

BAA LYNTON MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS
for the year ended
31 MARCH 2006



BAA LYNTON MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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BAA LYNTON MANAGEMENT LIMITED**OFFICERS AND PROFESSIONAL ADVISERS**

Directors

J S O'Halloran
J C B Boyes
K A Chappell
D J Gillard
R D Herga
J Linc Horton
A T Jurenko
G P Salmon

Secretary

S Welch

Registered Office

130 Wilton Road
London
SW1V 1LQ

Registered auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

BAA LYNTON MANAGEMENT LIMITED

REPORT OF THE DIRECTORS 2006

The directors present their annual report and the audited financial statements of BAA Lynton Management Limited (the "company") for the year ended 31 March 2006 (the "year").

PRINCIPAL ACTIVITIES

The principal activity of the company is to act as asset manager and operator of unregulated collective investment schemes. The company is authorised and regulated by the Financial Services Authority in the conduct of its investment business.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

On 1 April 2005 the company assumed from BAA plc, its ultimate parent undertaking, responsibility for bearing staff costs and other overheads. The directors expect the business of investment management to continue.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £2,092,070 (2005 - £549,971). A dividend of £384,980 (2005 - £212,586) was paid during the year.

BOARD OF DIRECTORS

The following were directors of the company during the year:

J S O'Halloran – appointed 29 June 2005
 J C B Boyes
 K A Chappell – appointed 28 June 2005
 D J Gillard – appointed 18 July 2005
 R D Herga – appointed 29 July 2005
 J Linc Horton – appointed 13 March 2006
 A T Jurenko – appointed 18 July 2005
 G P Salmon – appointed 29 July 2005
 D N Kennard – resigned 29 June 2005
 M P Manners – resigned 29 June 2005

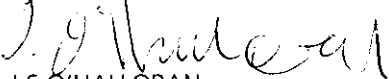
DIRECTORS' INTERESTS

The interests of the directors holding office at the year end in the ordinary shares of BAA plc, the ultimate parent undertaking, are set out in note 4(c) to the financial statements.

AUDITORS

A resolution has been passed to dispense with the obligation to appoint auditors annually, in accordance with Section 386 of the Companies Act 1985. Accordingly PricewaterhouseCoopers LLP shall be deemed to be re-appointed as auditors 28 days after the accounts are sent to the sole member.

By order of the Board



J S O'HALLORAN

Director

28 July 2006

Registered Office:
 130 Wilton Road
 LONDON
 SW1V 1LQ

BAA LYNTON MANAGEMENT LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, and for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

BAA LYNTON MANAGEMENT LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BAA LYNTON
MANAGEMENT LIMITED**

We have audited the financial statements of BAA Lynton Management Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

BAA LYNTON MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2006

	<u>Note</u>	<u>2006</u> £	<u>2005</u> Restated £
Turnover from continuing operations	2	6,349,714	749,311
Operating costs in continuing operations	3	<u>(4,257,644)</u>	<u>(199,340)</u>
Operating profit from continuing operations and profit on ordinary activities before taxation		2,092,070	549,971
Tax on profit on ordinary activities	4	<u>(687,621)</u>	<u>(164,911)</u>
Profit on ordinary activities after taxation	8	1,404,449	384,980
Equity dividend - £19.249 (2005 - £10.6293) per share		(384,980)	(212,586)
Amount retained for the financial year		<u>1,019,469</u> =====	<u>172,394</u> =====

The above profit and loss account includes all recognised gains and losses arising in the year and the previous year. There are no movements in shareholders' funds other than the profit for the year and the profit for the previous year. Hence no statement of recognised gains and losses or reconciliation of movements in shareholders' funds are presented there is no difference between the profit on ordinary activities after taxation and the retained profit for the year and their historical costs equivalents.

BAA LYNTON MANAGEMENT LIMITED**BALANCE SHEET at 31 March 2006**

	<u>Note</u>	<u>2006</u> £	<u>2005</u> Restated £
FIXED ASSETS			
Tangible assets	5	72,679	-
CURRENT ASSETS			
Debtors	6	3,716,680	581,008
CREDITORS : amounts falling due within one year	7	<u>(2,364,910)</u>	<u>(176,028)</u>
NET CURRENT (LIABILITIES)/ASSETS		1,351,770	404,980
Net assets		<u>1,424,449</u> =====	<u>404,980</u> =====
CAPITAL AND RESERVES			
Called up share capital	9	20,000	20,000
Profit and loss account	10	<u>1,404,449</u>	<u>384,980</u>
Equity shareholders' funds		<u>1,424,449</u> =====	<u>404,980</u> =====

The notes on pages 7 to 10 form part of these financial statements.

These financial statements were approved by the Board of Directors on 28 July 2006 and signed on behalf of the Board.


J S O'HALLORAN
Director

BAA LYNTON MANAGEMENT LIMITEDNOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2006**1. ACCOUNTING POLICIES**

(a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with all applicable United Kingdom standards.

(b) Turnover

Turnover comprises management and operator's fees receivable excluding VAT.

(c) Cash flow statement

The company's ultimate parent undertaking, BAA plc, produces consolidated accounts which are publicly available. The company is therefore exempt under the terms of Financial Reporting Standard No. 1 (revised) from publishing a cash flow statement.

(d) Deferred taxation

In accordance with FRS 19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(e) Tangible fixed assets

Tangible fixed assets comprise office furniture, fixtures and equipment. Depreciation is provided so as to write off the cost of these assets, less their estimated residual value, by equal instalments over their expected useful lives of four years.

(f) Change in accounting policy

The company has adopted FRS 21, Events after the balance sheet date, in these financial statements. The adoption of this standard represents a change in accounting policy, the impact of which is explained in note 13.

2. REVENUE FROM CONTINUING OPERATIONS

	<u>2006</u> £	<u>2005</u> £
Management and operator's fees receivable	6,349,714	749,311
	=====	=====
All turnover arose in the United Kingdom.		

3. OPERATING COSTS IN CONTINUING OPERATIONS

Administrative expenses	4,257,644	199,340
	=====	=====

BAA LYNTON MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2006 (continued)**

	<u>2006</u> £	<u>2005</u> £
3. OPERATING COSTS IN CONTINUING OPERATIONS (continued)		
(a) Administrative expenses include:		
Staff costs	2,418,639	-
Audit fee	8,500	-
Depreciation on owned assets	35,266	-
	=====	=====
Staff costs comprise:		
Salaries	1,778,543	-
Social security costs	212,293	-
Other pension costs	<u>427,803</u>	-
	2,418,639	-
	=====	=====

(b) Directors' emoluments

The emoluments of the directors, excluding pension contributions, amounted to £579,887 and, within this total, the emoluments of the highest paid director amounted to £180,530. The emoluments of three of the directors are borne by the ultimate parent undertaking, BAA plc. In the previous year all emoluments were borne by the ultimate parent undertaking.

(c) Directors' interests

The interests of the directors holding office at the year end in the ordinary shares of BAA plc are set out below:

	Shares			Options		
	1 April 2005 (or date of appointment if later)	31 March 2006	1 April 2005 (or date of appointment if later)	Granted during the year	Exercised during the year	31 March 2006
J C B Boyes	9,807	9,807	91,407	9,986	-	101,393
K A Chappell	2,661	-	80,124	-	-	80,124
D J Gillard	-	-	73,354	-	-	73,354
R D Herga	1,627	2,334	136,342	-	21,835	114,507
J L Horton	-	-	16,861	-	-	16,861
A T Jurenko	575	725	259,130	-	23,351	235,769
J S O'Halloran	503	3,535	219,174	-	23,854	195,320
G P Salmon	-	-	40,457	-	-	40,457

No director had any interests in the shares of the company or any other subsidiary of BAA plc at any time during the year.

In addition, the interests of the directors holding office at the year end in the ordinary shares of BAA plc held under the BAA Deferred Annual Bonus Plan ("DAB") are set out below:

	Shares		Share Options	
	1 April 2005 (or date of appointment if later)	31 March 2006	1 April 2005 (or date of appointment if later)	31 March 2006
A T Jurenko	12,609	12,510	21,251	21,192
J S O'Halloran	11,911	13,714	20,106	22,317

BAA LYNTON MANAGEMENT LIMITEDNOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2006 (continued)**3. OPERATING COSTS IN CONTINUING OPERATIONS (continued)**

(c) Directors' interests (continued)

BAA Employee Share Trust ("BEST")

The BEST is a discretionary trust which acquires and holds ordinary shares in BAA plc for subsequent transfers to employees who exercise share options or receive share awards under the BAA plc employee share schemes. By virtue of the provisions of the Companies Act 1985, each director, as a potential beneficiary of the BEST, is deemed to have an interest in the ordinary shares in the company in which the BEST is interested as shown below:

	<u>2006</u>	<u>2005</u>
Number of shares held at 31 March	690,603	5,027,756
	=====	=====

(d) Employees

The average number of employees during the year was 24 (2005 - nil).

<u>2006</u>	<u>2005</u>
£	£

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

United Kingdom Corporation Tax		
Current at 30% (2005:30%)	689,627	164,991
Deferred - origination and reversal of timing differences in current year	(2,006)	-
	-----	-----
	687,621	164,991
	=====	=====
Reconciliation of tax charge:		
Profit on ordinary activities before taxation	<u>2,092,070</u>	<u>549,971</u>
Tax on profit on ordinary activities	627,621	164,991
Factors affecting charge:		
Permanent differences	60,000	-
Excess of depreciation over capital allowances claimed in the year	2,006	-
	-----	-----
Current tax charge for the year	689,627	164,991
	=====	=====

Other than unprovided deferred tax referred to in note 8, there are no items which will materially affect the future tax charge.

5. TANGIBLE FIXED ASSETS

	<u>Cost</u>	<u>Depreciation</u>	Net book <u>value</u>
	£	£	£
Furniture, fixtures and office equipment			
Transfer from immediate parent undertaking	38,631	-	38,631
Additions	67,189	-	67,189
Charge for the year	-	33,141	(33,141)
	-----	-----	-----
At 31 March 2006	105,820	33,141	72,679
	=====	=====	=====

BAA LYNTON MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2006 (continued)

	<u>2006</u> £	<u>2005</u> £
6. DEBTORS		
Amounts falling due within one year:		
Trade debtors	193,659	355,188
Prepayments and accrued income	3,225,227	-
Amount owed by immediate parent undertaking	-	225,820
Amount owed by fellow subsidiary undertakings	292,478	-
Other debtors	<u>3,310</u>	<u>-</u>
	3,714,674	581,008
Amounts falling due after more than one year:		
Deferred taxation recoverable (see note 8)	2,006	-
	<u>3,716,680</u>	<u>581,008</u>
	=====	=====

7. DEFERRED TAXATION

As stated in note 1 (d) the company provides for deferred tax assets to the extent that it is regarded as more likely than not that they will be recovered. The deferred tax asset at 31 March 2006 comprises:

	<u>2006</u> £	<u>2005</u> £
Excess of depreciation charges over capital allowances	2,006	-
	====	====

The company has no unprovided deferred tax assets and liabilities.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2006</u> £	<u>2005</u> £
Trade creditors	26,839	-
Bank overdraft	-	37
Corporation tax	689,627	164,991
Other tax and social security	8,298	-
Amount owed to immediate parent undertaking	106,912	-
Accruals and deferred income	1,531,892	11,000
Other creditors	<u>1,342</u>	<u>-</u>
	2,364,910	176,028
	=====	=====

9. CALLED UP SHARE CAPITAL

	<u>2006</u> £	<u>2005</u> £
Authorised, called up, allotted and fully paid:		
Ordinary shares of £1 each	20,000	20,000
	=====	=====

BAA LYNTON MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2006 (continued)

10. PROFIT AND LOSS ACCOUNT

£

At 1 April 2005 as previously presented	-
Restatement (note 13)	<u>384,980</u>
At 1 April 2005 as restated	384,980
Profit on ordinary activities after taxation	1,404,449
Equity dividend	<u>(384,980)</u>

At 31 March 2006	1,404,449
	=====

11. ULTIMATE PARENT UNDERTAKING

The ultimate and controlling parent undertaking at 31 March 2006 is BAA plc, a company incorporated in Great Britain and registered in England and Wales. The smallest and largest undertaking which prepares consolidated accounts which include the results of the company, is BAA plc. Copies of the group financial statements of BAA plc can be obtained by writing to the Secretary, BAA plc, 130 Wilton Road, London SW1V 1LQ.

12. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No. 8 not to disclose related party transactions with BAA plc group companies. The directors consider Airport Property Partnership, a limited partnership for which the company acts as asset manager, to be a related party. Fees from Airport Property Partnership in the year totalled £5,101,018 of which £3,136,977 was due from Airport Property Partnership at 31 March 2006.

13. PRIOR YEAR ADJUSTMENT

As stated in note 1 (f) the company has adopted FRS 21, Events after the balance sheet date. As a result, dividends proposed after the balance sheet date are no longer treated as liabilities of the company at that date. The effect of this treatment on reserves is set out below:

	£
Profit and loss account at beginning of year as previously stated	-
Prior year adjustment in respect of dividend proposed after the end of the previous period	<u>384,980</u>

Profit and loss account at beginning of year as restated	384,980
	=====

14. POST BALANCE SHEET EVENT

On 26 June 2006, Airport Development and Investment Limited, a company held by a consortium formed at the direction of Ferrovial Infraestructura S.A., Caisse de depot et placement du Quebec and GIC Special Investments Pte Ltd, otherwise referred to as the Ferrovial Consortium, announced that it had acquired control of BAA plc.