to £481.5 million (2010: £456.1 million). This reflects increases of 5.8%, 7.4% and 3.5% in aeronautical income, retail income and other income respectively.

Three months ended 31 March	**2011 £m**	2010 £m	Change (%)
Aeronautical income	**252.5**	238.7	5.8
Retail income	**110.7**	103.1	7.4
Other income	**118.3**	114.3	3.5
Total	**481.5**	456.1	5.6

2.2.2.1 Aeronautical income

Aeronautical income by airport

Three months ended 31 March	**2011 £m**	2010 £m	Change (%)
Heathrow	**228.4**	212.9	7.3
Stansted	**24.1**	25.8	(6.6)
Total	**252.5**	238.7	5.8

In the three months ended 31 March 2011, aeronautical income increased 5.8% to £252.5 million (2010: £238.7 million). At Heathrow, the growth primarily reflects passenger traffic trends as well as the headline 6.2% increase in its tariffs from 1 April 2010.

2.2.2.2 Retail income

The Group's retail business continued to perform very well with net retail income ('NRI') per passenger increasing 7.0% to £5.51 (2010: £5.15). The performance was led by Heathrow where NRI per passenger was up 7.3%.

This performance was based on gross retail income increasing 7.4% to £110.7 million (2010: £103.1 million) and NRI increasing 7.6% to £102.9 million (2010: £95.6 million).

Net retail income per passenger by airport[(1)]

Three months ended 31 March	**2011** **£**	2010 £	Change (%)
Heathrow	**5.91**	5.51	7.3
Stansted	**3.87**	3.80	2.0
Total	**5.51**	5.15	7.0

(1) These figures have been calculated using un-rounded numbers

At Heathrow, gross retail income increased 9.8% to £94.4 million (2010: £86.0 million) and NRI per passenger increased 7.3% to £5.91 (2010: £5.51). The performance was led by duty and tax-free, airside specialist shops, catering and car parking.

Strength in duty and tax-free was supported by a new walk through area in the World Duty Free store in Terminal 3 and extension of the store in Terminal 5. In airside specialist shops, the recent exceptionally strong trading in the luxury segment continued. Strength in car parking reflected increased usage, tariff increases and strength in premium business usage.

Stansted's gross retail income declined 4.7% to £16.3 million (2010: £17.1 million), a resilient performance given passenger trends which meant that NRI per passenger increased 2.0% to £3.87 (2010: £3.80). Growth in Stansted's NRI per passenger reflects particularly performance in airside specialist shops and car parking.

2.2.2.3 Other income

Income from activities other than aeronautical and retail increased 3.5% to £118.3 million (2010: £114.3 million). This partly reflects rail income increasing 10.3% to £25.8 million (2010: £23.4 million) due to Heathrow Express passenger numbers increasing 6.3% to 1.43 million (2010: 1.35 million) and higher revenues reflecting an increase in passenger volumes on the Piccadilly line extension to Terminal 5. Property rental income also increased 6.3% to £27.1 million (2010: £25.5 million) due to rent reviews implemented from April 2010. The remaining revenue streams included in other income were flat year on year.

2.2.3 Adjusted operating costs

Adjusted operating costs exclude depreciation, amortisation and exceptional items.

In the three months ended 31 March 2011, adjusted operating costs declined 0.5% to £280.6 million (2010: £282.0 million).

Three months ended 31 March	**2011** **£m**	2010 £m
Employment costs	**79.7**	77.8
Maintenance expenditure	**32.7**	37.5
Utility costs	**29.7**	31.1
Rents and rates	**30.7**	27.6
General expenses	**57.1**	58.7
Retail expenditure	**7.8**	7.5
Intra-group charges/other	**42.9**	41.8
Total	**280.6**	282.0

The main drivers of reduced adjusted operating costs were maintenance expenditure, due to no recurrence of costs that arose due to severe winter weather in January 2010, lower utility costs due to lower gas prices and electricity consumption and reductions across a range of the Group's general expenses. Partially offsetting these cost reductions were increased rents and rates, reflecting a rates increase effective since April 2010, higher employment costs due to pay rises and increased intra-group charges applied to Heathrow due to decentralisation of additional functions to other airports in the BAA group as well as pay rises within central functions.

Adjusted operating costs were lower than expected in the first three months of the year. Further, the year on year reduction in adjusted operating costs in the first three months of 2011 contrasts with the projected increase for the full year disclosed in the Investor Report published in December 2010 largely reflecting the fact that phasing of the cost increases was weighted significantly to the last nine months of the year. It also reflects the fact that costs associated with one-off projects, such as the recently announced IT outsourcing contract, are expected to fall later in the year than previously envisaged.

Appendix 2 provides an analysis of adjusted operating costs for Heathrow and Stansted.

2.2.4 Adjusted EBITDA

In the three months ended 31 March 2011, Adjusted EBITDA increased 15.4% to £200.9 million (2010: £174.1 million), resulting in an Adjusted EBITDA margin of 41.7% (2010: 38.2%) in what is normally the weakest quarter of the year in terms of both Adjusted EBITDA and Adjusted EBITDA margin.

The improvement in Adjusted EBITDA from the comparable period of 2010 reflects the increases in all the Group's main revenue streams combined with achieving a modest year on year reduction in adjusted operating costs.

Adjusted EBITDA at Heathrow (including Heathrow Express Operating Company Limited) increased 16.9% to £190.8 million (2010: £163.2 million). Stansted's Adjusted EBITDA declined 7.3% to £10.1 million (2010: £10.9 million) due principally to weak underlying traffic trends.

2.2.5 Exceptional items

In the three months ended 31 March 2011, there was a total net £11.6 million pre-tax credit (2010: £54.6 million charge) to the profit and loss account in respect of exceptional items. This reflected a £22.6 million credit related to the Group's share of the reduction in the BAA group's defined benefit pension scheme deficit (see section 2.4) partially offset by an £11.0 million impairment charge as a result of the write-off of costs incurred in relation to the Airtrack rail project which the Group has decided not to pursue.

2.2.6 Operating profit

The Group recorded an operating profit from continuing operations for the three months ended 31 March 2011 of £95.6 million (2010: £0.5 million). Relative to Adjusted EBITDA, operating profit includes £116.9 million in depreciation (2010: £119.0 million). In addition, it reflects a net £11.6 million exceptional credit included in operating profit (2010: £54.6 million charge). A reconciliation between Adjusted EBITDA and statutory operating profit is provided below.

Three months ended 31 March	**2011 £m**	2010 £m	Change (%)
Adjusted EBITDA	**200.9**	174.1	15.4
Depreciation	**(116.9)**	(119.0)	(1.8)
Exceptional items – pensions	**22.6**	(38.5)	n/a
Exceptional items – accelerated depreciation	**-**	(14.0)	(100.0)
Exceptional items – other	**(11.0)**	(2.1)	423.8
Operating profit	**95.6**	0.5	19,020.0

2.2.7 Taxation

The tax credit for the three months ended 31 March 2011 results in an effective tax rate for the period of 42.7% (31 March 2010: 23.3%). This reflects a tax credit arising on ordinary activities of £78.4 million (31 March 2010: £45.5 million) and a tax credit of £12.0 million (31 March 2010: £nil) due to the further reduction in the rate of corporation tax from 1 April 2011.

The tax credit for the three months ended 31 March 2011 on ordinary activities results in an effective tax rate of 37.1% (31 March 2010: 23.3%). This credit is calculated by applying the forecast estimated average annual effective tax rate for each entity to the results for the three months ended 31 March 2011. For each entity, the effective tax rate for the period differs from the UK statutory rate of corporation tax of

26.5% due to the impact of phasing results through the year and permanent differences arising from non-qualifying depreciation and impairments. The effective tax rate for the Group reflects the proportionate contribution of each entity's results in each interim accounting period and will vary as those proportions change.

On 23 March 2011, the Government announced its intention to introduce legislation for further reductions in the rate of corporation tax to 26% from 1 April 2011 and 25% from 1 April 2012. The reduction in the corporation tax rate to 26% was substantively enacted on 29 March 2011 and as a result the Group's deferred tax balances, which were previously provided at 27%, were re-measured at the rate of 26%. This has resulted in a reduction in the net deferred tax liability of £10.0 million, with £12.0 million credited to the profit and loss account and £2.0 million charged to reserves.

2.3 Cash flow

2.3.1 Summary cash flow

Three months ended 31 March	**2011 £m**	Restated[1] 2010 £m
Net cash inflow from operating activities	**231.8**	209.1
Net interest paid	**(93.5)**	(103.0)
Taxation – group relief (paid)/received	**(2.6)**	3.0
Cash flow after interest and tax	**135.7**	109.1
Net capital expenditure	**(210.1)**	(208.0)
Disposal of subsidiary	**(2.8)**	(9.5)
Net cash outflow before management of liquid resources and financing	**(77.2)**	(108.4)
Management of liquid resources	**20.6**	198.5
Prepayment of derivative interest	**-**	(36.7)
Cancellation of derivatives	**-**	(72.8)
Proceeds of equity issue	**-**	217.4
Movement in borrowings and other financing flows	**69.5**	(191.0)
Increase in net cash	**12.9**	7.0

(1) The presentation of certain balances for the three months ended 31 March 2010 has been restated to be consistent with current period disclosures

2.3.2 Cash flow from operating activities

Net cash inflow from operations in the three months ended 31 March 2011 increased 10.9% to £231.8 million (2010: £209.1 million) which compares with Adjusted EBITDA of £200.9 million (2010: £174.1 million).

2.3.3 Capital expenditure

In the three months ended 31 March 2011, the Group invested £210.1 million in capital expenditure (2010: £208.0 million) with £204.7 million at Heathrow (2010: £203.0 million) and £5.4 million at Stansted (2010: £5.0 million).

The most significant areas of capital expenditure at Heathrow were on the second phase of the satellite building for the new Terminal 2, the new main Terminal 2 building, information technology, the transfer baggage tunnel between Terminals 3 and 5 and Terminal 5C.

2.4 Pension scheme

At 31 March 2011, the BAA defined benefit pension scheme had a deficit of £16.5 million as measured under IAS 19, of which £13.9 million was attributable to the Group under the BAA group's shared services agreement. This compares with a total scheme deficit of £43.6 million at 31 December 2010.

2.5 Financing position

2.5.1 Consolidated net debt and liquidity at BAA (SP) Limited

The analysis below focuses on the Group's external debt and excludes the debenture between BAA (SP) Limited ('BAA (SP)') and its parent company, BAA (SH) plc ('BAA (SH)'). It includes all the components used in calculating gearing ratios under the Group's financing agreements including index-linked accretion.

During the first quarter of 2011, the Group's nominal net debt increased 0.1% to £9,928.5 million at 31 March 2011 from £9,921.2 million at 31 December 2010. Net debt only increased marginally due to the injection into the Group, by way of inter-company loan, of £134.8 million from elsewhere in the BAA group as part of its normal cash management activities in order to optimise short term cash utilisation. Proceeds from the disposal of Naples airport accounted for £110.0 million of this amount and excess cash held at BAA (SH) accounted for the remaining £24.8 million.

The Group's nominal net debt at 31 March 2011 comprised £6,283.1 million outstanding under bond issues, £1,298.3 million outstanding under the bank refinancing facility, £2,209.0 million outstanding under other bank facilities, £177.5 million in index-linked derivative accretion and cash and current asset investments of £39.4 million. Nominal net debt comprised £8,800.5 million in senior net debt and £1,128.0 million in junior debt.

The accounting value of the Group's net debt at 31 March 2011 was £9,923.6 million (31 December 2010: £9,910.5 million).

The average cost of the Group's external gross debt at 31 March 2011 was 4.35% (31 December 2010: 4.44%) taking into account the impact of interest rate, cross-currency and index-linked hedges but excluding index-linked accretion.

At 31 March 2011, the Group had approximately £1.5 billion in undrawn bank facilities and cash resources. The Group expects to utilise these resources and to raise finance from the capital markets to fund its ongoing investment programme and meet its next major debt maturities in 2012.

2.5.2 Consolidated net debt at BAA (SH) plc

Taking into account the Group's nominal net debt discussed in section 2.5.1 together with £500.0 million of gross debt and £0.3 million of cash held at BAA (SH), BAA (SH)'s consolidated net debt at 31 March 2011 was £10,428.2 million, an increase of 0.3% from £10,401.1 million at 31 December 2010.

2.5.3 Regulatory Asset Base ('RAB')

Set out below are RAB figures for Heathrow and Stansted at 31 December 2010 and 31 March 2011. RAB figures are utilised in calculating gearing ratios under the Group's financing agreements.

	Heathrow £m	**Stansted £m**	**Total £m**
31 December 2010	11,448.7	1,327.3	12,776.0
31 March 2011	11,773.0	1,348.9	13,121.9

The increase in the total RAB during the three months ended 31 March 2011 reflected the addition of approximately £215 million in capital expenditure partially offset by regulatory depreciation of around £135 million. Variation in RAB profiling adjustments added a further £35 million to the closing RAB whilst inflation resulted in a net positive indexation adjustment of approximately £230 million over the period.

2.5.4 Net interest payable and net interest paid

In the three months ended 31 March 2011, the Group's net interest payable was £191.7 million (2010: £181.0 million) excluding fair value losses on financial instruments. Underlying net interest payable was £186.4 million (2010: £173.2 million), excluding £7.1 million (2010: £4.7 million) in capitalised interest and £12.4 million (2010: £12.5 million) in non-cash amortisation of financing fees and bond fair value adjustments.

Within interest payable is also recorded a non-cash net fair value loss on financial instruments of £115.4 million (2010: £15.0 million) that reflects principally the impact on the valuation of index-linked swaps of the increase between 31 December 2010 and 31 March 2011 in implied future inflation rates.

Net interest paid in the three months ended 31 March 2011 was £93.5 million (2010: £103.0 million). This consisted of £76.3 million (2010: £85.1 million) paid in relation to external debt and £17.2 million (2010: £17.9 million) under the debenture between BAA (SP) and BAA (SH). The reduction in external interest paid is primarily due to the cancellation of interest rate swaps in 2010. Interest paid on the debenture in 2011 reflects funding of initial interest payments on BAA (SH)'s new bond issue and loan facility and payment of interest that had accrued prior to completion of BAA (SH)'s refinancing in November 2010.

Net interest paid is lower than underlying net interest payable primarily due to an amortisation charge of £19.8 million (2010: £35.8 million) relating to prepayments of derivative interest and a £63.3 million non-cash charge (2010: £32.8 million) relating to accretion on index-linked instruments.

2.5.5 Financial ratios

The Group and BAA (SH) continue to operate comfortably within required financial ratios.

At 31 March 2011, the Group's senior and junior gearing ratios (nominal net debt to RAB) were 67.1% and 75.7% respectively (31 December 2010: 68.8% and 77.7% respectively) compared with trigger levels of 70.0% and 85.0% under its financing agreements. Taking into account the debt and cash held at BAA (SH), the gearing ratio was 79.5% (31 December 2010: 81.4%) compared to a covenant level of 90.0% under BAA (SH)'s financing agreements. The reduction in gearing ratios since 31 December 2010 reflects primarily the retention of operating cash flow in the Group, the impact on the RAB of inflation referred to in section 2.5.3 and the cash injected into the Group referred to in section 2.5.1.

2.6 Outlook

The Group delivered a strong operational and financial performance in the first quarter of 2011 with higher retail income and lower operating costs than forecast. Retail income is expected to continue outperforming previous expectations for the remainder of 2011 offsetting the impact of a more cautious outlook for passenger traffic at Heathrow which, whilst still expected to achieve an all time annual traffic record, reflects an expectation of somewhat lower traffic than previously projected over the peak summer season. As a result, the Group continues to expect turnover and Adjusted EBITDA for 2011 as a whole to be consistent with the forecasts set out in the investor report issued in December 2010 at £2.3 billion and £1.12 billion respectively.

Appendix 1 – Financial information

BAA (SP) Limited

Consolidated profit and loss account for the three months ended 31 March 2011

	Note	**Unaudited Three months ended 31 March 2011 £m**	Unaudited Three months ended 31 March 2010 £m	Audited Year ended 31 December 2010 £m
Turnover – continuing operations	*1*	**481.5**	456.1	2,074.3
Operating costs – ordinary		**(397.5)**	(401.0)	(1,584.1)
Operating gain/(costs) – exceptional: pensions	*2*	**22.6**	(38.5)	89.9
Operating costs – exceptional: other	*2*	**(11.0)**	(16.1)	(31.4)
Total operating costs		**(385.9)**	(455.6)	(1,525.6)
Operating profit – continuing operations	*1*	**95.6**	0.5	548.7
Impairment of tangible fixed assets – exceptional	*2*	**-**	-	(149.3)
Gain on disposal of Gatwick airport – discontinued operations	*2*	**-**	-	16.2
Interest receivable	*3*	**52.3**	37.4	162.2
Interest payable and similar charges	*3*	**(244.0)**	(218.4)	(858.6)
Fair value loss on financial instruments	*3*	**(115.4)**	(15.0)	(35.8)
Net interest payable and similar charges		**(307.1)**	(196.0)	(732.2)
Loss on ordinary activities before taxation		**(211.5)**	(195.5)	(316.6)
Tax credit/(charge) on loss on ordinary activities	*4*	**90.4**	45.5	(5.2)
Loss on ordinary activities after taxation		**(121.1)**	(150.0)	(321.8)

BAA (SP) Limited

Consolidated balance sheet
as at 31 March 2011

	Note	Unaudited 31 March 2011 £m	Restated[1] Unaudited 31 March 2010 £m	Audited 31 December 2010 £m
Fixed assets				
Tangible fixed assets		**11,772.3**	11,530.9	11,678.2
Financial assets – derivative financial instruments		**340.5**	646.7	551.7
Total fixed assets		**12,112.8**	12,177.6	12,229.9
Current assets				
Stocks		**6.1**	5.0	5.5
Debtors		**330.9**	264.8	357.7
Financial assets – derivative financial instruments		**198.0**	0.5	0.1
Current asset investments		**20.4**	36.0	41.0
Restricted cash		**-**	143.0	-
Cash at bank and in hand		**19.0**	11.0	6.1
Total current assets		**574.4**	460.3	410.4
Current liabilities				
Creditors: amounts falling due within one year	*5*	**(1,917.5)**	(719.9)	(586.2)
Net current liabilities		**(1,343.1)**	(259.6)	(175.8)
Total assets less current liabilities		**10,769.7**	11,918.0	12,054.1
Creditors: amounts falling due after more than one year	*5*	**(9,962.2)**	(10,464.8)	(11,060.1)
Deferred tax		**(211.5)**	(249.6)	(271.1)
Provisions for liabilities and charges – pensions		**(30.7)**	(270.3)	(53.3)
Provisions for liabilities and charges – other		**(27.8)**	(56.5)	(33.7)
Net assets		**537.5**	876.8	635.9
Capital and reserves				
Called up share capital		**11.0**	11.0	11.0
Share premium reserve		**499.0**	499.0	499.0
Revaluation reserve		**1,470.4**	1,448.5	1,470.9
Merger reserve		**(4,535.6)**	(4,535.6)	(4,535.6)
Fair value reserve		**(151.5)**	(123.2)	(174.7)
Profit and loss reserve		**3,244.2**	3,577.1	3,365.3
Total shareholder's funds		**537.5**	876.8	635.9

[1] The presentation of certain balances as at 31 March 2010 has been restated to be consistent with current period disclosures.

BAA (SP) Limited

Consolidated summary cash flow statement for the three months ended 31 March 2011

	Note	**Unaudited Three months ended 31 March 2011 £m**	Restated[1] Unaudited Three months ended 31 March 2010 £m	Audited Year ended 31 December 2010 £m
Operating profit – continuing operations		**95.6**	0.5	548.7
Adjustments for:				
Depreciation (including exceptional depreciation)		**116.9**	133.0	495.4
Impairment of tangible fixed assets		**11.0**	-	-
Loss on disposal of tangible fixed assets		**-**	0.3	0.3
Working capital changes:				
Decrease/(increase) in stock and debtors		**39.8**	44.8	(4.5)
Increase in creditors		**3.1**	3.1	18.0
Decrease in provisions		**(3.1)**	(4.6)	(17.0)
Difference between pension charge and cash contributions		**(8.9)**	(6.5)	(32.5)
Exceptional pension (credit)/charge		**(22.6)**	38.5	(89.9)
Net cash inflow from operating activities – continuing		**231.8**	209.1	918.5
Net interest paid		**(93.5)**	(103.0)	(393.8)
Taxation – group relief (paid)/received		**(2.6)**	3.0	(17.1)
Capital expenditure		**(210.1)**	(208.0)	(841.1)
Disposal of subsidiary – proceeds	*2*	**-**	-	1.4
Disposal of subsidiary – pension and disposal costs		**(2.8)**	(9.5)	(126.7)
Net cash outflow before use of liquid resources and financing		**(77.2)**	(108.4)	(458.8)
Management of liquid resources		**20.6**	198.5	193.5
Issuance of bonds	*5*	**-**	-	830.1
Drawdown of Class B facility	*5*	**-**	-	625.0
(Repayment)/drawdown of capital expenditure facility	*5*	**(40.0)**	(180.0)	600.0
Repayment of other facilities and other items	*5*	**(10.3)**	(11.0)	(1,037.5)
Drawdown/(repayment) of amount owed to BAA (SH) plc	*5*	**134.8**	-	(1,000.0)
Settlement of accretion on index-linked swaps		**(15.0)**	-	-
Cancellation of derivatives and prepayment of derivative interest		**-**	(109.5)	(110.6)
Restricted cash		**-**	-	143.0
Issuance of ordinary share capital		**-**	217.4	217.4
Net cash inflow/(outflow) from financing		**69.5**	(83.1)	267.4
Increase in cash		**12.9**	7.0	2.1

[1] The presentation of certain balances for the three months ended 31 March 2010 has been restated to be consistent with current period disclosures.

BAA (SP) Limited

General information and accounting policies

General information

The financial information set out herein does not constitute the Group's statutory financial statements for the year ended 31 December 2010. Statutory financial statements for the year ended 31 December 2010 have been filed with the Registrar of Companies. The annual financial information presented herein for the year ended 31 December 2010 is based on, and is consistent with, the audited consolidated financial statements of the BAA (SP) Limited group (the 'Group') for the year ended 31 December 2010. The auditors' report on the 2010 financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statements under section 498(2) or (3) of the Companies Act 2006.

Accounting policies

Basis of preparation

The consolidated financial statements of BAA (SP) Limited have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and financial instruments, in accordance with the Companies Act 2006 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2010.

BAA (SP) Limited

Notes to the Group financial statements for the three months ended 31 March 2011

1 Segment information

The Group's primary reporting format is business segments. The operating businesses are primarily the individual airports, which are organised and managed separately. All turnover originated in the UK.

Turnover	**Unaudited Three months ended 31 March 2011 £m**	Unaudited Three months ended 31 March 2010 £m	Audited Year ended 31 December 2010 £m
Heathrow	**435.4**	407.9	1,844.7
Stansted	**46.1**	48.2	229.6
Total	**481.5**	456.1	2,074.3

Operating profit/(loss)	**Unaudited Three months ended 31 March 2011 £m**	Unaudited Three months ended 31 March 2010 £m	Audited Year ended 31 December 2010 £m
Heathrow	**91.1**	4.5	482.0
Stansted	**3.2**	(5.2)	61.0
Other entities[1]	**1.3**	1.2	5.7
Total	**95.6**	0.5	548.7

Net assets/(liabilities)	**Unaudited 31 March 2011 £m**	Unaudited 31 March 2010 £m	Audited 31 December 2010 £m
Heathrow	**1,680.0**	1,659.8	1,676.4
Stansted	**923.5**	1,032.3	933.5
Other entities[1]	**(2,066.0)**	(1,815.1)	(1,974.0)
Other adjustments[2]	**-**	(0.2)	-
Total	**537.5**	876.8	635.9

[1] The 'Other entities' business segment includes Heathrow Express Operating Company Limited, BAA Funding Limited, BAA (AH) Limited and the parent company BAA (SP) Limited.
[2] 'Other adjustments' relate to the elimination of inter-company transactions and consolidation adjustments.

Reconciliation of Adjusted EBITDA and operating profit

Adjusted EBITDA has been used to provide a clearer indication of the performance of the individual airports and to assist better comparison with the prior period. Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and exceptional items.

Unaudited Three months ended 31 March 2011	**Adjusted EBITDA £m**	**Operating exceptional items £m**	**Depreciation[1] £m**	**Operating profit £m**
Heathrow	**189.4**	**8.0**	**(106.3)**	**91.1**
Stansted	**10.1**	**3.7**	**(10.6)**	**3.2**
Other entities and adjustments[2]	**1.4**	**(0.1)**	**-**	**1.3**
Total	**200.9**	**11.6**	**(116.9)**	**95.6**

Unaudited Three months ended 31 March 2010	Adjusted EBITDA £m	Operating exceptional items £m	Depreciation[1] £m	Operating profit £m
Heathrow	162.0	(48.3)	(109.2)	4.5
Stansted	10.9	(6.3)	(9.8)	(5.2)
Other entities and adjustments[2]	1.2	-	-	1.2
Total	174.1	(54.6)	(119.0)	0.5

Audited Year ended 31 December 2010	Adjusted EBITDA £m	Operating exceptional items £m	Depreciation[1] £m	Operating profit £m
Heathrow	875.1	43.3	(436.4)	482.0
Stansted	86.2	15.1	(40.3)	61.0
Other entities and adjustments[2]	5.6	0.1	-	5.7
Total	966.9	58.5	(476.7)	548.7

[1] Depreciation excluding exceptional accelerated depreciation.
[2] The 'Other entities and adjustments' business segment includes Heathrow Express Operating Company Limited, BAA Funding Limited, BAA (AH) Limited and the parent company BAA (SP) Limited.

BAA (SP) Limited

Notes to the Group financial statements for the three months ended 31 March 2011

2 Operating and non-operating exceptional items

	Unaudited Three months ended 31 March 2011 £m	Unaudited Three months ended 31 March 2010 £m	Restated[1] Audited Year ended 31 December 2010 £m
Operating costs – exceptional: pension			
Pension credit/(charge)	**22.6**	(38.5)	89.9
Operating costs – exceptional: other			
Impairment of tangible fixed assets	**(11.0)**	-	-
Accelerated depreciation	**-**	(14.0)	(18.7)
Reorganisation costs	**-**	(2.1)	(12.7)
Total operating exceptional items	**11.6**	(54.6)	58.5
Exceptional impairment of tangible fixed assets	**-**	-	(149.3)
Gain on disposal of Gatwick airport – discontinued operations	**-**	-	16.2
Total non-operating exceptional items	**-**	-	(133.1)
Taxation on exceptional items	**(5.9)**	15.3	(15.8)
Total exceptional items	**5.7**	(39.3)	(90.4)

[1] The presentation of certain balances for the year ended 31 December 2010 has been restated to be consistent with current period disclosures.

Operating costs – exceptional: pension
Under the Shared Services Agreement ('SSA') the current period service cost for the BAA Limited group ('BAA Group') pension schemes are recharged to the Group's airports and Heathrow Express Operating Company Limited ('HEX') on the basis of their pensionable salaries. This charge is included within Operating costs - ordinary. Cash contributions are made directly by the Group's airports and HEX to the BAA Group defined benefit pension schemes on behalf of BAA Airports Limited.

The Group's airports and HEX have had a legal obligation since August 2008 to fund their share of the BAA Group defined benefit pension scheme deficit and Unfunded Retirement Benefit Scheme and Post Retirement Medical Benefits pension related liabilities under the SSA. These provisions are based on the relevant share of the actuarial deficit and allocated on the basis of pensionable salaries. Movements in these provisions are recorded as exceptional items due to their unusual nature and will only be settled when the cash outflows are requested by BAA Airports Limited.

For the three months ended 31 March 2011 an exceptional pension credit of £22.6 million (three months ended 31 March 2010: £38.5 million charge; year ended 31 December 2010: £90.9 million credit) was incurred in relation to the push down of the Group's share of the movement in the deficit on the BAA Group defined benefit pension scheme. For the year ended 31 December 2010 a £1.0 million charge was also incurred in relation to the Unfunded Retirement Benefit Scheme and Post Retirement Medical Benefits.

Operating costs – exceptional: other
The £11.0 million impairment of tangible fixed assets is a result of the write-off of costs incurred in relation to the Airtrack rail project which the Group has decided not to pursue.

In 2010 the accelerated depreciation charge was due to the shortened lives of certain existing assets at Heathrow given the new Heathrow Terminal 2 development. No depreciation has been treated as exceptional since the second quarter of 2010 at which time Terminal 1's remaining useful life was reassessed and extended.

The reorganisation costs in 2010 related primarily to various restructuring processes designed to reduce the size and cost of overhead functions following the sale of Gatwick airport in 2009.

Non-operating exceptional items
The £149.3 million exceptional impairment of tangible fixed assets in 2010 related to the Group withdrawing its planning permission applications for Stansted Generation 2 and ceasing work on the development of its planning application for a third runway at Heathrow. This was as a result of the change in UK government and its policy towards the development of new runways in the South East of England.

The £16.2 million gain on disposal in 2010 reflected the shortfall between assets and liabilities transferred to the pension scheme of Gatwick's purchaser being lower than expected, and the receipt of a further £1.4 million on the finalisation of Gatwick's balance sheet at completion of the disposal.

BAA (SP) Limited

Notes to the Group financial statements for the three months ended 31 March 2011

3 Net interest payable and similar charges

	Unaudited Three months ended 31 March 2011 £m	Unaudited Three months ended 31 March 2010 £m	Audited Year ended 31 December 2010 £m
Interest receivable			
Interest receivable on derivatives not in hedge relationship	**52.3**	37.3	160.3
Interest receivable from other group undertakings	**-**	-	1.1
Interest on bank deposits	**-**	0.1	0.8
	52.3	37.4	162.2
Interest payable and similar charges			
Interest on borrowings:			
Bonds and related hedging instruments[1]	**(102.5)**	(96.0)	(387.2)
Bank loans and overdrafts and related hedging instruments	**(41.7)**	(45.7)	(193.5)
Interest payable on derivatives not in hedge relationship[2]	**(87.9)**	(56.0)	(214.1)
Facility fees	**(5.7)**	(6.7)	(26.8)
Interest on debenture payable to BAA (SH) plc	**(13.3)**	(18.7)	(59.7)
	(251.1)	(223.1)	(881.3)
Less capitalised interest[3]	**7.1**	4.7	22.7
	(244.0)	(218.4)	(858.6)
Net interest payable before fair value loss	**(191.7)**	(181.0)	(696.4)
Fair value loss on financial instruments			
Interest rate swaps: cash flow hedge[4]	**7.8**	(1.2)	(6.3)
Index-linked swaps: not in hedge relationship[5]	**(128.4)**	(17.7)	(35.5)
Cross-currency swaps: cash flow hedge[4]	**0.9**	3.8	6.0
Cross-currency swaps: fair value hedge[4]	**4.2**	-	0.7
Fair value re-measurements of foreign exchange contracts and currency balances	**0.1**	0.1	(0.7)
	(115.4)	(15.0)	(35.8)
Net interest payable and similar charges	**(307.1)**	(196.0)	(732.2)

1 Includes accretion of £3.2 million (three months ended 31 March 2010: £2.5 million; year ended 31 December 2010: £11.8 million) on index-linked bonds.
2 Includes accretion of £60.1 million (three months ended 31 March 2010: £30.3 million; year ended 31 December 2010: £106.8 million) on index-linked swaps.
3 Capitalised interest included in the cost of qualifying assets arose on the general borrowing pool and is calculated by applying an average capitalisation rate of 2.23% (three months ended 31 March 2010: 2.21%; year ended 31 December 2010: 2.22%) to expenditure incurred on such assets.
4 Hedge ineffectiveness on derivatives in hedge relationship.
5 Reflects principally the impact on the valuation of an increase in implied future inflation rates.

4 Tax on loss on ordinary activities

The tax credit for the three months ended 31 March 2011 results in an effective tax rate for the period of 42.7%. This reflects a tax credit arising on ordinary activities of £78.4 million and a tax credit of £12.0 million due to the further reduction in the rate of corporation tax from 27% to 26% from 1 April 2011. For the three months ended 31 March 2010 the effective tax rate for the period was 23.3%, reflecting the tax credit arising on ordinary activities of £45.5 million. For the year ended 31 December 2010 the effective tax rate was -1.6%, reflecting the tax charge arising on ordinary activities of £17.4 million and a tax credit of £12.2 million due to the reduction in the rate of corporation tax from 28% to 27% from 1 April 2011.

The tax credit for the three months ended 31 March 2011 on ordinary activities results in an effective tax rate of 37.1% (three months ended 31 March 2010: 23.3%; year ended 31 December 2010: -5.5%). This credit is calculated by applying the forecast estimated average annual effective tax rate for each entity to the results for the three months ended 31 March 2011. For each entity, the effective tax rate for the period differs from the UK statutory rate of corporation tax of 26.5% due to the impact of phasing results through the year and permanent differences arising from non-qualifying depreciation and impairments. The effective tax rate for the Group reflects the proportionate contribution of each entity's results in each interim accounting period and will vary as those proportions change.

4 Tax on loss on ordinary activities *continued*

On 23 March 2011, the Government announced its intention to introduce legislation for further reductions in the rate of corporation tax to 26% from 1 April 2011 and 25% from 1 April 2012. The reduction in the corporation tax rate to 26% was substantively enacted on 29 March 2011 and as a result the Group's deferred tax balances, which were previously provided at 27%, were re-measured at the rate of 26%. This has resulted in a reduction in the net deferred tax liability of £10.0 million, with £12.0 million credited to the profit and loss account and £2.0 million charged to reserves. No change to the rate of corporation tax was required in the corresponding period of 2010. For the year ended 31 December 2010, the reduction in corporation tax rate from 28% to 27% resulted in a reduction in the net deferred tax liability of £10.4 million, with £12.2 million credited to the profit and loss account and £1.8 million charged to reserves.

5 Borrowings

Within Creditors: amounts falling due within one year are borrowings and financial derivatives of £1,431.5 million and £nil respectively (31 March 2010: £256.2 million and £nil respectively; 31 December 2010: £39.1 million and £0.2 million respectively).

Within Creditors: amounts falling due after more than one year are borrowings and financial derivatives of £9,232.1 million and £727.8 million respectively (31 March 2010: £10,105.0 million and £355.8 million respectively; 31 December 2010: £10,484.3 million and £573.1 million respectively).

	Unaudited 31 March 2011 £m	Unaudited 31 March 2010 £m	Audited 31 December 2010 £m
Current borrowings			
Secured			
Syndicated term facility	**528.7**	217.1	-
Bank loans	**39.1**	39.1	39.1
Bonds:			
3.975% €1,000 million due 2012	**863.7**	-	-
Total current borrowings	**1,431.5**	256.2	39.1
Non-current borrowings			
Secured			
Syndicated term facility	**764.9**	2,039.7	1,292.2
Capital expenditure facility	**1,260.0**	520.0	1,300.0
Other bank loans	**897.9**	321.9	907.2
	2,922.8	2,881.6	3,499.4
Secured			
Bonds:			
3.975% €1,000 million due 2012	**-**	850.0	832.3
5.850% £400 million due 2013	**375.3**	369.7	373.9
4.600% €750 million due 2014	**593.0**	616.4	593.9
12.450% £300 million due 2016	**364.6**	374.9	367.2
4.125% €500 million due 2016	**411.2**	-	413.6
4.600% €750 million due 2018	**589.2**	586.6	567.6
6.250% £400 million due 2018	**396.9**	-	396.8
9.200% £250 million due 2021	**282.3**	284.3	282.8
5.225% £750 million due 2023	**619.6**	613.1	618.0
6.750% £700 million due 2026	**689.5**	689.2	689.4
7.075% £200 million due 2028	**197.4**	197.4	197.4
6.450% £900 million due 2031	**839.8**	838.5	839.5
3.334%+RPI £235 million due 2039	**249.9**	237.5	246.7
	5,608.7	5,657.6	6,419.1
Unsecured			
Debenture payable to BAA (SH) plc	**700.6**	1,565.8	565.8
Total non-current borrowings	**9,232.1**	10,105.0	10,484.3
Total borrowings	**10,663.6**	10,361.2	10,523.4

Appendix 2

Analysis of turnover and operating costs for the three months ended 31 March 2011

	Heathrow Airport Ltd	HEX Opco	Total Heathrow	Stansted	Total
	£m	£m	£m	£m	£m
Turnover					
Aeronautical income	228.4	-	**228.4**	24.1	**252.5**
Retail income	94.4	-	**94.4**	16.3	**110.7**
Car parking	18.2	-	18.2	6.7	24.9
Duty and tax-free	23.5	-	23.5	2.1	25.6
Airside specialist shops	17.9	-	17.9	1.5	19.4
Bureaux de change	8.7	-	8.7	1.4	10.1
Catering	8.0	-	8.0	2.1	10.1
Landside shops and bookshops	4.6	-	4.6	0.9	5.5
Advertising	6.4	-	6.4	0.5	6.9
Car rental	2.5	-	2.5	0.5	3.0
Other	4.6	-	4.6	0.6	5.2
Operational facilities and utilities income	36.9	-	**36.9**	2.2	**39.1**
Property rental income	25.1	-	**25.1**	2.0	**27.1**
Rail income	25.8	-	**25.8**	-	**25.8**
Other income	23.4	-	**23.4**	1.5	**24.9**
HEX inter-company elimination	(14.3)	15.7	**1.4**	-	**1.4**
Total income	419.7	15.7	**435.4**	46.1	**481.5**
Operating costs					
Employment costs	61.6	5.3	**66.9**	12.8	**79.7**
Maintenance expenditure	26.1	4.1	**30.2**	2.5	**32.7**
Utility costs	24.1	0.6	**24.7**	5.0	**29.7**
Rents and rates	26.7	0.5	**27.2**	3.5	**30.7**
General expenses	46.1	3.4	**49.5**	7.6	**57.1**
Retail expenditure	5.7	-	**5.7**	2.1	**7.8**
Intra-group charges/other	55.7	0.4	**56.1**	2.5	**58.6**
Loss on disposal of fixed assets	-	-	**-**	-	**-**
HEX inter-company elimination	(15.7)	-	**(15.7)**	-	**(15.7)**
Adjusted operating costs	230.3	14.3	**244.6**	36.0	**280.6**
Depreciation	106.3	-	**106.3**	10.6	**116.9**
Exceptional items	(8.0)	0.1	**(7.9)**	(3.7)	**(11.6)**
Total operating costs	328.6	14.4	**343.0**	42.9	**385.9**
Adjusted EBITDA	189.4	1.4	**190.8**	10.1	**200.9**

Analysis of turnover and operating costs for the three months ended 31 March 2010

	Heathrow Airport Ltd	HEX Opco	Total Heathrow	Stansted	Total
	£m	£m	£m	£m	£m
Turnover					
Aeronautical income	212.9	-	**212.9**	25.8	**238.7**
Retail income	86.0	-	**86.0**	17.1	**103.1**
Car parking	15.8	-	15.8	6.6	22.4
Duty and tax-free	20.5	-	20.5	2.5	23.0
Airside specialist shops	15.6	-	15.6	1.2	16.8
Bureaux de change	8.4	-	8.4	1.5	9.9
Catering	6.9	-	6.9	2.2	9.1
Landside shops and bookshops	4.8	-	4.8	1.2	6.0
Advertising	7.3	-	7.3	0.7	8.0
Car rental	2.4	-	2.4	0.5	2.9
Other	4.3	-	4.3	0.7	5.0
Operational facilities and utilities income	36.4	-	**36.4**	2.5	**38.9**
Property rental income	23.6	-	**23.6**	1.9	**25.5**
Rail income	23.4	-	**23.4**	-	**23.4**
Other income	24.4	-	**24.4**	0.9	**25.3**
HEX inter-company elimination	(13.4)	14.6	**1.2**	-	**1.2**
Total income	393.3	14.6	**407.9**	48.2	**456.1**
Operating costs					
Employment costs	60.4	4.7	**65.1**	12.7	**77.8**
Maintenance expenditure	30.2	3.9	**34.1**	3.4	**37.5**
Utility costs	25.1	0.6	**25.7**	5.4	**31.1**
Rents and rates	24.1	0.5	**24.6**	3.0	**27.6**
General expenses	47.8	3.3	**51.1**	7.6	**58.7**
Retail expenditure	5.3	-	**5.3**	2.2	**7.5**
Intra-group charges/other	52.7	0.4	**53.1**	3.0	**56.1**
Loss on disposal of fixed assets	0.3	-	**0.3**	-	**0.3**
HEX inter-company elimination	(14.6)	-	**(14.6)**	-	**(14.6)**
Adjusted operating costs	231.3	13.4	**244.7**	37.3	**282.0**
Depreciation	109.2	-	**109.2**	9.8	**119.0**
Exceptional items	48.3	-	**48.3**	6.3	**54.6**
Total operating costs	388.8	13.4	**402.2**	53.4	**455.6**
Adjusted EBITDA	162.0	1.2	**163.2**	10.9	**174.1**