

BAA Funding Limited
Special purpose financial statements
for the six months ended 30 June 2012

Unaudited

BAA Funding Limited

Contents

| | |
|--|----------|
| Directors' report | 1 |
| Special purpose financial statements | |
| Profit and loss account | 2 |
| Reconciliation of movements in shareholder's funds | 3 |
| Balance sheet | 4 |
| Summary cash flow statement | 5 |

BAA Funding Limited

Directors' report

The unaudited Special purpose financial statements of BAA Funding Limited (the 'Company'), comprising the Profit and loss account, Reconciliation of movements in shareholder's funds, Balance sheet and Summary cash flow statement have been prepared in order to comply with the requirements contained within the BAA Limited group's various borrowing facilities' undertakings for half year reporting. They are considered to fairly present the financial condition and operations of the Company as at 30 June 2012 and for the six months then ended. The financial statements have been prepared applying consistent accounting principles to those applied for the year ended 31 December 2011, including the application of the going concern accounting policy.

On behalf of the Board



Frederick Maroudas
Director

25 July 2012

Company registration number: 99529 (Jersey)

BAA Funding Limited

Profit and loss account for the six months ended 30 June 2012

| | Unaudited Six months ended 30 June 2012 £m | Unaudited Six months ended 30 June 2011 £m | Audited Year ended 31 December 2011 £m |
|---|---|---|---|
| Interest receivable from group undertakings | 301.4 | 284.3 | 585.8 |
| Interest payable on external borrowings | (280.9) | (229.6) | (490.2) |
| Net interest payable on derivative financial instruments | (29.0) | (56.9) | (100.0) |
| Fair value gain/(loss) on financial instruments | 73.2 | (160.0) | 50.7 |
| Operating profit/(loss) and profit/(loss) on ordinary activities before taxation | 64.7 | (162.2) | 46.3 |
| Tax on profit/(loss) on ordinary activities | - | - | - |
| Profit/(loss) after taxation for the financial period | 64.7 | (162.2) | 46.3 |

All profits and losses recognised during the current and prior periods are from continuing operations.

The Company has not presented a note of historical cost profits and losses because the effects of fair value accounting for derivative financial instruments are not required to be included in the reconciliation of the reported profit/(loss) on ordinary activities before taxation and the historical cost equivalents.

There are no recognised gains or losses for the current or preceding financial periods other than those stated in the Profit and loss account and accordingly no Statement of total recognised gains and losses is presented.

BAA Funding Limited

Reconciliation of movements in shareholder's funds for the six months ended 30 June 2012

| | Unaudited Six months ended 30 June 2012 £m | Unaudited Six months ended 30 June 2011 £m | Audited Year ended 31 December 2011 £m |
|---|--|--|--|
| Profit/(loss) for the financial period | 64.7 | (162.2) | 46.3 |
| Net movement in shareholder's funds | 64.7 | (162.2) | 46.3 |
| Opening shareholder's funds/(deficit) | 16.9 | (29.4) | (29.4) |
| Closing shareholder's funds/(deficit) | 81.6 | (191.6) | 16.9 |

BAA Funding Limited

Balance sheet as at 30 June 2012

| | Unaudited 30 June 2012 £m | Audited 31 December 2011 £m |
|---|---------------------------------|-----------------------------------|
| Current assets | | |
| Debtors: due within one year | 134.9 | 942.5 |
| : due after more than one year | 10,976.7 | 7,937.4 |
| Cash at bank and in hand | 0.1 | 0.1 |
| Total current assets | 11,111.7 | 8,880.0 |
| Current liabilities | | |
| Creditors: amounts falling due within one year | (213.4) | (1,054.9) |
| Total assets less current liabilities | 10,898.3 | 7,825.1 |
| Creditors: amounts falling due after more than one year | (10,816.7) | (7,808.2) |
| Net assets¹ | 81.6 | 16.9 |
| Capital and reserves | | |
| Stated capital | - | - |
| Profit and loss reserve | 81.6 | 16.9 |
| Total shareholder's funds | 81.6 | 16.9 |

¹ Net assets reflect the different measurement bases used for certain financial instruments: Borrower Loan Agreements and bonds are recorded at amortised cost but derivatives are remeasured to fair value at each balance sheet date.

The Special purpose financial statements of BAA Funding Limited (Company registration number: 99529 (Jersey)) were approved by the Board of Directors and authorised for issue on 25 July 2012. They were signed on its behalf by:



José Leo
Director



Frederick Maroudas
Director

BAA Funding Limited

Summary cash flow statement for the six months ended 30 June 2012

| | Unaudited Six months ended 30 June 2012 £m | Restated ¹ Unaudited Six months ended 30 June 2011 £m | Audited Year ended 31 December 2011 £m |
|---|---|--|---|
| Operating profit/(loss) | 64.7 | (162.2) | 46.3 |
| <i>Adjustments for:</i> | | | |
| Fair value (profit)/loss on financial instruments | (73.2) | 160.0 | (50.7) |
| Derivative prepayment amortisation | 28.0 | 32.0 | 60.3 |
| Movement in accrued interest on derivative financial instruments | 23.1 | 27.5 | 11.3 |
| Amortisation of cost/premium on bonds | 18.6 | 20.7 | 43.0 |
| Amortisation of cost/premium on BLA advances | (11.2) | (23.2) | (42.1) |
| Increase in interest receivable | (41.3) | (55.4) | (54.2) |
| Increase in interest payable on borrowings | 19.1 | 28.1 | 42.5 |
| Decrease/(increase) in other debtors | 0.2 | - | (0.1) |
| Movement in amounts owed to group undertakings - non-interest bearing | (28.0) | (27.5) | (56.2) |
| Net increase in amounts owed by group undertakings | (2,163.5) | (1,492.7) | (1,508.4) |
| Net cash outflow from operating activities before financing | (2,163.5) | (1,492.7) | (1,508.3) |
| Financing | | | |
| Net proceeds from issuance of bonds ² | 2,832.4 | 1,507.7 | 1,507.0 |
| Settlement of accretion on index-linked swaps | - | (15.0) | (15.0) |
| Repayment of bonds | (680.2) | - | - |
| Restructuring and cancellation of derivatives | 11.3 | - | 16.4 |
| Net movement in cash | - | - | 0.1 |

¹ The presentation of certain balances for the six months ended 30 June 2011 has been restated to be consistent with current period disclosures.

² In the six months ended 30 June 2012, the Company received proceeds of £2,832.4 million (net of transaction costs) through ten transactions across a range of currencies, rating levels and formats. Highlights of this activity were the completion of £1 billion in Class B issuance through two transactions – a £600 million twelve year bond and a £400 million eight year bond. There were also debut offerings in both Swiss francs (CHF400 million five year Class A bond) and Canadian dollars (C\$400 million seven year Class A bond). Other notable transactions included a €700 million five year Class A bond, a £95 million tap of the existing 2039 index-linked bond, an innovative £180 million ten year index-linked private placement and a US\$500 million three year bond that builds on the Group's presence in the US market established in 2011.