

# **BAA (SH) plc**

**Special purpose consolidated financial statements  
for the six months ended 30 June 2012**

**Unaudited**

# BAA (SH) plc

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## **BAA (SH) plc**

### **Basis of preparation**

The unaudited Special purpose consolidated financial statements of the BAA (SH) plc group (the 'Group'), comprising the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity and Consolidated summary statement of cash flows have been prepared in order to comply with the requirements contained within the BAA Limited group's various borrowing facilities' undertakings for half year reporting. They are considered to fairly present the financial condition and operations of the Group as at 30 June 2012 and for the six months then ended. The financial statements have been prepared applying consistent accounting principles to those applied for the year ended 31 December 2011.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'José Leo', with a long, sweeping line extending upwards and to the right from the end of the signature.

**José Leo**  
Director

25 July 2012

Company registration number: 06458635

# BAA (SH) plc

## Consolidated income statement

	Unaudited Six months ended 30 June 2012 £m	Unaudited Six months ended 30 June 2011 £m	Audited Year ended 31 December 2011 £m
<b>Continuing operations</b>			
Revenue	1,164	1,074	2,280
Operating costs	(998)	(788)	(1,712)
Fair value gain on investment properties	10	19	46
<b>Operating profit</b>	<b>176</b>	<b>305</b>	<b>614</b>
<i>Analysed as:</i>			
Operating profit before exceptional items	309	293	665
Exceptional items <sup>1</sup>	(133)	12	(51)
<b>Financing</b>			
Finance income	123	106	220
Finance costs	(521)	(502)	(1,022)
Fair value gain/(loss) on financial instruments	152	(144)	(46)
<b>Net finance cost</b>	<b>(246)</b>	<b>(540)</b>	<b>(848)</b>
<b>Loss before tax</b>	<b>(70)</b>	<b>(235)</b>	<b>(234)</b>
Taxation credit <sup>2</sup>	131	188	190
<b>Profit/(loss) for the period from continuing operations</b>	<b>61</b>	<b>(47)</b>	<b>(44)</b>
Net profit from discontinued operations	-	-	8
<b>Consolidated profit/(loss) for the period</b>	<b>61</b>	<b>(47)</b>	<b>(36)</b>

### <sup>1</sup> Exceptional items

Under the Shared Services Agreement ('SSA') the current period service cost for the 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. Cash contributions are made directly by the Group's airports to the BAA Airports Limited pension schemes on behalf of BAA Airports Limited.

The Group's airports and HEX have had an obligation since August 2008 to fund or benefit from their share of the BAA Airports Limited defined benefit pension scheme deficit or surplus and Unfunded Retirement Benefit Scheme and Post Retirement Medical Benefits pension related liabilities under the SSA. These provisions or assets are based on the relevant share of the actuarial deficit or surplus and allocated on the basis of pensionable salaries. Movements in these provisions are recorded as exceptional items due to their size and nature.

For the six months ended 30 June 2012 an exceptional pension charge of £133 million (six months ended 30 June 2011: £23 million credit; year ended 31 December 2011: £40 million charge) was incurred. This reflects the Group's share of the movement in the BAA Airports Limited defined benefit pension scheme from a surplus to a deficit.

In the first half of 2011 an exceptional charge of £11 million was recognised in relation to the Airtrack rail project which the Group decided not to pursue.

### <sup>2</sup> Taxation credit

The tax credit for the six months ended 30 June 2012 results in an effective tax credit rate for the period of 187.1%. This reflects a tax credit arising on ordinary activities of £65 million and a tax credit of £66 million due to the further reduction in the rate of corporation tax from 1 April 2012 as announced by the Government on 21 March 2012.

For the six months ended 30 June 2011 the effective tax credit rate for the period was 80.0%, reflecting the tax credit arising on ordinary activities of £119 million and a tax credit of £69 million due to the reduction in the rate of corporation tax from 27% to 26% from 1 April 2011.

For the year ended 31 December 2011 the effective tax credit rate was 81.2%, reflecting the tax credit arising on ordinary activities of £52 million and a tax credit of £138 million due to the reduction in the rate of corporation tax to 26% from 1 April 2011 and to 25% from 1 April 2012.

The tax credit for the six months ended 30 June 2012 on ordinary activities results in an effective tax credit rate of 92.9% (six months ended 30 June 2011: 50.6%; year ended 31 December 2011: 22.2%). This credit is calculated by applying the forecast estimated average annual effective tax rate for each entity to the results for the six months ended 30 June 2012. For each entity, the effective tax rate for the period differs from the UK statutory rate of corporation tax of 24.5% due to the impact of phasing results through the year. 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 21 March 2012, the Government announced its intention to introduce legislation for further reductions in the rate of corporation tax to 24% from 1 April 2012 and 23% from 1 April 2013. The reduction in the corporation tax rate to 24% was substantively enacted on 26 March 2012 and as a result the Group's deferred tax balances, which were previously provided at 25%, were re-measured at the rate of 24%. This has resulted in a reduction in the net deferred tax liability of £64 million, with £66 million credited to the income statement and £2 million charged to equity. The reduction in the rate to 23% was enacted in the Finance Act 2012 on 17 July 2012. As a result, the Group's deferred tax balances, which are currently provided at 24% will be re-measured at the rate of 23% for the year ended 31 December 2012. Had this change been substantively enacted at 30 June 2012, this would have resulted in a further reduction in the net deferred tax liability of £64 million, with £66 million credited to the income statement and £2 million charged to equity.

For the six months ended 30 June 2011, the reduction in the corporation tax rate from 27% to 26% resulted in a reduction in the net deferred tax liability of £70 million, with £69 million credited to the income statement and £1 million credited to equity.

For the year ended 31 December 2011, the reduction in corporation tax rate from 27% to 25% resulted in a reduction in the net deferred tax liability of £139 million, with £138 million credited to the income statement and £1 million charged to equity.

## BAA (SH) plc

### Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June 2012 £m	Unaudited Six months ended 30 June 2011 £m	Audited Year ended 31 December 2011 £m
<b>Profit/(loss) for the period</b>	<b>61</b>	<b>(47)</b>	<b>(36)</b>
<b>Other comprehensive income:</b>			
Cash flow hedges			
(Loss)/gain taken to equity <sup>1</sup>	(226)	20	(295)
Transferred to income statement <sup>1</sup>	196	(41)	78
Change in tax rate	(2)	1	1
Tax relating to indexation of operating land	-	-	3
<b>Other comprehensive loss for the period net of tax</b>	<b>(32)</b>	<b>(20)</b>	<b>(213)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>29</b>	<b>(67)</b>	<b>(249)</b>

<sup>1</sup> Items in relation to cash flow hedges are disclosed net of tax.

# BAA (SH) plc

## Consolidated statement of financial position

	Unaudited 30 June 2012 £m	Audited 31 December 2011 £m
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	10,752	10,426
Investment properties	2,297	2,282
Intangible assets	70	54
Derivative financial instruments	331	369
Trade and other receivables	32	11
	<b>13,482</b>	<b>13,142</b>
<b>Current assets</b>		
Inventories	8	8
Trade and other receivables	332	389
Derivative financial instruments	-	171
Cash and cash equivalents	7	34
	<b>347</b>	<b>602</b>
<b>Total assets</b>	<b>13,829</b>	<b>13,744</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	(11,048)	(9,912)
Derivative financial instruments	(1,115)	(1,082)
Deferred income tax liabilities	(1,456)	(1,595)
Provisions	(4)	(4)
Trade and other payables	-	(1)
	<b>(13,623)</b>	<b>(12,594)</b>
<b>Current liabilities</b>		
Borrowings	(258)	(1,076)
Provisions	(104)	(29)
Current income tax liabilities	(18)	(27)
Trade and other payables	(450)	(457)
	<b>(830)</b>	<b>(1,589)</b>
<b>Total liabilities</b>	<b>(14,453)</b>	<b>(14,183)</b>
<b>Net liabilities</b>	<b>(624)</b>	<b>(439)</b>
<b>Equity</b>		
<b>Capital and reserves</b>		
Share capital	3,109	3,109
Revaluation reserve	-	365
Merger reserve	(1,771)	(1,771)
Fair value reserve	(431)	(396)
Retained earnings	(1,531)	(1,746)
<b>Total equity</b>	<b>(624)</b>	<b>(439)</b>

The Special purpose consolidated financial statements of BAA (SH) plc (Company registration number: 06458635) were approved by the Board of Directors and authorised for issue on 25 July 2012. They were signed on its behalf by:



**José Leo**  
Director



**Frederick Maroudas**  
Director

## BAA (SH) plc

### Consolidated statement of changes in equity

	Attributable to owners of the Company					Total equity £m
	Share capital £m	Revaluation reserve £m	Merger reserve £m	Fair value reserve £m	Retained earnings £m	
1 January 2011	3,109	365	(1,771)	(175)	(1,718)	(190)
Comprehensive income:						
Loss for the period	-	-	-	-	(47)	(47)
Other comprehensive income:						
Loss on re-measurement of the following:						
Cash flow hedges net of tax	-	-	-	(21)	-	(21)
Change in tax rate	-	-	-	(2)	3	1
<b>Total comprehensive income</b>	-	-	-	(23)	(44)	(67)
30 June 2011	3,109	365	(1,771)	(198)	(1,762)	(257)
1 January 2012	3,109	365	(1,771)	(396)	(1,746)	(439)
<b>Comprehensive income:</b>						
Profit for the period	-	-	-	-	61	61
<b>Other comprehensive income:</b>						
Loss on re-measurement of the following:						
Cash flow hedges net of tax	-	-	-	(30)	-	(30)
Dividends paid	-	-	-	-	(214)	(214)
Change in tax rate	-	-	-	(5)	3	(2)
<b>Total comprehensive income</b>	-	-	-	(35)	(150)	(185)
<b>Realisation of revaluation reserve</b>	-	(365)	-	-	365	-
30 June 2012	3,109	-	(1,771)	(431)	(1,531)	(624)

# BAA (SH) plc

## Consolidated summary statement of cash flows

	Unaudited Six months ended 30 June 2012 £m	Restated <sup>1</sup> Six months ended 30 June 2011 £m	Audited Year ended 31 December 2011 £m
<b>Operating activities</b>			
Loss before tax	(70)	(235)	(234)
<i>Adjustments for:</i>			
Net finance costs	246	540	848
Depreciation, amortisation and impairment (including exceptional items)	257	247	524
Fair value gain on investment properties	(10)	(19)	(46)
<i>Working capital changes:</i>			
Decrease/(increase) in inventories and trade and other receivables	25	(26)	(105)
(Decrease)/increase in trade and other payables	(20)	10	26
Decrease in provisions	(6)	(6)	(9)
Difference between pension charge and cash contributions	(21)	(18)	(34)
Exceptional pension charge/(credit)	133	(23)	40
Exceptional working capital settlement of intercompany balance	-	-	47
<b>Cash generated from continuing operations</b>	<b>534</b>	<b>470</b>	<b>1,057</b>
Taxation – group relief paid	(10)	(16)	(27)
<b>Net cash from operating activities</b>	<b>524</b>	<b>454</b>	<b>1,030</b>
<b>Cash flows from investing activities</b>			
Net capital expenditure	(554)	(431)	(864)
Release of provisions on discontinued operations	(1)	(4)	(6)
<b>Net cash used in investing activities</b>	<b>(555)</b>	<b>(435)</b>	<b>(870)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(214)	-	-
Proceeds from issuance of bonds	2,835	1,508	1,508
Repayment of bonds	(680)	-	-
(Repayment)/drawdown of capital expenditure facility	(1,286)	(250)	95
Drawdown of subordinated facilities	28	-	50
Repayment of facilities and other items	(455)	(1,169)	(1,342)
Drawdown of amount owed to parent company	-	110	-
Settlement of accretion on index-linked swaps	-	(15)	(15)
Cancellation and restructuring of derivatives	(12)	(53)	(114)
Net interest paid	(212)	(166)	(375)
<b>Net cash from/(used in) financing activities<sup>2</sup></b>	<b>4</b>	<b>(35)</b>	<b>(193)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(27)</b>	<b>(16)</b>	<b>(33)</b>
Cash and cash equivalents at beginning of period	34	67	67
<b>Cash and cash equivalents at end of period</b>	<b>7</b>	<b>51</b>	<b>34</b>

<sup>1</sup>The presentation of certain balances have been restated to be consistent with current period disclosures

<sup>2</sup>Net cash from/(used in) financing activities

In the six months ended 30 June 2012, the Group received proceeds of £2,835 million through ten transactions across a range of currencies, rating levels and formats. Highlights of this activity were the completion of £1 billion in Class B issuance through two transactions – a £600 million twelve year bond and a £400 million eight year bond. There were also debut offerings in both Swiss francs (CHF400 million five year Class A bond) and Canadian dollars (C\$400 million seven year Class A bond). Other notable transactions included a €700 million five year Class A bond, a £95 million tap of the existing 2039 index-linked bond, an innovative £180 million ten year index-linked private placement and a US\$500 million three year bond that builds on the Group's presence in the US market established in 2011.