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News Release

28 July 2010

BAA (SP) Limited

Results for the six months ended 30 June 2010

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

- **Passenger traffic of 38.7 million with underlying growth of 0.9% including 2.3% at Heathrow**
- **Continuing improvements in operational performance and customer service**
- **Strong retail momentum maintained with net retail income per passenger up 10.2%**
- **Underlying revenue and underlying Adjusted EBITDA up 6.7% and 18.3% respectively**
- **Reported revenue up 2.2% whilst Adjusted EBITDA declined marginally by 0.2%**
- **Reported financial performance reflects impact of volcanic ash and airline industrial action**
- **Reduced pre-tax loss with lower exceptional items and fair value adjustments**
- **Confirmation that the new Government's proposals for the reform of airport regulation reflect the constructive consultation process undertaken by the Department for Transport in 2009**

At or for six months ended 30 June	**2010**	2009	Change (%)
(figures in £m unless otherwise stated)			
Revenue(1)	**957.6**	937.2	2.2
Adjusted EBITDA(1)(2)	**401.7**	402.5	(0.2)
Cash generated from operations(1)	**384.0**	382.0	0.5
Adjusted pre-tax loss(3)	**(167.4)**	(107.8)	55.3
Pre-tax loss	**(279.7)**	(545.7)	(48.7)
Net debt(4)(5)	**8,657.4**	8,579.0	0.9
Regulatory Asset Base(5)	**12,279.3**	11,730.5	4.7
Passengers (m)(6)	**38.7**	40.5	(4.5)
Net retail income per passenger(6)(7)	**£5.20**	£4.72	10.2

(1) Figures are for continuing operations only, i.e. excluding Gatwick
(2) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items
(3) Adjusted pre-tax loss is before exceptional items, fair value adjustments and gain on disposal of Gatwick airport
(4) Nominal value of net debt excluding intra-BAA group loans and including index-linked accretion
(5) 2009 net debt and regulatory asset base figures are as at 31 December 2009 with net debt excluding restricted cash
(6) Change in passengers and net retail income per passenger are calculated using unrounded data
(7) See section 3.2.2.2 for calculation of net retail income per passenger

Colin Matthews, Chief Executive Officer of BAA, said:

"Heathrow and Stansted delivered an encouraging performance during the first half of the year and this partly offset the impact of volcanic ash and the British Airways cabin crew strikes. Heathrow is performing particularly well and achieved its highest ever passenger satisfaction ratings in the first half. Both airports continue to benefit from strong retail momentum with income per passenger up 10 per cent.

Airports and airlines are facing continuing economic challenges and our focus remains on raising standards, maximising efficiency and continuously improving the service we provide to passengers and airlines."

For further information please contact

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There will be a conference call today at 9.30 am (UK time) for bondholders and bank lenders to the Group, participants in BAA (SH) Limited's subordinated debt facility and credit analysts to discuss the results for the six months ended 30 June 2010. The call will be hosted by Colin Matthews and Jose Leo, BAA's Chief Executive Officer and Chief Financial Officer respectively. Dial-in details for the call are: Conference ID: 82323667; UK free phone: 0800 694 0257; UK local/standard international: +44 (0)1452 555566. It will also be possible to view online the presentation as it is used during the call at:

https://webconnect.webex.com/webconnect/onstage/g.php?t=a&d=664755216

BAA (SP) Limited

Results for the six months ended 30 June 2010

Index

1. Basis of presentation of results

The commentary on operating and financial performance in this document focuses, unless otherwise indicated, on the Group's continuing businesses at Heathrow and Stansted reflecting the completion on 3 December 2009 of the sale of Gatwick airport. This enables a more meaningful comparison of performance between 2009 and 2010.

The financial results of Gatwick for the period to 3 December 2009 are included within discontinued operations in the financial information set out in Appendix 1.

2. Key business developments

2.1 Disruption caused by volcanic ash and airline industrial action

Owing to the impact on UK airspace of ash from a volcanic eruption in Iceland, Heathrow and Stansted were closed from 15 April 2010 to 20 April 2010 with normal airline schedules re-established from 22 April 2010. There were further disruptions caused by the ash cloud during early May. In addition, industrial action by British Airways cabin crew affected services at Heathrow on 34 days up to the end of June 2010. Together, these two events are estimated to have resulted in the loss of 2.2 million passengers in the six months ended 30 June 2010.

The impact of these disruptions on the Group's operational and financial performance are discussed in relevant later sections of this document.

2.2 Passenger traffic

Passenger traffic for the six months ended 30 June 2010 at Heathrow and Stansted is set out below.

(figures in millions unless otherwise stated)	**2010**	2009	Change (%)[1]
Passengers by airport			
Heathrow	**30.1**	31.2	(3.5)
Stansted	**8.5**	9.2	(7.7)
Passengers by market served			
UK	**3.0**	3.5	(13.5)
Europe[2]	**19.5**	20.4	(4.5)
Long haul	**16.2**	16.6	(2.6)
Total passengers[1]	**38.7**	40.5	(4.5)

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

In the six months ended 30 June 2010, the combined passenger traffic at Heathrow and Stansted declined 4.5% to 38.7 million (2009: 40.5 million). Year on year performance was materially impacted by disruption caused by volcanic ash, primarily in April 2010, which resulted in the loss of approximately 1.6 million passengers. In addition, industrial action affecting British Airways cabin crew at Heathrow in March, May and June 2010 resulted in the loss of an estimated 0.6 million passengers. Adjusting for these factors, passenger traffic across the two airports is estimated to have increased 0.9%.

Whilst Heathrow's reported traffic declined 3.5% to 30.1 million (2009: 31.2 million) for the reasons outlined above, its underlying traffic is estimated to have increased 2.3% reflecting its continued recovery from the recent economic downturn. Heathrow's underlying performance reflects a strong recovery in European scheduled traffic supplementing growth experienced in long haul traffic since mid-2009.

Recent growth at Heathrow has been led by origin and destination traffic that increased to 65% of Heathrow's total traffic in the six months ended 30 June 2010 (2009: 62%).

At Stansted, reported passenger traffic declined 7.7% to 8.5 million (2009: 9.2 million). Its underlying traffic is estimated to have declined 3.8%. The underlying year on year declines in Stansted's passenger traffic continued to moderate with an estimated decline of 3.1% in the second quarter of 2010 after 4.7% in the first quarter. This improving trend reflects particularly the performance of European scheduled and long haul traffic.

In terms of traffic performance by market served, emerging market long haul and European scheduled traffic continued to outperform whilst domestic traffic underperformed particularly due to service reductions during British Airways industrial action being focused on its domestic route network.

2.3 Transforming the Group’s airports

The Group has continued to implement its strategy to deliver sustained improvement in passengers’ experience and airlines’ operations through improved service standards and substantial investment in modern airport facilities. In particular, the Group's strategic objective is to make Heathrow into Europe's hub of choice by making every journey better. This will ensure customers enjoy superior facilities relative to competitors, encouraging greater utilisation of the Group’s airports and supporting their long term growth ambitions.

2.3.1 Service standards

Heathrow has continued to improve its ratings for overall passenger satisfaction, achieving its highest ever scores in Airport Council International's Airport Service Quality surveys in the first half of 2010. This reflects the strong focus in recent years on operational performance, improving the passenger experience and investing in new and upgraded facilities.

In the six months ended 30 June 2010 specific service standards at Heathrow and Stansted were resilient particularly given the effect of volcanic ash, airline industrial action and prolonged severe winter weather.

In relation to departure punctuality, the proportion of aircraft departing within 15 minutes of schedule at Heathrow was 75.5% (2009: 78.0%) and at Stansted was 80.5% (2009: 83.3%). Results were affected by the external factors mentioned above.

At Heathrow, despite the effects of prolonged severe winter weather, the baggage misconnect rate has continued to improve, declining to 17 per 1,000 passengers (2009: 20 per 1,000 passengers).

On security queuing, passengers passed through central security within periods prescribed under service quality rebate ('SQR') schemes 97.9% (2009: 98.2%) of the time at Heathrow and 98.8% (2009: 99.7%) of the time at Stansted. This compares with 95.0% service standards in both cases.

2.3.2 Developing modern airport facilities

The Group's airport transformation programme has continued, particularly in respect of Heathrow. Heathrow's latest annual capital investment plan ('CIP') was published in June 2010.

The major projects at Heathrow continue to be Terminal 5C, the integrated baggage system and the new Terminal 2. Further progress has been made towards completing Terminal 5C, the second satellite for Terminal 5, that is expected to become operational in early 2011. Following construction in 2009 of a baggage tunnel between Terminal 5 and Terminal 3, work has continued on fitting out the tunnel as it is prepared to commence service in 2012.

In the Eastern campus, following closure of the existing Terminal 2 in late 2009, work is well underway on decommissioning and demolition of the old terminal and construction of the new terminal has commenced. Its scope has been clarified in consultation with airlines including in relation to the specification of the multi-storey car park and how it is connected to the terminal and the existing road system as well as the scope of the baggage systems. The new Terminal 2 will be home to the Star Alliance airlines at Heathrow providing equivalence to Terminal 5's facilities.

Heathrow's latest CIP describes ongoing work with the airline community to formulate a comprehensive master plan for investment to develop the airport beyond the current regulatory period. This includes taking account of the recent announcement by the UK government that it will not support the development of a third runway at Heathrow. Whilst only indicative at this stage, longer term capital investment requirements may include the development of a new passenger transfer product, based on track transit or automated people mover technology, that could ultimately link all terminal and satellite buildings. There may also be further expansion of the new Terminal 2 beyond the first phase currently under construction. This would be built on Terminal 1's current footprint, ultimately necessitating the closure of this terminal.

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

In December 2009, the Competition Appeal Tribunal ('CAT') upheld BAA's appeal, on the grounds of apparent bias, regarding the disposal remedy proposed by the Competition Commission ('CC') following its investigation into the supply of UK airport services by BAA.

In March 2010, the Court of Appeal granted the CC leave to appeal against the CAT's findings in relation to apparent bias and the appeal hearing took place in June 2010. The result of this appeal is expected to be known later in 2010.

2.5 Department for Transport ('DfT') review of UK airport economic regulation

The new UK Government has now set out its approach to reforming the economic regulation of airports. The approach builds on the proposals published by the DfT in December 2009 and provides clarity on the package of measures to be taken forward in new legislation to promote both the interests of passengers and investment in the UK's airports. The measures, which were announced on 21 July 2010, will provide important reassurance for the Group's debt investors. They include:

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

The Government has also confirmed the decision announced in December 2009 not to bring in a special administration regime and that it will not be making changes to the basis on which the current price caps at Heathrow and Stansted are set.

2.6 Government announcements on new runways and high speed rail

The new UK government has announced that it will not support new runway development in the South East of England but has confirmed its support for the proposed high speed rail link between London and Birmingham together with closer assessment of the merits of a direct connection to Heathrow.

The Group expects a direct high speed rail link to Heathrow would reduce journey times from the Midlands and north of England thereby increasing demand to use Heathrow by capturing UK passengers that currently travel via other European hubs. Capacity should also be increased by allowing domestic slots serviced by relatively small aircraft to be rotated onto long haul routes serviced by larger aircraft.

As a result of the government's position on runways, Heathrow has announced that it will stop work on its planning application for a third runway and Stansted has announced that it will withdraw its current planning applications for a second runway.

The Group does not expect the decision on runways to adversely impact its debt investors as the inclusion of new runway related costs in the airports' regulatory asset bases is not affected by the decision and airports' exposure to passenger volume risk is limited by the five year regulatory cycle. In any event, the Group expects further growth without new runways even at Heathrow where higher load factors and capacity utilisation and increased use of larger aircraft provide growth opportunities.

3 Financial review

3.1 Basis of preparation

BAA (SP) Limited is the holding company of a group of companies that owns Heathrow and Stansted airports and operates the Heathrow Express rail service (the 'Group'). The Group also owned Gatwick airport until 3 December 2009. The Group's statutory accounts are prepared under UK GAAP including the adoption of merger accounting. Consolidated financial information is set out in Appendix 1 in which Gatwick is treated as a discontinued operation in the prior year comparative financial information.

In order to provide a more meaningful comparison of performance between 2009 and 2010, the information presented in sections 3.2.2 to 3.2.6, 3.3.2 and 3.3.3 focuses on the Group's continuing operations by excluding Gatwick from the prior year comparative information. A detailed analysis of turnover and operating costs both by airport and activity for continuing operations is set out in Appendix 2.

3.2 Profit and loss account

3.2.1 Introduction

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

Six months ended 30 June	**2010 £m**	2009 £m
Group turnover – total	**957.6**	1,154.5
Group turnover – discontinued operations	**-**	(217.3)
Group turnover – continuing operations	**957.6**	937.2
Adjusted operating costs – continuing operations(1)	**(555.9)**	(534.7)
Adjusted EBITDA – continuing operations(2)	**401.7**	402.5
Operating costs – exceptional – continuing operations(3)	**73.1**	(167.5)
EBITDA – continuing operations	**474.8**	235.0
Depreciation – ordinary – continuing operations	**(238.8)**	(218.5)
Depreciation – exceptional – continuing operations(3)	**(18.7)**	(37.9)
Operating profit/(loss) – continuing operations	**217.3**	(21.4)
Operating loss – discontinued operations	**-**	(16.4)
Operating profit/(loss) – total	**217.3**	(37.8)
Gain on disposal of Gatwick airport - discontinued operations(3)	**14.6**	-
Exceptional impairment of fixed assets(3)	**(104.4)**	-
Net interest payable and similar charges	**(330.3)**	(325.2)
Fair value loss on financial instruments	**(76.9)**	(182.7)
Total net interest payable and similar charges	**(407.2)**	(507.9)
Loss on ordinary activities before taxation	**(279.7)**	(545.7)
Tax credit on loss on ordinary activities	**19.5**	153.3
Loss on ordinary activities after taxation	**(260.2)**	(392.4)

(1) Adjusted operating costs are stated before depreciation, amortisation and exceptional items
(2) Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items
(3) See section 3.2.5 for further discussion of exceptional items

3.2.2 Turnover

In the six months ended 30 June 2010, turnover from continuing operations increased 2.2% to £957.6 million (2009: £937.2 million). This reflects a decline of 1.1% in aeronautical income and increases of 2.8% in gross retail income and 9.6% in other income.

Continuing operations *Six months ended 30 June*	**2010 £m**	2009 £m	Change (%)
Aeronautical income	**507.3**	513.2	(1.1)
Retail income	**216.1**	210.3	2.8
Other income	**234.2**	213.7	9.6
Total turnover	**957.6**	937.2	2.2

3.2.2.1 Aeronautical income

Aeronautical income by airport

Continuing operations *Six months ended 30 June*	**2010 £m**	2009 £m	Change (%)
Heathrow	**450.0**	454.3	(0.9)
Stansted	**57.3**	58.9	(2.7)
Total	**507.3**	513.2	(1.1)

In the six months ended 30 June 2010, aeronautical income declined 1.1% to £507.3 million (2009: £513.2 million). At Heathrow, aeronautical income declined 0.9% with the increase in tariffs that occurred on both 1 April 2009 and 2010 more than offset by the combined effects of disruption caused by volcanic ash and airline industrial action in 2010. At Stansted, aeronautical income declined 2.7%, well below the decline in passengers, reflecting lower tariff discounts. The disruption caused by volcanic ash and airline industrial action is estimated to have impacted the Group's aeronautical income by £29.6 million. In addition, the delay in introducing higher tariffs applying at Heathrow from 1 April 2008 boosted aeronautical income in the comparable period in 2009 by an estimated £12.5 million above underlying levels. Adjusting for these effects, aeronautical income is estimated to have increased 7.2%.

3.2.2.2 Retail income

The Group's retail business has maintained its recent strong momentum with net retail income per passenger increasing 10.2% to £5.20 (2009: £4.72) in the six months ended 30 June 2010.

This was based on gross retail income increasing 4.2% to £216.1 million (2009: £207.4 million) and net retail income ('NRI') increasing 5.2% to £200.8 million (2009: £190.8 million), excluding £2.9 million of non-recurring income at Heathrow (offset in operating costs) that was separately identified in the results for the comparable period in 2009. The discussion below of year on year performance excludes the £2.9 million from the 2009 data.

Net retail income per passenger by airport

Continuing operations *Six months ended 30 June*	**2010** **£**	2009 £	Change (%)[(1)]
Heathrow	**5.55**	4.99	11.3
Stansted	**3.93**	3.79	3.7
Total[(1)]	**5.20**	4.72	10.2

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

At Heathrow, gross retail income increased 6.3% to £178.3 million (2009: £167.7 million) and NRI per passenger increased 11.3% to £5.55 (2009: £4.99). Most areas of the retail business performed well, with the main growth driver being airside specialist shops. There have also been early signs of recovery in car parking following the recent period of weakness.

Heathrow's continued strong retail performance reflects the increase in the proportion of higher spending origin and destination passengers (see section 2.2). This benefits both the in-terminal and car parking elements of retail income. The performance also reflects the greater numbers of passengers utilising Terminal 4 following relocation of airlines prior to Terminal 2's recent closure who are benefiting from its upgraded retail facilities completed as part of the terminal's recent refurbishment. Further, growth in passenger spend has been particularly strong in the luxury segment of Heathrow's airside retail outlets.

Stansted's gross retail income declined 4.8% to £37.8 million (2009: £39.7 million), a resilient performance given passenger trends which, in combination with lower retail expenditure, meant that NRI per passenger increased 3.7% to £3.93 (2009: £3.79). Growth in Stansted's NRI per passenger reflects particularly performance in airside specialist shops, bureaux de change and catering with net car parking income per passenger stabilising in the second quarter of 2010 after a significant period of weakness.

The disruption caused by volcanic ash and airline industrial action in 2010 is estimated to have affected gross and net retail income by £8.4 million.

3.2.2.3 Other income

Income from activities other than aeronautical and retail increased 9.6% to £234.2 million (2009: £213.7 million). This reflects rail income increasing 10.4% to £47.6 million (2009: £43.1 million) due to passenger numbers increasing 5.2% to 2.74 million (2009: 2.61 million) as well as improved yields. Growth in rail passenger numbers partly reflects the shift in Heathrow airport passenger mix relative to the comparative period towards origin and destination traffic.

Income from activities other than aeronautical and retail also reflects operational facilities and utilities income increasing 8.0% to £78.6 million (2009: £72.8 million) due primarily to under-recovery of check-in and baggage system costs in the prior year.

In addition, intra-group and other income increased 16.8% to £54.8 million (2009: £46.9 million) due to £8.9 million of income from the provision of various services to Gatwick airport under transitional services agreements, most of which were terminated as planned in June 2010, meaning that growth in this category of income is likely to be more subdued for the balance of 2010. Adjusting for this factor, income from activities other than aeronautical and retail increased by an estimated 5.4%.

3.2.2.4 Underlying turnover

In the six months ended 30 June 2010, turnover from continuing operations increased 2.2% to £957.6 million (2009: £937.2 million). To determine underlying turnover growth it is necessary to adjust for an additional £12.5 million in aeronautical income earned in 2009 above underlying levels due to phasing of tariff increases differing from the normal pattern and £8.9 million of non-recurring income generated in 2010 from the provision of various services to Gatwick airport under transitional services agreements.

During 2010 the volcanic ash and industrial action by British Airways cabin crew also affected year on year performance with a combined estimated £38.0 million effect on reported turnover as discussed in sections 3.2.2.1 and 3.2.2.2.

Adjusting for the items outlined above, underlying turnover in the six months ended 30 June 2010 is estimated to have increased 6.7% to £986.7 million (2009: £924.7 million).

3.2.3 Adjusted operating costs

Adjusted operating costs exclude depreciation, amortisation and exceptional items.

In the six months ended 30 June 2010, adjusted operating costs increased 4.0% to £555.9 million (2009: £534.7 million).

Continuing operations *Six months ended 30 June*	**2010** **£m**	2009 £m
Employment costs	**156.1**	144.7
Maintenance expenditure	**69.1**	70.7
Utility costs	**59.9**	57.5
Rents and rates	**57.3**	63.0
General expenses	**113.7**	112.6
Retail expenditure	**15.3**	16.6
Intra-group charges/other	**84.5**	69.6
Total	**555.9**	**534.7**

The main drivers of increased adjusted operating costs were higher employment costs and intra-group charges. Employment costs increased 7.9% to £156.1 million (2009: £144.7 million) primarily reflecting £10.0 million of additional defined benefit pension service charges resulting from revised actuarial assumptions. Intra-group charges/other costs increased 21.4% to £84.5 million (2009: £69.6 million) primarily reflecting central overheads being allocated across a smaller business base following the sale of Gatwick (£17.5 million of central overheads were charged to Gatwick in the six months ended 30 June 2009).

The overall increase in adjusted operating costs was mitigated by lower rents and rates due to rationalisation of office space occupied by the Group and a rates rebate, and lower retail expenditure following rationalisation of car parking service providers at Heathrow and Stansted and marginally lower maintenance costs.

Adjusting for the increased pensions costs and re-allocated central overheads referred to above, underlying adjusted operating costs declined 1.1% to £545.9 million (2009: £552.2 million). The disruption caused by volcanic ash and airline industrial action did not materially affect adjusted operating costs.

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

3.2.4 Adjusted EBITDA

In the six months ended 30 June 2010 Adjusted EBITDA declined 0.2% to £401.7 million (2009: £402.5 million), resulting in an Adjusted EBITDA margin of 41.9%. Taking into account the underlying turnover discussed in section 3.2.2.4 and the increased pension costs and re-allocated central overheads discussed in section 3.2.3, underlying Adjusted EBITDA is estimated to have increased by 18.3% to £440.8 million (2009: £372.5 million), resulting in an underlying Adjusted EBITDA margin of 44.7%.

Adjusted EBITDA at Heathrow (including Heathrow Express Operating Company Limited) increased 0.7% to £367.7 million (2009: £365.3 million) with the modest growth reflecting the impact of the disruption caused by volcanic ash and airline industrial action. Stansted's Adjusted EBITDA declined 8.6% to £34.0 million (2009: £37.2 million) due principally to the disruption caused by volcanic ash.

3.2.5 Exceptional items

There was a total net £35.4 million pre-tax charge to the profit and loss account in respect of exceptional items in the six months ended 30 June 2010 (2009: £205.4 million charge). These included an impairment charge of £104.4 million in respect of runway planning application costs at both Heathrow and Stansted. The impairment has arisen due to the Group's decision not to pursue planning applications for new runways following the new UK government's announcement that it will not support the development of new runways in the South East of England. This accounting treatment has no impact on these costs being part of the airports' regulatory asset bases and generating future cash flows, consistent with CAA guidance (other than £37 million of Stansted planning application costs previously disallowed by the CAA). The exceptional items also included a £76.7 million non-cash credit (2009: £167.4 million charge) relating to the Group's share of the reduction in the BAA group's defined benefit pension scheme deficit. The pension related credit in the six months since 31 December 2009 reflects primarily reduced liabilities reflecting lower forecast inflation expectations.

In addition, there was a charge of £18.7 million (2009: £37.9 million) related to accelerated depreciation due to the shortened lives of certain existing assets at Heathrow given the new Heathrow Terminal 2 development. The accelerated depreciation charge has reduced from the prior year due to the full write-off of the old Terminal 2 by its closure in late 2009 and the charge relating to Terminal 1 no longer being treated as exceptional since the first quarter of 2010 as its remaining useful life has been extended. The £14.6 million gain on disposal of Gatwick reflects a provision release due to the shortfall between assets and liabilities transferred to the pension scheme of Gatwick's purchaser being lower than expected.

3.2.6 Operating profit

The Group recorded an operating profit from continuing operations for the six months ended 30 June 2010 of £217.3 million (2009: £21.4 million loss). Relative to Adjusted EBITDA, operating profit includes £238.8 million in depreciation (2009: £218.5 million). In addition, it reflects a net £54.4 million exceptional credit included in operating profit (2009: £205.4 million charge) (a further net exceptional charge of £89.8 million was incurred below operating profit). A reconciliation between Adjusted EBITDA and statutory operating profit is provided below.

Continuing operations *Six months ended 30 June*	**2010** **£m**	2009 £m	Change (%)
Adjusted EBITDA	**401.7**	402.5	(0.2)
Depreciation	**(238.8)**	(218.5)	9.3
Exceptional items – pensions	**76.7**	(167.4)	n/a
Exceptional items – accelerated depreciation	**(18.7)**	(37.9)	(50.7)
Exceptional items – other	**(3.6)**	(0.1)	n/a
Operating profit/(loss)	**217.3**	(21.4)	n/a

3.2.7 Taxation

The tax credit for the six months ended 30 June 2010 results in an effective tax rate for the period of 7.0% (30 June 2009: 28.1%).

The new UK government has announced that the main rate of UK corporation tax will change from 28% to 27% with effect from 1 April 2011. This change was enacted in the Finance (No. 2) Act 2010. As a result, the Group's deferred tax balances, which are currently provided at 28%, will be re-measured at the rate of 27% for the year ended 31 December 2010. Had this change been enacted at 30 June 2010 this would have resulted in a reduction in the net deferred tax liability by £10.4 million, with £12.2 million credited to the profit and loss account and £1.8 million charged to reserves.

3.3 Cash flow

3.3.1 Summary cash flow

Six months ended 30 June	**2010 £m**	2009 £m
Net cash inflow from operating activities - continuing operations	**384.0**	382.0
Net cash inflow from operating activities - discontinued operations	**-**	49.4
Net cash inflow from operating activities - total	**384.0**	431.4
Net interest paid	**(178.1)**	(244.0)
Taxation – Group relief	**1.0**	22.2
Cash flow after interest and tax	**206.9**	209.6
Net capital expenditure	**(386.9)**	(508.5)
Net cash outflow before management of liquid resources and financing	**(180.0)**	(298.9)
Management of liquid resources	**88.5**	(48.7)
Prepayment of derivative interest	**(36.7)**	-
Cancellation of derivatives	**(73.9)**	-
Proceeds of equity issue	**217.4**	-
Other financing flows	**(8.6)**	324.5
Increase/(decrease) in net cash	**6.7**	(23.1)
Restricted cash	**143.0**	-
Pension payments related to disposal of Gatwick	**(107.1)**	-
Transferred to non-restricted cash - repayment of debt	**(35.9)**	-
Increase/(decrease) in net cash	**6.7**	(23.1)

3.3.2 Cash flow from operating activities

Net cash inflow from continuing operations in the six months ended 30 June 2010 was £384.0 million (2009: £382.0 million). The similar operating cash flow is consistent with the fact that Adjusted EBITDA is almost identical between the two periods and the modest cash effect of exceptional items in both periods.

3.3.3 Capital expenditure

In the six months ended 30 June 2010, the Group invested £386.9 million in capital expenditure (2009: £508.5 million including £58.6 million at Gatwick) with £376.3 million at Heathrow (2009: £407.8 million) and £10.6 million at Stansted (2009: £42.1 million). Capital expenditure at Heathrow included £37.5 million in settlement of future payments relating to land purchased for the construction of Terminal 5.

The rate of spend at Heathrow over the first six months of 2010 reflects particularly the Eastern campus being in a preparatory phase following completion of the first phase of one of the satellites to the new Terminal 2 at the end of 2009. Work in 2010 to date has focussed on demolition, enabling works and construction preparation for the main Terminal 2 building. There has also been some rephasing of other works. The rate of spend on the Eastern campus is expected to increase as construction of the new Terminal 2 building gains momentum and construction of the second phase of the satellite to Terminal 2 starts in October 2010. The rate of spend in the baggage programme is also expected to increase. Apart from the new Terminal 2, the major projects at Heathrow have included further progress towards completing Terminal 5C, the second satellite for Terminal 5, that is due to become operational in early 2011. Following construction in 2009 of a baggage tunnel between Terminal 5 and Terminal 3, work has continued on fitting out the tunnel as it is prepared to commence service in 2012.

3.4 Pension scheme

At 30 June 2010, the BAA defined benefit pension scheme had a deficit of £60.3 million as measured under IAS19, of which £51.0 million is attributable to the Group under the BAA group's shared services agreement. This compares with a total BAA deficit of £255.6 million at 31 December 2009. The deficit reduction is due to two factors. Firstly, it reflects updated actuarial assumptions, particularly the reduced forecast inflation expectations mentioned in section 3.2.5. In addition, it is due to a £104.7 million commutation payment made into the scheme following the disposal of Gatwick airport (an additional £2.4 million was paid to the pension scheme of Gatwick's purchaser).

3.5 Financing

3.5.1 Net debt and liquidity

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

Over the first six months of 2010, the Group's nominal net debt has remained broadly stable, increasing 0.9% from £8,579.0 million at 31 December 2009 to £8,657.4 million at 30 June 2010. The limited increase in net debt in the first six months of 2010 primarily reflects continued strong operating cash flow together with relatively modest capital investment and part of the equity injection (see section 3.5.2) received in 2010 being utilised in reducing net debt. In addition, whilst at 31 December 2009 £143.0 million in restricted cash was being held in escrow from the disposal of Gatwick to meet potential pension payments (and excluded from net debt), the agreed payments totalled £107.1 million, resulting in a £35.9 million net debt reduction.

The Group's nominal net debt at 30 June 2010 comprised £5,440.8 million outstanding under bond issues, £2,185.7 million outstanding under the bank refinancing facility, £1,127.3 million outstanding under other bank facilities, £60.3 million in index-linked derivative accretion and cash and cash equivalents of £156.7 million.

The accounting value of net debt at 30 June 2010 was £8,627.5 million (31 December 2009: £8,725.7 million).

The average cost of the Group’s external gross debt at 30 June 2010 was 4.66% after all hedging, including the real cost of index-linked hedges. The recent reduction in the Group's cost of debt reflects primarily the cancellation of derivatives completed since December 2009 which will have a long term benefit on the Group's profit and loss interest charge.

3.5.2 Equity injection

The £500 million equity injection into the Group announced in November 2009 was completed in January 2010 with the injection of £217.4 million following the £282.6 million invested in November 2009.

3.5.3 Regulatory Asset Base (‘RAB’)

Set out below are RAB figures for the Group’s airports at 31 December 2009 and 30 June 2010. RAB figures are utilised in calculating gearing ratios under the Group's financing agreements.

	Heathrow £m	**Stansted[(1)] £m**	**Total £m**
31 December 2009	10,452.9	1,277.6	11,730.5
30 June 2010	10,970.6	1,308.7	12,279.3

(1) Figure at 31 December 2009 amended from £1,293.0 million previously disclosed due to review in producing March 2010 regulatory accounts

The increase in the total RAB during the six months ended 30 June 2010 reflected the addition of approximately £385 million in capital expenditure partially offset by regulatory depreciation of around £250 million. Variation in RAB profiling adjustments added a further £85 million to the closing RAB whilst inflation resulted in a net positive indexation adjustment of approximately £330 million over the period.

BAA

3.5.4 Net interest payable and net interest paid

In the six months ended 30 June 2010, the Group's net interest payable was £330.3 million (2009: £325.2 million) excluding fair value losses on financial instruments. Excluding £10.0 million in capitalised interest (2009: £11.0 million) and £26.7 million in non-cash amortisation of financing fees and bond fair value adjustments (2009: £49.0 million), underlying interest payable was £313.6 million (2009: £287.2 million). The increased underlying interest payable in the six months ended 30 June 2010 is due to the impact on accretion under index-linked derivatives of negative inflation in 2009 and positive inflation in 2010.

Within interest payable is also recorded a non-cash net fair value loss on financial instruments of £76.9 million (2009: £182.7 million loss) primarily driven by movements in the nominal swap curve.

Net interest paid in the six months ended 30 June 2010 was £178.1 million (2009: £244.0 million). This consisted of £160.2 million (2009: £155.6 million) paid in relation to external debt and £17.9 million (2009: £88.4 million) under the debenture between BAA (SP) Limited and BAA (SH) Limited. The substantially higher interest paid on the debenture in 2009 primarily reflects interest paid in January 2009 in respect of a longer than usual interest period that had started in August 2008 when interest rates were significantly higher than they have been since. In addition, interest paid in the first half of 2010 was only in respect of the three month period to January 2010 due to the subsequent selection of an interest period from January 2010 to July 2010.

Net interest paid is lower than net interest payable primarily due to an amortisation charge of £70.6 million in net interest payable relating to prepayments of derivative interest implemented in earlier periods and a £64.9 million positive accruals variance primarily due to accretion on index-linked derivatives.

3.5.5 Financial ratios

The Group continues operating comfortably within required financial ratios with headroom on its gearing ratios having increased materially since the beginning of 2010.

At 30 June 2010, the Group's senior and junior gearing ratios (nominal net debt to RAB) were 0.651x and 0.705x respectively compared with trigger levels of 0.70x and 0.85x. This compares with ratios of 0.675x and 0.731x respectively at 31 December 2009. This means that headroom against the junior gearing trigger levels has increased by approximately £400 million since 31 December 2009. Headroom against senior and junior gearing trigger levels has increased to approximately £1.0 billion (taking into account the £400 million undrawn junior debt tranche of the capital expenditure facility) and £1.8 billion respectively at 30 June 2010 primarily due to the recent equity injection and the impact of inflation on the RAB.

3.6 Subordinated debt refinancing

BAA has been evaluating in recent months its strategy for refinancing the £1.566 billion subordinated loan facility at BAA (SH) Limited. The Group has achieved significant recent deleveraging, with headroom against its junior gearing trigger levels increasing by about £400 million in the last 6 months alone. This has provided increased financial flexibility that has led the Group to conclude that a key part of the strategy should involve optimising gearing and cost of funding for its overall capital structure by distributing cash from the Group to BAA (SH) Limited to facilitate part of the refinancing.

The Group expects to implement the necessary steps to enable it to distribute cash shortly. The residual refinancing requirement for the subordinated loan facility is expected to be raised by BAA (SH) Limited in the coming months from the bank and/or institutional loan and capital markets.

3.7 Outlook

The Group confirms that the outlook for Adjusted EBITDA for the year to 31 December 2010 remains consistent with guidance set out in the investor report issued on 24 June 2010.

Appendix 1 – Financial information

BAA (SP) Limited

Consolidated profit and loss account for the six months ended 30 June 2010

	Unaudited Six months ended 30 June 2010 £m	Restated[1] Unaudited Six months ended 30 June 2009 £m	Audited Year ended 31 December 2009 £m
Turnover – continuing operations	**957.6**	937.2	1,977.6
Turnover – discontinued operations	**-**	217.3	440.3
Total turnover	**957.6**	1,154.5	2,417.9
Operating costs – ordinary	**(794.7)**	(937.1)	(1,891.5)
Operating costs – exceptional: pensions	**76.7**	(218.5)	(217.8)
Operating costs – exceptional: other	**(22.3)**	(36.7)	(52.9)
Total operating costs	**(740.3)**	(1,192.3)	(2,162.2)
Operating profit – continuing operations	**217.3**	(21.4)	160.6
Operating profit – discontinued operations	**-**	(16.4)	95.1
Total operating profit/(loss)	**217.3**	(37.8)	255.7
Gain/(loss) on disposal of Gatwick airport – discontinued operations	**14.6**	-	(277.3)
Exceptional impairment of fixed assets	**(104.4)**	-	-
Interest receivable	**76.1**	77.5	154.7
Interest payable and similar charges	**(406.4)**	(402.7)	(837.6)
Fair value loss on financial instruments	**(76.9)**	(182.7)	(117.4)
Net interest payable and similar charges	**(407.2)**	(507.9)	(800.3)
Loss on ordinary activities before taxation	**(279.7)**	(545.7)	(821.9)
Tax credit on loss on ordinary activities	**19.5**	153.3	137.9
Loss on ordinary activities after taxation	**(260.2)**	(392.4)	(684.0)

[1] The presentation of certain balances for the six months ended 30 June 2009 has been restated as a result of the disposal of Gatwick airport and its resulting classification as a discontinued operation together with the change in accounting policy for accretion on index-linked swaps (refer Note 1).

BAA (SP) Limited

Consolidated balance sheet
as at 30 June 2010

	Unaudited 30 June 2010 £m	Restated[1] Unaudited 30 June 2009 £m	Audited 31 December 2009 £m
Fixed assets			
Tangible fixed assets	**11,468.3**	12,928.7	11,473.8
Financial assets – derivative financial instruments	**461.2**	619.8	683.0
Total fixed assets	**11,929.5**	13,548.5	12,156.8
Current assets			
Stocks	**5.2**	7.8	4.9
Debtors: due within one year	**323.9**	376.8	303.2
Financial assets – derivative financial instruments	**0.2**	1.5	0.3
Current asset investments	**146.0**	205.8	234.5
Restricted cash	**-**	-	143.0
Cash at bank and in hand	**10.7**	1.9	4.0
Total current assets	**486.0**	593.8	689.9
Current liabilities			
Creditors: amounts falling due within one year	**(2,441.2)**	(1,636.0)	(558.6)
Net current (liabilities)/assets	**(1,955.2)**	(1,042.2)	131.3
Total assets less current liabilities	**9,974.3**	12,506.3	12,288.1
Creditors: amounts falling due after more than one year	**(9,031.9)**	(11,028.1)	(10,830.9)
Deferred tax	**(185.5)**	(404.0)	(291.4)
Provisions for liabilities and charges - pension	**(66.5)**	(207.3)	(231.8)
Provisions for liabilities and charges - other	**(46.9)**	(139.4)	(108.0)
Net assets	**643.5**	727.5	826.0
Capital and reserves			
Called up share capital	**11.0**	10.0	10.6
Share premium reserve	**499.0**	-	282.0
Revaluation reserve	**1,439.8**	1,811.8	1,442.4
Merger reserve	**(4,535.6)**	(5,629.6)	(4,535.6)
Fair value reserve	**(196.7)**	(115.1)	(100.5)
Profit and loss reserve	**3,426.0**	4,650.4	3,727.1
Total shareholder's funds	**643.5**	727.5	826.0

[1] The presentation of certain balances for the six months ended 30 June 2009 has been has been restated to be consistent with current year disclosures.

BAA (SP) Limited

Consolidated summary cash flow statement for the six months ended 30 June 2010

	Unaudited Six months ended 30 June 2010 £m	Restated[1] Unaudited Six months ended 30 June 2009 £m	Audited Year ended 31 December 2009 £m
Operating profit/(loss) – continuing operations	**217.3**	(21.4)	160.6
Adjustments for:			
Depreciation (including exceptional depreciation)	**257.5**	256.4	507.3
Loss/(gain) on disposal of tangible fixed assets	**0.3**	-	(0.1)
Working capital changes:			
Decrease/(increase) in stock and debtors	**9.0**	(7.1)	16.6
Increase/(decrease) in creditors	**13.2**	4.3	(71.0)
(Decrease)/increase in provisions	**(23.6)**	(4.7)	2.9
Difference between pension charge and cash contributions	**(13.0)**	(13.0)	(31.8)
Exceptional pension (credit)/charge	**(76.7)**	167.5	217.8
Net cash inflow from operating activities – continuing	**384.0**	382.0	802.3
Net cash inflow from operating activities – discontinued	**-**	49.4	170.3
Net interest paid	**(178.1)**	(244.0)	(512.9)
Taxation - Group relief	**1.0**	22.2	24.0
Net capital expenditure	**(386.9)**	(508.5)	(1,002.8)
Disposal of Gatwick Airport Limited	**-**	-	1,418.6
Disposal of Gatwick Airport Limited - pensions	**(107.1)**	-	-
Cash transferred on disposal of Gatwick Airport Limited	**-**	-	(39.0)
Net cash (outflow)/inflow before use of liquid resources and financing	**(287.1)**	(298.9)	860.5
Management of liquid resources	**88.5**	(48.7)	(77.4)
Issuance of bonds (net of issuance costs)	**-**	-	923.7
Prepayment of derivative interest	**(36.7)**	-	(114.2)
Cancellation of derivatives	**(73.9)**	-	(43.3)
Issuance of ordinary share capital	**217.4**	-	282.6
Restricted cash	**143.0**	-	(143.0)
Other financing flows	**(44.5)**	324.5	(1,709.9)
Increase/(decrease) in net cash	**6.7**	(23.1)	(21.0)

[1] The presentation of certain balances for the six months ended 30 June 2009 has been restated as a result of the disposal of Gatwick airport and its resulting classification as a discontinued operation.

BAA (SP) Limited

Notes to the consolidated financial statements for the six months ended 30 June 2010

1. General information

The interim consolidated financial statements have not been audited.

The financial information set out herein does not constitute the Group's statutory financial statements for the year ended 31 December 2009. A copy of the statutory accounts for that year have been filed with the Registrar of Companies. The financial information presented in this announcement for the six months ended 30 June 2010 is based on, and is consistent with, that in BAA (SP) Limited's ('the Group') audited financial statements for the year ended 31 December 2009. The auditor's report on the 2009 financial statements is unqualified.

Basis of preparation

This financial information has been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and financial instruments in accordance with the Companies Act 2006 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Changes in accounting policies and disclosures

Discontinued operations

Gatwick airport has been classified as a discontinued operation due to its disposal on 3 December 2009. 30 June 2009 comparative balances have been restated in the consolidated profit and loss account for turnover and operating profit, consolidated summary cash flow statement for cash flows from operating activities and associated notes in accordance with UK GAAP.

Accretion on index-linked financial instruments

Following a £235.0 million index-linked bond issuance in December 2009, the Group has changed the way accretion on index-linked swaps is presented in the profit and loss account. Accretion on index-linked swaps was previously included within the fair value gain or loss on financial instruments. Accounting standards for index-linked bonds require accretion to be classified as a part of their finance cost. Management considers that classifying accretion for both instruments consistently through 'Interest payable and similar charges' will improve presentation of the Group's profit and loss account. 30 June 2009 comparatives have been restated to present the results on a consistent basis. The new treatment resulted in reclassification of a £32.5 million gain for the six months ended 30 June 2009 from 'Fair value loss on financial instruments' to 'Interest payable and similar charges'. The current year result is a £34.7 million loss recognised in the Group's 'Interest payable and similar charges' (year ended 31 December 2009: £16.2 million gain).

2. Segment information

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

	Turnover			Operating profit/(loss)			Net assets		
	Unaudited Six months ended 30 June 2010 £m	Restated[1] Unaudited Six months ended 30 June 2009 £m	Audited Year ended 31 December 2009 £m	**Unaudited Six months ended 30 June 2010 £m**	Restated[1] Unaudited Six months ended 30 June 2009 £m	Audited Year ended 31 December 2009 £m	**Unaudited 30 June 2010 £m**	Restated[1 2] Unaudited 30 June 2009 £m	Audited 31 December 2009 £m
Continuing operations									
Heathrow	**851.6**	827.4	1,734.6	**187.4**	(12.5)	127.7	**1,699.0**	1,293.4	1,563.7
Stansted	**106.0**	109.8	243.0	**27.0**	(11.6)	27.4	**906.5**	1,020.1	1,052.2
Other entities[3]	**-**	-	-	**2.9**	2.7	5.5	**(1,961.8)**	(2,516.5)	(1,789.7)
Other adjustments[4]	**-**	-	-	**-**	-	-	**(0.2)**	(0.2)	(0.2)
	957.6	937.2	1,977.6	**217.3**	(21.4)	160.6	**643.5**	(203.2)	826.0
Discontinued operations									
Gatwick	**-**	217.3	440.3	**-**	(16.4)	95.1	**-**	930.7	-
Total	**957.6**	1,154.5	2,417.9	**217.3**	(37.8)	255.7	**643.5**	727.5	826.0

1 The presentation of certain balances for the six months ended 30 June 2009 has been restated as a result of the disposal of Gatwick airport and its resulting classification as a discontinued operation.
2 The presentation of certain balances as at 30 June 2009 has been restated to be consistent with current year disclosures.
3 The 'Other entities' business segment includes Heathrow Express Operating Company Limited, BAA Funding Limited, BAA (AH) Limited and the parent entity BAA (SP) Limited.
4 'Other adjustments' relate to the elimination of inter-company transactions and consolidation adjustments.

2. Segment information (continued)

Reconciliation of Adjusted EBITDA and Operating Profit

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

Six months ended 30 June 2010	**Adjusted EBITDA**	**Exceptional items**	**Depreciation**[1]	**Operating profit**
	£m	**£m**	**£m**	**£m**
Continuing operations				
Heathrow	**364.9**	**41.6**	**(219.1)**	**187.4**
Stansted	**34.0**	**12.7**	**(19.7)**	**27.0**
Other entities and adjustments	**2.8**	**0.1**	**-**	**2.9**
	401.7	**54.4**	**(238.8)**	**217.3**
Discontinued operations				
Gatwick	**-**	**-**	**-**	**-**
Total	**401.7**	**54.4**	**(238.8)**	**217.3**

Six months ended 30 June 2009 [2]	Adjusted EBITDA	Exceptional items	Depreciation[1]	Operating (loss)/ profit
	£m	£m	£m	£m
Continuing operations				
Heathrow	362.6	(175.9)	(199.2)	(12.5)
Stansted	37.2	(29.5)	(19.3)	(11.6)
Other entities and adjustments	2.7	-	-	2.7
	402.5	(205.4)	(218.5)	(21.4)
Discontinued operations				
Gatwick	67.4	(49.8)	(34.0)	(16.4)
Total	469.9	(255.2)	(252.5)	(37.8)

Year ended 31 December 2009	Adjusted EBITDA	Exceptional items	Depreciation[1]	Operating profit
	£m	£m	£m	£m
Continuing operations				
Heathrow	777.2	(235.4)	(414.1)	127.7
Stansted	102.4	(36.4)	(38.6)	27.4
Other entities and adjustments	5.6	(0.1)	-	5.5
	885.2	(271.9)	(452.7)	160.6
Discontinued operations				
Gatwick	157.3	1.2	(63.4)	95.1
Total	1,042.5	(270.7)	(516.1)	255.7

[1] Depreciation excluding exceptional accelerated depreciation.

[2] The presentation of certain balances for the six months ended 30 June 2009 has been restated as a result of the disposal of Gatwick airport and its resulting classification as a discontinued operation.

2. Segment information (continued)

Exceptional items - operating costs

Under the Shared Services Agreement (‘SSA’) the current period service cost for the BAA Airports Limited pension schemes are recharged to the Group’s airports. Cash contributions are made directly to the pension trustee of the BAA Airports Limited defined benefit pension scheme on behalf of BAA Airports Limited. Each airport also has a legal obligation to fund its relevant share of any pension deficit related to BAA Airports Limited pension plans under the SSA. Costs have been allocated to the Group on the basis of pensionable pay base.

For the six months ended 30 June 2010 a net credit of £76.7 million was recognised in relation to exceptional pension costs (six months ended 30 June 2009: £218.5 million cost; year ended 31 December 2009: £217.8 million cost) incurred in relation to the push down of the Group’s share of the deficit on the BAA Airports Limited defined benefit pension scheme in accordance with the Shared Services Agreement (‘SSA’). The credit in the period relates to the decrease in the scheme deficit since 31 December 2009 caused primarily by reduced liabilities reflecting a lower forecast inflation curve. In addition to this credit, the Provision for liabilities and charges - pension balance has reduced due to the commutation payment made into the scheme following the disposal of Gatwick airport.

The remainder of the operating exceptional items primarily reflect a charge of £18.7 million (six months ended 30 June 2009: £37.9 million; year ended 31 December 2009: £54.6 million) related to accelerated depreciation due to the shortened lives of certain existing assets at Heathrow given the new Heathrow Terminal 2 development. The accelerated depreciation charge has reduced from the prior year due to the full write-off of the old Terminal 2 by its closure in late 2009 and the charge relating to Terminal 1 no longer being treated as exceptional since the first quarter of 2010 as its remaining useful life has been extended.

3. Exceptional items - other

Gain on disposal of Gatwick airport

The £14.6 million gain on disposal of Gatwick reflects a provision release due to the shortfall between assets and liabilities transferred to the pension scheme of Gatwick's purchaser being lower than expected.

Impairment of fixed assets

As a result of the change in UK Government and its stance towards runway developments, BAA announced that it was withdrawing its planning permission applications for Stansted Generation 2 ("SG2") and ceasing work on the development of the planning application for a third runway at Heathrow ("R3"). At the half year an exceptional impairment charge of £104.4 million has been made in relation to the write off of associated runway development costs. This charge does not have an impact on the airports' regulatory asset base and has no cash impact.

4. Interest and similar items

	Unaudited Six months ended 30 June 2010 £m	Restated[1] Unaudited Six months ended 30 June 2009 £m	Audited Year ended 31 December 2009 £m
Interest receivable on derivatives not in hedge relationship	**75.7**	77.2	154.2
Interest receivable from other group undertakings	**-**	0.1	0.3
Interest on bank deposits	**0.4**	0.2	0.2
Interest receivable	**76.1**	77.5	154.7
Interest on borrowings			
Bonds and related hedging instruments	**(189.3)**	(164.5)	(332.5)
Bank loans and overdrafts and related hedging instruments	**(89.5)**	(161.3)	(313.3)
Interest payable on derivatives not in hedge relationship[1]	**(86.8)**	(24.8)	(98.5)
Facility fees	**(13.2)**	(13.0)	(26.8)
Interest on BAA (SP) Limited debenture	**(37.6)**	(48.3)	(86.8)
Interest payable to other group undertakings	**-**	-	(0.3)
Unwinding of discount on provisions	**-**	(1.8)	(3.3)
Interest capitalised	**10.0**	11.0	23.9
Interest payable and similar charges	**(406.4)**	(402.7)	(837.6)
Net interest payable before fair value loss	**(330.3)**	(325.2)	(682.9)
Interest rate swaps: cash flow hedge[2]	**(3.5)**	20.2	21.1
Interest rate swaps: not in hedge relationship	**-**	1.0	1.9
Index-linked swaps: not in hedge relationship[1]	**(71.9)**	(187.6)	(125.8)
Cross-currency swaps: cash flow hedge[2]	**(0.9)**	(13.1)	(12.0)
Cross-currency swaps: fair value hedge	**0.4**	-	-
Fair value re-measurements of foreign exchange contracts and currency balances	**(1.0)**	(3.2)	(2.6)
Fair value loss on financial instruments	**(76.9)**	(182.7)	(117.4)
Net interest payable and similar charges	**(407.2)**	(507.9)	(800.3)

[1] The presentation of certain balances for the six months ended 30 June 2009 has been restated to be consistent with current year disclosures for the inflation accretion on RPI swaps recognised in 'Interest payable on derivatives not in hedge relationship' from 'Index-linked swaps: not in hedge relationship'. Refer Note 1.

[2] Hedge ineffectiveness on derivatives in hedge relationship.

5. Tax on profit on ordinary activities

The tax credit for the six months ended 30 June 2010 results in an effective tax rate for the period of 7.0% (30 June 2009: 28.1%). This credit is calculated by applying the forecast tax rate for each entity for the full year to the results for the six month period ended 30 June 2010.

The tax credit for the period differs from the UK statutory rate of corporation tax of 28% due to permanent differences arising from non qualifying depreciation and runway impairment and non taxable proceeds from the disposal of Gatwick Airport Limited, together with the impact of phasing results through the year.

The new UK government has announced that the main rate of UK corporation tax will change from 28% to 27% with effect from 1 April 2011. This change was enacted in the Finance (No. 2) Act 2010. As a result, the Group's deferred tax balances, which are currently provided at 28%, will be re-measured at the rate of 27% for the year ended 31 December 2010. Had this change been enacted at 30 June 2010 this would have resulted in a reduction in the net deferred tax liability by £10.4 million, with £12.2 million credited to the profit and loss account and £1.8 million charged to reserves.

6. Borrowings

Within 'Creditors: amounts falling due within one year' are borrowings and financial derivatives of £1,822.4 million and £0.8 million respectively (30 June 2009: £1,041.9 million and £14.1 million respectively; 31 December 2009: £41.4 million and £0.1 million respectively).

Within 'Creditors: amounts falling due after more than one year' are borrowings and financial derivatives of £8,527.6 million and £500.7 million respectively (30 June 2009: £10,477.6 million and £543.3 million respectively; 31 December 2009: £10,488.6 million and £337.7 million respectively).

	Unaudited 30 June 2010 £m	Unaudited 30 June 2009 £m	Audited 31 December 2009 £m
Current borrowings			
Secured			
Syndicated term facility	**217.5**	998.3	-
Bank loans – EIB	**39.1**	43.6	41.4
Unsecured			
BAA (SP) Limited debenture payable to BAA (SH) Limited	**1,565.8**	-	-
Total current borrowings	**1,822.4**	1,041.9	41.4
Non-current borrowings			
Secured			
Syndicated term facility	**1,945.9**	3,355.8	2,253.8
Capital expenditure facility	**775.0**	596.0	700.0
Bank loans – EIB	**311.1**	349.9	330.5
	3,032.0	4,301.7	3,284.3
Secured			
Bonds			
3.975% €1,000 million due 2012	**783.7**	797.8	841.8
5.850% £400 million due 2013	**371.0**	365.7	368.3
4.600% €750 million due 2014	**568.0**	582.3	612.7
12.450% £300 million due 2016	**372.4**	382.2	377.3
4.600% €750 million due 2018	**535.0**	552.8	582.2
9.200% £250 million due 2021	**283.9**	285.9	284.9
5.225% £750 million due 2023	**614.6**	608.4	611.5
6.750% £700 million due 2026	**689.3**	-	689.1
7.075% £200 million due 2028	**197.4**	197.3	197.4
6.450% £900 million due 2031	**838.9**	837.7	838.3
3.334%+RPI £235 million due 2039	**241.4**	-	235.0
	5,495.6	4,610.1	5,638.5
Unsecured			
BAA (SP) Limited debenture payable to BAA (SH) Limited	**-**	1,565.8	1,565.8
Total non-current borrowings	**8,527.6**	10,477.6	10,488.6
Total current and non-current borrowings	**10,350.0**	11,519.5	10,530.0

Appendix 2

Analysis of turnover and operating costs for the six months ended 30 June 2010 (continuing operations)

	Heathrow Airport Ltd	HEX Opco	Total Heathrow	Stansted	Total
	£m	£m	£m	£m	£m
Turnover					
Aeronautical income	450.0	-	**450.0**	57.3	**507.3**
Retail income	178.3	-	**178.3**	37.8	**216.1**
Car parking	32.6	-	**32.6**	15.2	**47.8**
Duty and tax-free	43.4	-	**43.4**	5.6	**49.0**
Airside specialist shops	33.5	-	**33.5**	3.0	**36.5**
Bureaux de change	17.2	-	**17.2**	3.5	**20.7**
Catering	14.2	-	**14.2**	4.3	**18.5**
Landside shops and bookshops	9.3	-	**9.3**	2.2	**11.5**
Advertising	14.3	-	**14.3**	1.1	**15.4**
Car rental	5.5	-	**5.5**	1.2	**6.7**
Other	8.3	-	**8.3**	1.7	**10.0**
Operational facilities and utilities income	73.6	-	**73.6**	5.0	**78.6**
Property rental income	49.2	-	**49.2**	4.0	**53.2**
Rail income	47.6	-	**47.6**	-	**47.6**
Other income	50.1	-	**50.1**	1.9	**52.0**
HEX inter-company elimination	(27.3)	30.1	**2.8**	-	**2.8**
Total income	821.5	30.1	**851.6**	106.0	**957.6**
Operating costs					
Employment costs	121.1	9.3	**130.4**	25.7	**156.1**
Maintenance expenditure	55.9	7.7	**63.6**	5.5	**69.1**
Utility costs	48.7	1.1	**49.8**	10.1	**59.9**
Rents and rates	49.8	1.2	**51.0**	6.3	**57.3**
General expenses	92.6	6.8	**99.4**	14.3	**113.7**
Retail expenditure	11.0	-	**11.0**	4.3	**15.3**
Intra-group charges/other	107.3	1.2	**108.5**	5.8	**114.3**
Loss on disposal of fixed assets	0.3	-	**0.3**	-	**0.3**
HEX inter-company elimination	(30.1)	-	**(30.1)**	-	**(30.1)**
Adjusted operating costs	456.6	27.3	**483.9**	72.0	**555.9**
Depreciation	219.1	-	**219.1**	19.7	**238.8**
Exceptional items	(41.6)	(0.1)	**(41.7)**	(12.7)	**(54.4)**
Total operating costs	634.1	27.2	**661.3**	79.0	**740.3**
Adjusted EBITDA	364.9	2.8	**367.7**	34.0	**401.7**

Analysis of turnover and operating costs for the six months ended 30 June 2009 (continuing operations)

	Heathrow Airport Ltd	HEX Opco	Total Heathrow	Stansted	Total
	£m	£m	£m	£m	£m
Turnover					
Aeronautical income	454.3	-	**454.3**	58.9	**513.2**
Retail income	170.6	-	**170.6**	39.7	**210.3**
Car parking	34.7	-	**34.7**	16.9	**51.6**
Duty and tax-free	40.8	-	**40.8**	5.9	**46.7**
Airside specialist shops	28.1	-	**28.1**	2.6	**30.7**
Bureaux de change	15.6	-	**15.6**	3.3	**18.9**
Catering	12.5	-	**12.5**	4.2	**16.7**
Landside shops and bookshops	9.7	-	**9.7**	3.0	**12.7**
Advertising	14.7	-	**14.7**	1.2	**15.9**
Car rental	5.7	-	**5.7**	0.9	**6.6**
Other	8.8	-	**8.8**	1.7	**10.5**
Operational facilities and utilities income	67.6	-	**67.6**	5.2	**72.8**
Property rental income	47.2	-	**47.2**	3.7	**50.9**
Rail income	43.1	-	**43.1**	-	**43.1**
Other income	41.9	-	**41.9**	2.3	**44.2**
HEX inter-company elimination	(27.4)	30.1	**2.7**	-	**2.7**
Total income	797.3	30.1	**827.4**	109.8	**937.2**
Operating costs					
Employment costs	112.7	8.5	**121.2**	23.5	**144.7**
Maintenance expenditure	55.7	9.3	**65.0**	5.7	**70.7**
Utility costs	47.9	0.1	**48.0**	9.5	**57.5**
Rents and rates	55.9	1.0	**56.9**	6.1	**63.0**
General expenses	90.7	6.9	**97.6**	15.0	**112.6**
Retail expenditure	11.9	-	**11.9**	4.7	**16.6**
Intra-group charges/other	90.0	1.6	**91.6**	8.1	**99.7**
HEX inter-company elimination	(30.1)	-	**(30.1)**	-	**(30.1)**
Adjusted operating costs	434.7	27.4	**462.1**	72.6	**534.7**
Depreciation	199.2	-	**199.2**	19.3	**218.5**
Exceptional items	175.9	-	**175.9**	29.5	**205.4**
Total operating costs	809.8	27.4	**837.2**	121.4	**958.6**
Adjusted EBITDA	362.6	2.7	**365.3**	37.2	**402.5**