SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED

Report and Financial Statements for the year ended 31 December 2008

Company Registration Number 2431858

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Christopher M Butler	
Jose Leo	
Robert D Herga	Alternate Director to Jose Leo

SECRETARY

Shu Mei Ooi	Appointed 28 November 2008

REGISTERED OFFICE

130 Wilton Road
London
SW1V 1LQ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
WC2N 6RH

BANKERS

Barclays Bank Plc
Pall Mall Corporate Banking
50 Pall Mall
London
SW1Y 5AX

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for Southampton International Airport Limited ('the Company') for the year ended 31 December 2008 ('the year').

PRINCIPAL ACTIVITIES

The Company owns and is the operator of Southampton International Airport and forms part of the BAA Limited group.

GROUP RESTRUCTURING

During the year, BAA Limited (formerly known as Airport Development and Investment Limited), successfully completed a corporate reorganisation and implemented a new permanent financing structure for the group. As part of the reorganisation, the non regulated airports owned by BAA in the UK, of which Southampton International Airport Limited forms part, became part of BAA (NDH1) Limited group, which provides the financing structure for these airports to operate and develop. BAA Airports Limited sold its interest in the Company to BAA (NDH1) Limited at an open market value of £237.0 million on 18 August 2008.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

During the year to December passenger throughput decreased by 0.8% to 1.95 million, with the effects of the economic downturn impacting on the latter part of the year. In February 2009, Airports Council International (ACI) announced the airport as the European winner of the ACI Airport People Award 2008, for developing a strong customer service culture across the entire airport community.

Southampton's capital investment programme is targeted at supporting the development of capacity, improved passenger facilities and the upgrading of accommodation for our business partners. Capital expenditure in the year amounted to £6.9 million. The largest single investment was a £3.4 million extension to the multi storey car park providing additional capacity for anticipated passenger growth.

2009 traffic trends

In January 2009, Southampton's total passenger traffic was 105,200 , a fall of 11.5% compared to 118,900 in January 2008. In February 2009, passenger traffic versus 2008 was impacted by both weather disruption early in the month and February 2008 containing 29 days. Therefore, whilst the reported decline in passenger traffic was 20.0% to 108,500 (2008: 135,700), the underlying decline is estimated to have been 11.8%.

REPORT OF THE DIRECTORS (continued)

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £5.7 million (31 December 2007: £6.0 million).

The directors do not recommend the payment of a dividend (31 December 2007: £nil).The retained profit for the financial year of £4.1 million (31 December 2007: £8.3 million) has been transferred to reserves.

BOARD OF DIRECTORS

The directors who served during the year and since the year end are as follows:

Christopher M Butler	
Jose Leo	
Robert D Herga	alternate to Jose Leo

DIRECTORS' INTERESTS

None of the directors held interests in the ordinary shares of the Company at the year end.

EMPLOYEES

The Company has no direct employees. The staff are employed by BAA Airports Limited (a fellow subsidiary entity of FGP Topco Limited).

PAYMENT PRACTICE

The Company complies with the UK Government's Better Payment Practice Code which states that responsible companies should:

- Agree payment terms at the outset of a transaction and adhere to them
- Provide suppliers with clear guidance on payment procedures
- Pay bills in accordance with any contract agreed or as required by law
- Advise suppliers without delay when invoices are contested and settle disputes quickly.

Based on the average daily amount invoiced by suppliers during the year the Company had 14 days purchases outstanding at 31 December 2008 (2007:29 days) with the reduction mainly resulting from a change in the timing of the purchasing profile in the latter part of the year and an increase in the amounts purchased compared to the previous year.

RISK MANAGEMENT

Risk management is a key element of the BAA Limited (the 'Group') operations. This has been centrally managed as part of the Group which includes Southampton International Airport Limited and in addition, the Company has a fully dedicated senior team which implements and manages risk closely following the Group's guideline. The Executive Committee and Board referred to in the notes below relates to the Executive Committee and Board of BAA Limited.

REPORT OF THE DIRECTORS (continued)

RISK MANAGEMENT (continued)

Risk management in the Group facilitates the identification, evaluation and effective management of the threats to the achievement of the Group's purpose, vision, objectives, goals and strategies. The vision of risk management is to embed the awareness of risk at all levels of the organisation, in such a way that all significant business decisions are risk-informed. Particular emphasis is given to safety and security, environmental, commercial, financial, reputational and legal risks with the framework ensuring that the Group's financial aspirations are not pursued at the expense of risk management, thus delivering a balanced control of risk, using formal risk management processes.

A key element of the risk management process is the risk-profiling methodology. This determines the threats to the achievement of business objectives and day to day operations in terms of likelihood and consequence at both inherent and residual level, after taking account of mitigating and controlling actions. Details are maintained in a hierarchy of risk registers used as the basis for regular review of risk management at Executive Committee and Board level. The risk registers are also used to inform decisions relating to the procurement of insurance cover.

The risk management process is also aimed at defining and implementing clear accountabilities, processes and reporting formats that deliver efficient and effective management assurance to the Board to ensure statutory compliance whilst supporting business units to successfully manage their operations and properly embed risk management within these operations. The operation of the process and the individual registers are subject to review by the Group's Business Assurance function, whose primary responsibility is to provide independent assurance to the Board that the controls put in place by management to mitigate risks are working effectively.

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

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

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

REPORT OF THE DIRECTORS (continued)

RISK MANAGEMENT (continued)

Environment
Environmental risks need to be managed as they have the potential to impact the Company's reputation, and licence to operate and to grow. The Company mitigates these risks at a number of levels, including environmental management systems and training programmes embedded with operations, clear environmental strategies, resource conservation initiatives, proactive and progressive influencing of third parties, stakeholder engagement and community relations programmes. The Company works closely with a range of stakeholders to ensure that it reacts effectively to the challenges posed by the environmental agenda.

Commercial and financial risks

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

Changes in demand
The risk of unanticipated long-term changes in passenger demand for air travel could lead to misaligned operational capacity within the Company. Since it is not possible to identify the timing or period of such an effect, the Company carries out evaluations through a series of scenario planning exercises.

Industrial relations
The risk of industrial action by key staff that affects critical services, curtails operations, and has an adverse financial and reputational impact on the Company is recognised. The Group has a range of formal national and local consultative bodies to discuss pay, employment conditions and business issues with the Trade Unions. A three year Pay Agreement was reached in August 2006 covering negotiated grades within the Company and new negotiations are taking place in 2009 for the next pay deal. The Company could also be exposed in the short-term to the effect of industrial action at key clients (i.e. airlines).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management objectives are aligned with its parent company, BAA (NDH1) Limited, and can be found in the financial statements of that company. Furthermore, details of the treasury policies for the wider BAA Group are also given in the financial statements of BAA Limited.

The Company's principal financial instruments comprise amounts due to/from other BAA Group undertakings, including BAA (NDH1) Limited, through which it accesses the external financing facilities available for the Non Designated UK airports. The Company does not use financial instruments for speculative purposes.

REPORT OF THE DIRECTORS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Cash flow interest rate risk
The Company's interest rate risk arises from amounts due to/from other Group undertakings. The Company deposits funds with, and borrows funds from BAA (NDH1) Limited and either pays or receives interest on such funds at varying interest rates.

Credit risk
The Company is exposed to the credit risk which arises from its customer base, but continually reviews the exposure to the counterparties. The credit risks of BAA (NDH1) Limited and BAA Limited are further discussed in its financial statements and the directors do not consider that the Company faces any additional significant credit risks.

Liquidity risk
The Company has access to the non designated capex facility and non designated working capital facility through its parent, BAA (NDH1) Limited. As noted above, the Company deposits funds with, and borrows funds from BAA (NDH1) Limited to ensure sufficient funding is available.

Security and Guarantees
The Company, together with BAA (Non Des Topco) Limited and each of its subsidiaries (other than BAA Lynton Limited), together the Non-Designated Obligors have provided security over their assets to secure their obligations to the lenders under the Non-Designated Facility. Each of the Non-Designated Obligors, other than BAA (Non Des Topco) Limited, have provided a cross-guarantee of the obligations of the other Non-Designated Obligors. The BAA Pension Trustee has a right to receive up to £50 million out of the proceeds of enforcement of the security granted by the Non-Designated Obligors, such right ranking pari passu with the senior lenders to the Non-Designated Obligors.

DIRECTORS' INDEMNITY

The Company's Articles of Association provide that, subject to the provisions of the Companies Act, but without prejudice to any indemnity to which the person concerned might otherwise be entitled, every director of the Company shall be indemnified out of the assets of the Company against any loss or liability incurred by him in defending any proceedings in which judgment is given in his favour, or in which he is acquitted or in connection with any application in which relief is granted to him by the court for any negligence, default, breach of duty or breach of trust by him in relation to the Company or otherwise in connection with his duties or powers or office.

REPORT OF THE DIRECTORS (continued)

DISCLOSURE OF INFORMATION FOR AUDITORS

The directors are satisfied that the auditors are aware of all information relevant to the audit of the Company's financial statements for the year ended 31 December 2008 and that they have taken all the steps that they ought to have taken as directors in order to make them aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Pursuant to the provisions of section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will automatically be re-appointed as Auditors of the Company.

By order of the Board

Shu Mei Ooi
Company Secretary

31 March 2009

Registered Office:
130 Wilton Road
London
SW1V 1LQ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice (UK GAAP)). The financial statements are required by law to give a true and fair view of the state of affairs of the Company 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 that the Company's financial statements comply with applicable UK GAAP, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the BAA website which includes information related to the Company is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Shu Mei Ooi
Company Secretary

31 March 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED

We have audited the financial statements of Southampton International Airport Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Reconciliation of Movement in Shareholders' Funds, 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOUTHAMPTON INTERNATIONAL AIRPORT LIMITED (continued)

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 December 2008 and of its profit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

Date 31 March 2009

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Turnover - continuing operations	2	**26,357**	24,063
Operating costs - ordinary	3	**(20,652)**	(17,433)
Operating costs - exceptional	4	**(88)**	(849)
Total operating costs		**(20,740)**	(18,282)
Operating profit - continuing operations		**5,617**	5,781
Net interest receivable - ordinary	6	**76**	217
Profit on ordinary activities before taxation		**5,693**	5,998
Tax (charge)/credit on profit on ordinary activities	7	**(1,553)**	2,285
Profit after taxation for the financial year	14	**4,140**	8,283

The notes on pages 14 to 34 form an integral part of these financial statements.

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2008

	Note	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit for the financial year	14	**4,140**	8,283
Unrealised revaluation (deficit)/surplus	14	**(2,360)**	4,562
Total recognised gains relating to the year		**1,780**	12,845

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31 December 2008

	Note	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit for the financial year	14	**4,140**	8,283
Retained profit for the financial year		**4,140**	8,283
Revaluation (deficit)/surplus	14	**(2,360)**	4,562
Net movement to shareholders' funds		**1,780**	12,845
Opening shareholders' funds		**104,782**	91,937
Closing shareholders' funds		**106,562**	104,782

The notes on pages 14 to 34 form an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2008

	Notes	31 December 2008 £'000	31 December 2007 £'000
FIXED ASSETS			
Tangible assets	8	**113,117**	110,923
CURRENT ASSETS			
Stocks	9	**67**	68
Debtors	10	**4,749**	6,630
TOTAL CURRENT ASSETS		**4,816**	6,698
CREDITORS: amounts falling due within one year	11	**(9,152)**	(10,306)
NET CURRENT LIABILITIES		**(4,336)**	(3,608)
TOTAL ASSETS LESS CURRENT LIABILITIES		**108,781**	107,315
Provisions for liabilities and charges	12	**(2,219)**	(2,533)
NET ASSETS		**106,562**	104,782
CAPITAL AND RESERVES			
Called up share capital	13	**40,000**	40,000
Revaluation reserve	14	**34,610**	36,970
Profit and loss reserve	14	**31,952**	27,812
TOTAL SHAREHOLDERS' FUNDS		**106,562**	104,782

The notes on pages 14 to 34 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 31 March 2009 and were signed on its behalf by:

Christopher M Butler
Director

Jose Leo
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 1985 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) except as set out within the accounting policies note.

The validity of the going concern assumption depends on the continued support of the Company's intermediate parent company, BAA Limited. The Company has received confirmation from BAA Limited that support will continue for the foreseeable future. In light of this support, the directors believe that it is appropriate for the financial statements to be prepared on a going concern basis.

The principal accounting policies are set out below.

Turnover

Turnover is recognised in accordance with Financial Reporting Standard ('FRS') 5, 'Reporting the substance of transactions' net of VAT, and comprises primarily of:

- Airport and other traffic charges
  - Passenger charges levied on passengers on departure
  - Aircraft landing charges levied according to weight on landing
  - Aircraft parking charges based on a combination of weight and time parked
  - Other charges levied for passenger and baggage handling when these services are rendered.

- Property and operational facilities
  - Property letting sales, recognised on a straight-line basis over the term of the rental period
  - Usage charges made for operational systems (e.g. check-in desks), recognised as each service is provided
  - Proceeds from the sale of trading properties, recognised on the unconditional completion of the sale
  - Other invoiced sales, recognised on the performance of the service.

- Retail
  - Concession fees based upon turnover certificates supplied by concessionaires.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

Exceptional items

Exceptional items are material items of income and expense that, because of the unusual nature and expected infrequency of the events giving rise to them, merit separate presentation to allow an understanding of the Company's financial performance.

Such events may include gains or losses on disposal of businesses or assets, major reorganisation of business, closure or mothballing of terminals and those costs incurred in bringing new airport terminal complexes and airfields to operational readiness that are not able to be capitalised as part of the project. Additional details of items disclosed as exceptional are provided in Note 4.

Fixed assets

(i) Operational assets

Terminal complexes, airfield assets, plant and equipment and Company occupied properties are stated at cost less accumulated depreciation. Assets in the course of construction are stated at cost less provision for impairment. Assets in the course of construction are transferred to completed assets when substantially all the activities necessary to get the asset ready for use are complete. Where appropriate, cost includes borrowing costs capitalised, own labour costs of construction-related project management, and directly attributable overheads. Projects that are in the early stages of planning are capitalised where the directors are satisfied that it is probable the necessary consents will be received and the projects will be developed to achieve a successful delivery of an asset such that future commercial returns will flow to the Company.

The Company reviews these projects on a regular basis, at least every six months, to determine whether events or circumstances have arisen that may indicate that the carrying amount of the asset may not be recoverable, at which point the asset would be assessed for impairment.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

Fixed assets (continued)

(ii) Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is valued at the balance sheet date at open market value. All investment properties are revalued annually by the directors and at least once every five years by external valuers. Any surplus or deficit on revaluation is transferred to revaluation reserve except that deficits below original cost which are expected to be permanent are charged to the profit and loss account.

Profits or losses arising from the sale of investment properties are calculated by reference to book value and treated as exceptional items. Profits are recognised on completion.

In accordance with Statement of Standard Accounting Practice ('SSAP') 19, 'Accounting for Investment Properties' no depreciation is provided in respect of freehold or long leasehold investment properties. This is a departure from the Companies Act 1985 which requires all properties to be depreciated. Such properties are not held for consumption but for investment and the directors consider that to depreciate them would not give a true and fair view. Depreciation is only one amongst many factors reflected in the annual valuation of properties and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified. The directors consider that this policy results in the accounts giving a true and fair view.

(iii) Depreciation

Depreciation is provided on operational assets, other than land and assets in the course of construction, to write off the cost less estimated residual value of the assets by equal instalments over their expected useful lives as follows:

• Terminal building, pier and satellite structures	20 - 60 years
• Terminal fixtures and fittings	5 - 20 years
• Airport plant and equipment:	
• baggage systems	15 years
• screening equipment	7 years
• lifts, escalators, travelators	20 years
• other plant and equipment including runway lighting and building plant	5 - 20 years
• Airport tunnels, bridges and subways	50 - 100 years
• Runway surfaces	10 - 15 years
• Runway bases	100 years
• Taxiways and aprons	50 years
• Motor vehicles	4 - 8 years
• Office equipment	5 - 10 years
• Computer equipment	4 - 5 years
• Computer software	3 - 7 years
• Short leasehold properties	over period of lease

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

Impairment of assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Where the asset does not generate cash flows that are independent of other assets, the recoverable amount of the income-generating unit to which the asset belongs is estimated. Recoverable amount is the higher of an asset's net realisable value and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value, on a straight-line basis over its remaining useful life.

Stocks

Raw materials and consumables consist of engineering spares and other consumable stores and are valued at the lower of cost and net realisable value.

Deferred taxation

In accordance with FRS 19, 'Deferred Tax', 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 is not provided on timing differences arising from the revaluation of investment properties where there is no commitment to sell the asset.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

Leases

(i) Company as lessor

Leases where the Company retains substantially all the risks and benefits of ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognised over the lease term on the same basis as the income.

(ii) Company as lessee

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

Shared Services Agreement

All employees are employed directly by BAA Airports Limited which also acts as the provider of corporate and administrative services to the Company. BAA Airports Limited is the administrator of the related defined benefit and defined contribution pension plans and grants all employee benefits.

On 18 August 2008, the Company entered into a Shared Services Agreement under which BAA provides the Company with operational staff and corporate services.

(i) Operational staff
BAA Airports Limited charges the Company for the provision of services in relation to staff costs, including wages and salaries, superannuation costs, medical costs and redundancy payments, as well as any other of its associated expenses properly incurred by the employees of BAA Airports Limited in providing the services. These costs include the cost of purchase of any shares in relation to share options granted and any hedging costs related to the employee share options. All of the amounts included in the abovementioned costs are settled in cash except for superannuation costs or costs related to hedging of share options, which are only settled when the cash outflow is requested by BAA Airports Limited.

(ii) Corporate and centralised services
BAA Airports Limited also provides centralised airport support including IT applications, general business services, procurement and financial accounting. These services are charged in accordance with the shared service agreement with a mark-up of 7.5% except for IT applications where full costs were recharged to the Company. The total mark-up charged to the Company amounted to £142,000 during the year (2007: £112,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

Shared Services Agreement (continued)

(iii) Pension costs
Under the Shared Services Agreement the Company's share of the current period service cost for the BAA Airports Limited pension schemes are recharged to the Company. Cash contributions are made directly to the pension trustee of the BAA Airports Limited defined benefit scheme on behalf of BAA Airports Limited. The Company also has a legal obligation to fund any pension deficit related to BAA Airports Limited pension plans under the Shared Services Agreement.

In the year to 31 December 2008 an amount of £119,000 was recorded as a one-off exceptional past-service cost in the profit and loss account relating to unfunded pension schemes existing at BAA Airports Limited. However these amounts will not be settled until the cash outflows are required by BAA Airports Limited and are accordingly recorded as long term provisions, see note 12.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Borrowings

Amounts owed to group undertakings are stated at their fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Cash flow statement and related party transactions

The Company is wholly owned by FGP Topco Limited, a company registered in England and Wales. The results of the Company are included in the audited consolidated financial statements of FGP Topco Limited for the year ended 31 December 2008. The results are also included in the audited consolidated financial statements of BAA (NDH1) Limited for the year ended 31 December 2008 (immediate parent entity and the smallest group to consolidate these financial statements for the full year). They are also included in the audited consolidated financial statements of BAA Limited for the year ended 31 December 2008. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash Flow Statements (revised 1996)'.

The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing related party transactions with entities that are related to, or part of the FGP Topco Limited group. However, the transactions and balances in relation to the provision of services under the Shared Services Agreement between the Company and subsidiaries of the FGP Topco Group are disclosed in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

2. SEGMENTAL ANALYSIS

The directors consider the business has only one segment. All of the Company's turnover arises in the United Kingdom and relates to continuing operations. Additional details of the turnover generated by each of the Company's key activities are given below:

Turnover	**Year ended 31 December 2008 £'000**	Year ended 31 December 2007 £'000
Airport and other traffic charges[1]	**15,063**	12,925
Retail	**8,953**	9,047
Property and operational facilities	**1,566**	1,541
Other[2]	**775**	550
	26,357	24,063

1 Included in airport and other traffic charges are £2,243,000 (2007: £nil) in relation to recharging of aerodrome navigation services ('ANS') provided by NATS. Previously these costs were charged directly to the Airlines by National Air Traffic Services (NATS).

2 Increases in 'other' includes a first time contribution of £177,856 from providing services for Passengers with Reduced Mobility (PRM).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

3. OPERATING COSTS - ORDINARY

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Wages and salaries	5,782	6,100
Social security costs	446	454
Pension costs [1]	752	1,267
Other staff related costs	527	509
Share based payments	92	66
Staff costs [2]	7,599	8,396
Retail expenditure	914	786
Depreciation – owned assets	2,368	1,908
Maintenance expenditure	1,176	1,207
Rent and rates	903	826
Utility costs	738	706
Air Navigation charges	2,400	-
General expenses [3]	1,204	1,116
Other intra-group charges [4]	3,350	2,488
	20,652	17,433

1. Pension costs comprise of recharges from BAA Airports Limited for current service cost of the pension plan to the Company. Reduction in the current service costs recharged are related to the changes in the actuarial assumptions used to calculate the Group's current service cost (mostly due to the increase of the discount rate). However, the Group reached an agreement with the pension trustees in respect of the cash contributions to be provided in the next 3 years (see note 15).
2. Staff costs comprise of recharges from BAA Airports Limited for employee services to the Company. Refer to Shared Services Agreement accounting policy in note 1.
3. Increase in general expenses – mainly relates to the first year of providing services to Passengers with Reduced Mobility (PRM), in prior years this was provided by the Airlines.
4. These costs relate to centralised airport support including IT applications, general business services, procurement and financial accounting, in accordance with the Shared Services Agreement (Note 1). Cost incurred since 18 August totalled £984,278.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

3. OPERATING COSTS - ORDINARY (continued)

Operating costs include:	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Training expenditure	91	54
Rentals under operating leases		
- Plant and machinery	-	3
- Other operating leases	41	60
Services provided by the Company's auditors		
- Fees payable for the audit	17	11

Employee information

The Company has no employees. All staff costs are borne by BAA Airports Limited which recharges all such costs directly to the Company as a part of the SSA as described in the Accounting Policies under the 'Shared Services Agreement'.

The average number of employees of BAA Airports Limited engaged in the operation of Southampton Airport during the year was 198 (31 December 2007: 213).

4. OPERATING COSTS - EXCEPTIONAL

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Reorganisation (credit)/charge **(a)**	(31)	849
Pension costs **(b)**	119	-
	88	849

(a) A release of £31,000 was credited during the year associated with restructuring programmes (2007: charge of £849,000). The charge in the year ended 31 December 2007 was in relation to severance and pension payments associated with the 'Simplifying the Organisation' restructuring programme carried out during 2008-2009. The amount released resulted from higher staff turnover than historic experience, and a lower than expected cost for each reduction in headcount.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

4. OPERATING COSTS – EXCEPTIONAL (continued)

(b) £119,000 (31 December 2007: £nil) of accumulated past service pension costs not previously charged to the Company by BAA Airports Limited in relation to Unfunded Retirement Benefit Scheme and Post Retirement Medical Benefits were incurred during the year as a consequence of the commitment entered by the Company in the Shared Services Agreement in relation to pensions. The Company's share of these one-off costs have been allocated on the basis of earnings before interest, tax, depreciation and amortisation for the year ended 31 December 2008.

5. DIRECTORS' EMOLUMENTS

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Directors' emoluments		
Aggregate emoluments	**156**	200

	Year ended 31 December 2008	Restated Year ended 31 December 2007
Number of directors who:	**No.**	No.
- are members of a defined benefit pension scheme	**1**	2

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Highest paid director's remuneration		
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**156**	200
Highest paid director's pension		
Accrued pension at the year end	**75**	70

J Leo was a director of BAA Airports Limited (formerly BAA Limited) until 18 September 2008 then became a director of BAA Limited (formerly Airport Development and Investment Limited). His remuneration was paid by BAA Airports Limited and is disclosed within the respective company financial statements for the period he was a director. The directors do not believe it is possible to apportion his remuneration to individual companies within the Group based on services.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

5. DIRECTORS' EMOLUMENTS (continued)

One director (31 December 2007: two directors) did not receive any emoluments in his capacity as director of the Company.

No directors exercised share options during the year. No directors received or had shares receivable to them under a Long Term Incentive Scheme.

6. NET INTEREST RECEIVABLE

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Interest payable		
Interest on borrowings from other group undertakings	**(3)**	(1)
	(3)	(1)
Interest receivable		
Interest on loans to other group undertakings	**79**	218
Net interest receivable	**76**	217

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Note	**Year ended 31 December 2008 £'000**	Year ended 31 December 2007 £'000
Current tax			
Group relief payable		**1,908**	1,974
Adjustments in respect of prior periods		**23**	172
Total current tax		**1,931**	2,146
Deferred tax			
Origination and reversal of timing differences			
- current period		**(335)**	(3,832)
- prior year		**(43)**	(172)
Change in tax rate – impact on deferred tax liabilities		**-**	(427)
Total deferred tax	12	**(378)**	(4,431)
Tax charge/(credit) on profit on ordinary activities		**1,553**	(2,285)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Reconciliation of tax charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 28.5% (2007: 30%). The actual tax charge for the current year and prior period differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit on ordinary activities before tax	**5,693**	5,998
Tax on profit on ordinary activities at 28.5% (2007:30%)	**1,623**	1,799
Effect of:		
Permanent differences	**(85)**	30
Depreciation for the period in excess of capital allowances	**502**	123
Impact of change in tax rate	**-**	10
Other short-term timing differences	**(132)**	12
Adjustments to tax charge in respect of prior periods	**23**	172
Current tax charge for the year	**1,931**	2,146

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

Other than this change, and the unprovided deferred tax discussed in the paragraph below and Note 12, there are no items which would materially affect the future tax charge.

No provision has been made for deferred tax on gains recognised on revaluing investment property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Taxable gains will crystallise only if the property were sold without it being possible to claim rollover relief. The total amount of tax unprovided is £8,781,000 (2007: £9,480,000). At present, it is not envisaged that this tax will become payable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The accounting impact of the abolition of Industrial Building Allowances (IBAs) in the financial statements of the Company, prepared under UK GAAP, is significantly different to that disclosed in the consolidated financial statements of BAA (NDH1) Limited, which were prepared under IFRS. Under UK GAAP, the accounting impact of the abolition of balancing adjustments for IBAs (in respect of prior claims) resulted in a release of a deferred tax liability of £3,700,000 in the year ended 31 December 2007. This contrasts with IFRS where BAA (NDH1) Limited has been obliged to recognise a deferred tax charge equivalent to the loss of future tax relief on expenditure already incurred.

The cash impact of the abolition of IBAs on the Company is not material in the near term due to the transitional period regime applicable to 2011 and the low taxable income base of Company. The impact of the abolition on future periods is uncertain due to the potential regulatory change to a post-tax allowed return (as is the case in other regulated industries). Under the existing regulatory framework, and assuming no further changes, the present value on the reduced cash flows for the existing assets would be approximately £3,000,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

8. TANGIBLE ASSETS

	Investment Properties £'000	Terminal Complexes £'000	Airfields £'000	Group Occupied Properties £'000	Plant, equipment & other assets £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation							
1 January 2008	53,774	17,440	35,670	4,335	12,409	5,233	128,861
Additions at cost	-	-	-	13	85	6,824	6,922
Transfers to completed assets	4,862	3,296	819	-	1,136	(10,113)	-
Revaluation	(2,360)	-	-	-	-	-	(2,360)
31 December 2008	**56,276**	**20,736**	**36,489**	**4,348**	**13,630**	**1,944**	**133,423**
Depreciation							
1 January 2008	-	3,880	3,715	1,221	9,122	-	17,938
Charge for the year	-	1,037	446	106	779	-	2,368
31 December 2008	**-**	**4,917**	**4,161**	**1,327**	**9,901**	**-**	**20,306**
Net book value							
31 December 2008	**56,276**	**15,819**	**32,328**	**3,021**	**3,729**	**1,944**	**113,117**
31 December 2007	53,774	13,560	31,955	3,114	3,287	5,233	110,923

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

8. TANGIBLE ASSETS (continued)

Valuation

Investment properties were valued at open market value at 31 December 2008 by Drivers Jonas, Chartered Surveyors at £56,276,000. These valuations were prepared in accordance with UK GAAP and the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence. Given recent market conditions and the decline in property prices, for the year ended 31 December 2008, independent valuations have been obtained for 100 percent of Investment properties. As a result of the valuation, a loss of £2,360,000 has been recognised in the revaluation reserve.

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

Capitalised interest

Included in the cost of assets after depreciation are interest costs of £735,500 (2007: £747,900). No interest has been capitalised in the year (2007: £nil).

No tax deduction for capitalised interest was taken in the year. Subsequent depreciation of the capitalised interest is disallowed for tax purposes, consequently, the capitalised interest gives rise to a deferred tax liability, which is released each year in line with the depreciation charged on the relevant assets.

Historical cost

The historical cost of investment properties and land held for development at 31 December 2008 was £21,664,000 (2007: £16,802,000).

Leased assets

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

	31 December 2008 £'000	31 December 2007 £'000
Cost or valuation	**56,814**	54,259
Accumulated depreciation	**(134)**	(117)
Net book amount	**56,680**	54,142

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

9. STOCKS

	31 December 2008 £'000	31 December 2007 £'000
Raw materials and consumables	67	68

The replacement cost of raw materials and consumables at 31 December 2008 and 31 December 2007 was not materially different from the amount at which they are included in the accounts.

10. DEBTORS

	31 December 2008 £'000	31 December 2007 £'000
Due within one year:		
Trade debtors	3,029	2,214
Amounts owed by group undertakings – Interest bearing [1]	-	3,785
Amounts owed by group undertakings – Interest free [2]	1,420	-
Amounts owed by group undertakings – Pensions [3]	81	-
Other debtors	162	621
	4,692	6,620
Due after more than one year:		
Other debtors	57	10
	4,749	6,630

1 Amounts owed by group undertakings – amounts outstanding at 31 December 2007 were fully settled on refinancing in August 2008.

2 Amounts owed by group undertakings – interest free largely relate to external payments received by BAA Airports Limited under the Shared Service Agreement on behalf of the Company which will be allocated in due course.

3 Amounts owed by group undertakings – pensions relates to amounts receivable from BAA Airports Limited in respect of cash contributions made by the Company to the pension trustee in accordance with the Shared Services Agreement – refer Note 1 Accounting Policies – Shared Services Agreement, Pension Costs.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2008 £'000	31 December 2007 £'000
Trade creditors	**2,874**	5,045
Capital creditors	**1,327**	2,496
Amounts owed to group undertakings – Interest bearing [1]	**3,210**	-
Corporation tax payable	**443**	443
Group relief	**908**	1,974
Other creditors	**5**	121
Other taxes and social security	**145**	-
Deferred income	**240**	227
	9,152	10,306

1 Amounts owed to group undertakings largely relate to external payments made by BAA Airports Limited under the Shared Services Agreement on behalf of the Company which will be settled in due course.

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Notes	Deferred tax (a) £'000	Reorganisation costs (b) £'000	Pension costs (c) £'000	Total £'000
1 January 2008		2,151	382	-	2,533
(Credit)/charge to profit and loss account	7/4	(378)	(31)	119	(290)
Utilisation in year		-	(24)	-	(24)
31 December 2008		**1,773**	**327**	**119**	**2,219**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

12. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

(a) Analysis of the deferred tax balances are as follows:

	31 December 2008 £'000	31 December 2007 £'000
Excess of capital allowances over depreciation	**1,690**	2,198
Other timing differences	**83**	(47)
	1,773	2,151

	Unprovided	
	31 December 2008 £'000	31 December 2007 £'000
Tax on chargeable gains if investment properties were sold at their current valuations	**8,781**	9,480

Provision has been made for deferred taxation in accordance with FRS 19 'Deferred tax'.

(b) The provision for reorganisation costs (Note 4), relates principally to redundancy payments and related pension costs. A release of £31,000 was credited in the year (2007: Charge of £849,000).

(c) A provision of £119,000 (2007: £nil) for historical accumulated past service pension costs borne by the Company in relation to the Unfunded Retirement Benefit Scheme and Post Retirement Medical Benefits was made in the year. This provision, which was held by BAA Airports Limited in previous years, has been charged to the Company as a result of the Shared Services Agreement, as airports are committed to fund any unfunded pension plan obligation of BAA Airports Limited (refer to Note 1 for details). This provision is based on the Company's share of the unfunded scheme valuation performed for BAA Airports Limited and will only be settled when the cash outflow is requested by BAA Airports Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

13. CALLED UP SHARE CAPITAL

	31 December 2008 £'000	31 December 2007 £'000
Authorised		
50,000,000 ordinary shares of £1 each	**50,000**	50,000
Called up, allotted and fully paid		
40,000,002 ordinary shares of £1 each	**40,000**	40,000

14. RESERVES

	Profit and loss reserve £'000	**Revaluation reserve £'000**	**Total £'000**
1 January 2008	27,812	36,970	64,782
Retained profit for the financial year	4,140	-	4,140
Revaluation deficit	-	(2,360)	(2,360)
31 December 2008	**31,952**	**34,610**	**66,562**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

15. COMMITMENTS

Capital
Capital expenditure contracted commitments amount to £339,900 (31 December 2007: £518,000.)

Commitments under operating leases
At 31 December 2008, the Company was committed to making the following payments during the next year in respect of operating leases.

	Land & buildings 31 December 2008 £'000	**Other leases 31 December 2008 £'000**	Land & buildings 31 December 2007 £'000	Other leases 31 December 2007 £'000
Leases which expire:				
-within one year	**12**	**5**	7	2
-within two to five years	**-**	**2**	-	5
	12	**7**	7	7

Other commitments
In July 2008, the wider BAA Group reached agreement with the Trustee of the BAA Airports Limited defined benefit pension scheme to contribute the lesser of £80 million per annum and the annual cost of accruing benefits (as calculated using the FRS 17 accounting standard) for a period of three years ending 31 December 2011. Southampton International Airport Limited expects to contribute approximately £1.3M to the pension plan in the year ending 31 December 2009.

16. CONTINGENT LIABILITIES

Under the Shared Service Agreement hedging costs properly incurred by BAA Airports Limited in relation to the Employee Share Ownership Plan (ESOP) may be recharged to the Company. At 31 December 2008, the ESOP swap held in BAA Airports Limited had a fair value loss of £117 million. The Company may be obligated to settle its share of these amounts (approximately £3.4 million) in the future, depending on a number of factors, including the number of options vesting, the number of options being exercised and the Ferrovial share price at exercise date. Accordingly, this is disclosed as a contingent liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2008

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

The immediate parent undertaking is BAA (NDH1) Limited, a company registered in England and Wales.

The ultimate parent entity in the UK is FGP Topco Limited and the ultimate parent of FGP Topco Limited is Grupo Ferrovial, S.A. (Spain), which is the largest group to consolidate these financial statements.

The Company's results are also included in the consolidated financial statements of BAA (NDH1) Limited for the year ended 31 December 2008, which is the parent undertaking of the smallest group to consolidate these financial statements. They are also included in the audited consolidated financial statements of BAA Limited and FGP Topco Limited for the year ended 31 December 2008.

Copies of the financial statements of FGP Topco Limited, BAA Limited and BAA (NDH1) Limited may be obtained by writing to the Company Secretary at 130 Wilton Road, London, SW1V 1LQ.

The Company, together with BAA (Non Des Topco) Limited and each of its subsidiaries (other than BAA Lynton Limited), together the Non-Designated Obligors have provided security over their assets to secure their obligations to the lenders under the Non-Designated Facility. Each of the Non-Designated Obligors, other than BAA (Non Des Topco) Limited, have provided a cross-guarantee of the obligations of the other Non-Designated Obligors. The BAA Pension Trustee has a right to receive up to £50 million out of the proceeds of enforcement of the security granted by the Non-Designated Obligors, such right ranking pari passu with the senior lenders to the Non-Designated Obligors.