STANSTED AIRPORT LIMITED

Report and Financial Statements
for the year ended 31 December 2007

Company Registration Number 1990920

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Wingate	Managing Director
J Leo	
T D Morgan	
R D Herga	Alternate to J Leo

SECRETARY

S Welch

REGISTERED OFFICE

130 Wilton Road
London
SW1V 1LQ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
WC2N 6RH

BANKERS

Barclays Bank Plc
PO Box 544
54 Lombard Street
London
EC3V 9EX

SOLICITORS

Herbert Smith LLP
Exchange House
Primrose Street
London
EC2A 2HS

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for Stansted Airport Limited ("the Company") for the year ended 31 December 2007 ("the year").

PRINCIPAL ACTIVITIES

The Company owns and is the licensed operator of Stansted Airport.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Stansted has had a successful twelve months since our last review and remains the UK's third largest airport, serving nearly 24 million passengers a year. In August 2007, Stansted experienced its busiest ever month and day, at 2.5 million and just under 90,000 passengers respectively.

In 2007 Ryanair remained the airport's largest carrier, followed by easyJet and Air Berlin. During the year Stansted welcomed a number of new airlines and routes, including Wizz Air to Katowice in Poland, Sun Express to Antalya in Turkey and Blue Air to Bucharest in Romania. Highlight of the year came with the launch of American Airlines new daily service to New York (JFK); news further boosted with the announcement of a second daily service from Spring 2008. At 31 December 2007 passengers had the opportunity to travel to up to 182 destinations with 46 airlines.

2007 was a strong year in terms of the profitability of the airport with operating margins at 31.6% compared to 25.8% in the nine months to December 2006. This was achieved as a result of the unwinding of a number of long term discounts to airlines. During 2007 average aeronautical yield per passenger increased to £5.35 from £3.32 for the calendar year 2006. Stansted's retail income, which includes terminal retail concessions and car parking income, also grew significantly in 2007 with average income per passenger growing to £3.83 from £3.63 in 2006.

A key theme of work across the airport during 2007 has been based on "Putting The Passenger First" where a huge amount of work has been undertaken to improve the passenger experience at Stansted. As a result of this investment, particularly in security effectiveness and the reliability and cleanliness of facilities, operating costs increased to £156.1 million.

Capital expenditure in the period in respect of expanding and maintaining the existing infrastructure was £107.3 million. In April, work began on a £40 million project to extend the main terminal building. This project will deliver an extra 5,900m² of floor space to the international arrivals area. This will provide extra space for additional carousels and a new improved meet and greet area, with improved retail facilities and onward transportation as well as an enlarged Immigration Hall. The extension is due to open in June 2008 and the project should be completed by December 2008.

REPORT OF THE DIRECTORS (continued)

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (continued)

Despite the modest growth in traffic in 2007, the long term prospects remain healthy and growth at Stansted is firmly on the agenda for both BAA and for UK aviation in general. Two major initiatives, Generation 1 and Generation 2, aiming to enable substantial expansion over the coming decades, achieved significant progress during the year.

Generation 1 (G1) aims to achieve growth on the airport's existing runway. A planning application has been submitted to increase the current annual passenger limit of 25 million to around 35 million, by 2015. The Public Inquiry ran from early May to October, and the inspectors' report was submitted to the Government in January 2008, with a decision on the outcome expected in the Spring.

Generation 2 (G2) will further increase capacity though the construction of a second runway and terminal building within an extended airport boundary. The preferred location for the runway was announced in January 2007 following a period of consultation. The planning application for the development was submitted in March 2008. Approval of the plans would enable growth in passenger numbers to around 68 million a year by 2030. BAA considers that significant expansion at Stansted is vital to the economic future of the City of London, the greater South East region and the UK.

Stansted's directors are committed to growing the airport in a sustainable way, and continue to have great confidence in the ability of the airport to remain a world leader in serving the dynamic low-cost, high value sector of the aviation industry.

The Government announced in January 2008, following industry consultation, that it rejected the Civil Aviation Authority's ("CAA") proposal for de-designation of Stansted Airport. The CAA is therefore obliged to undertake a price control review of Stansted for the five-year period commencing 1 April 2009. This process will include a review by the Competition Commission which is expected to make its recommendations to the CAA in October 2008 prior to the final price determination being published early in 2009. During the 2007/08 period, price increases at Stansted will remain at RPI.

RESULTS AND DIVIDENDS

An interim dividend of 2.81p per share, amounting to £14.2 million, was paid on 31 March 2007 (nine months ended 31 December 2006: £nil). The Directors do not recommend the payment of a final dividend (nine months ended 31 December 2006: £nil).

The profit after taxation for the financial year amounted to £88.5 million (nine months ended 31 December 2006: £21.9 million).

REPORT OF THE DIRECTORS (continued)

BOARD OF DIRECTORS

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

S Wingate	Managing Director – appointed 31 March 2007
J Leo	
T D Morgan	
R D Herga	alternate to J Leo
D Dowds	resigned 31 March 2007

DIRECTORS' INTERESTS

The Company is exempt from disclosing interests of the directors in the share capital of the ultimate parent company by virtue of the Companies (Disclosure of Director's Interests) (Exemptions) Regulation 1985 (SI 1985 no 802).

EMPLOYEES

The Company has no direct employees. The staff are employed by BAA Limited.

PAYMENT PRACTICE

The Company's policy is to follow the Better Payment Practice Code which is reproduced in the report and accounts of BAA Limited. The Company had 30 days purchases outstanding at 31 December 2007 (31 December 2006: 13 days) based on the average daily amount invoiced by suppliers during the year ended 31 December 2007.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company actively manages all identified corporate risks, and the principal ones are:

Safety and security risks
Safety and security risks are regarded as an important risk to manage. The Company mitigates this risk by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in leading-edge security technology. The Company and BAA Limited and its subsidiaries ("the BAA Group") work closely with government agencies, police and the Armed Forces to match security measures to a level commensurate with the current raised threat environment.

REPORT OF THE DIRECTORS (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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

Regulatory – CAA regulator
The Company's operations are subject to regulatory review by the CAA and Competition Commission every five years and the risk of an adverse review is mitigated by a dedicated team which ensures full compliance with the formal regulatory requirements and establishes a sound relationship with the regulator.

Part of the regulatory framework is BAA's involvement in constructive engagement with the airlines. In order to manage the risk of adverse airline relations, all airlines have been invited to participate at all stages and to be represented on all fora – eg joint steering groups. When feedback was sought or processes measured, independent third parties have been utilised for data gathering and analysis to ensure confidentiality and neutrality of interpretation. In addition, key stakeholders are engaged on a joint planning basis which provides the airlines with the opportunity of airing views and sharing plans, thereby ensuring their ongoing requirements are articulated and understood.

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 BAA Group's internal legal department, has reduced the likelihood of the Company breaching these regulations.

Capacity shortfall
The Company's failure to secure the necessary planning permission would lead to the Company having insufficient capacity to meet the expected demands of the airline industry. The Company mitigates this risk through extensive consultation with community groups and authorities. However, despite the Company's mitigating actions, it is anticipated that demand will exceed capacity over the next ten years. In addition, the investment in additional capacity is dependent on the outcome of the regulatory settlements in 2008 to 2013.

Existing planning approvals provide for approximate passenger traffic growth to around 25 million. Planning consent to grow passenger traffic to around 35 million passengers per annum using the existing single runway ('SG1') was refused by Uttlesford District Council in November 2006. The BAA Group immediately submitted an appeal in order to obtain planning permission in line with Government policy. The inquiry into SG1 commenced in May 2007 and the outcome is expected to be announced in May 2008. In January 2007, BAA announced details of its development proposal for Stansted Generation 2 ('SG2'). This proposal includes the provision of a second runway and terminal and will have an initial capacity for about 10 million passengers per annum. The planning application was submitted to Uttlesford District Council on 11 March 2008, and the proposal will be subject to a separate planning inquiry, which is expected to commence either late 2008 or early 2009.

REPORT OF THE DIRECTORS (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The Company is currently incurring costs relating to the planning application and environmental impact assessment relating to the second runway. The costs incurred to date have been capitalised as part of the runway development costs. This is based on management's belief that it is highly probable the necessary consents will be received and the project will be developed to achieve a successful delivery of an asset such that future benefits will flow to the BAA Group. In the event that the planning application is unsuccessful the costs incurred to date will require to be written off to the profit and loss account.

Environment
The Company recognises that environment risks can impact on its reputation and licence to operate and to expand. 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.

Changes in demand
The Company recognises that there is a risk in that unanticipated long-term changes in passenger demand could lead to misaligned operational capacity. To mitigate this risk, the Company participates in group scenario planning exercises to evaluate the effects of such possible changes.

Simplifying the organisation
The BAA Group has recently announced its 'Simplifying the Organisation' programme which is designed to build a more efficient Company able to meet future challenges by removing duplication, and creating a simplified organisational structure, focussed on putting the passenger first. The programme, which commenced in late 2007, will be carried out during 2008-09. The BAA Group and the Company have identified that failure to manage this change programme could lead to the non-realisation of the identified benefits and/or a significant cost overrun which could result in reduced customer service, damage to Company reputation, industrial action and an inability to generate planned revenues. This risk is mitigated through clear plans and detailed business cases, assignment of work stream change leaders, workforce consultation, employee agreement plans, effective and timely communication, early engagement of affected third parties and frequent review of progress and issues by the BAA Group's Executive Committee.

REPORT OF THE DIRECTORS (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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 wider BAA 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 BAA Group. The Company could also be exposed in the short term to the effect of industrial action at key clients (i.e. airlines).

Further details of the risk management policies can be found in the financial statements of BAA Limited.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management objectives are aligned with its intermediate parent company, BAA 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 Group undertakings, including BAA Limited. The Company does not use financial instruments for speculative purposes.

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

Cash flow and fair value 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 Limited on a daily basis and either pays or receives interest on such funds at Bank of England base rate +1.5%. Amounts due to/from other Group undertakings issued at variable interest rates expose the Company to cash flow interest rate risk.

Credit risk
The Company has no significant concentrations of credit risk other than amounts owed by other Group undertakings. The Company's exposure to credit related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument and ensuring only counterparties within defined credit risk parameters are used. The credit risks of 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
As noted above, the Company deposits funds with, and borrows funds from BAA Limited on a daily basis to ensure sufficient funding is available.

REPORT OF THE DIRECTORS (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The Company has guaranteed certain of the financial obligations of BAA Limited and of its parent, Airport Development and Investment Limited. Details of these guarantees are provided in Note 18.

POST BALANCE SHEET EVENTS

As disclosed in Note 20, on 31 January 2008, ownership of this Company was transferred from London Airports Limited to BAA Limited at open market value. BAA Limited subsequently has sold its interest in the Company to another subsidiary company, BAA (AH) Limited.

DIRECTORS INDEMNITY

Every director of the Company is indemnified by a BAA Limited Group indemnity insurance policy which provides cover for any loss or liability incurred in their capacity as directors.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each of the directors is aware, there is no relevant audit information (meaning information needed by the Company's auditors in connection with preparing their report) that has not been disclosed to the Company's auditors. Each of the directors believes that he or she has taken all steps that ought to have been taken to make himself or herself 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

Susan Welch

S Welch
Company Secretary

17 April 2008

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 (UKGAAP)). 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 above statement should be read in conjunction with the statement of the auditors' responsibilities set out on page 10 for the Company.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STANSTED AIRPORT LIMITED

We have audited the financial statements of Stansted Airport Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Reconciliation of Movements 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 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 Report of the Directors is consistent with the financial statements.

In addition, we also 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 the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within it.

Basis of audit opinion

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

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

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

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 2007 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 Report of the Directors is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

18 April 2008

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2007

	Note	**Year ended 31 December 2007 £m**	9 months ended 31 December 2006 £m
Revenue – continuing operations	2	**241.8**	149.7
Operating costs – ordinary	3	**(156.1)**	(107.6)
Operating costs – exceptional	4	**(9.1)**	(3.5)
Total operating costs		**(165.2)**	(111.1)
Operating profit – continuing operations		**76.6**	38.6
Net interest payable	6	**(11.6)**	(5.5)
Profit on ordinary activities before taxation		**65.0**	33.1
Tax credit/(charge) on profit on ordinary activities	7	**23.5**	(11.2)
Profit after taxation for the financial period	16	**88.5**	21.9

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2007

	Note	**Year ended 31 December 2007 £m**	9 months ended 31 December 2006 £m
Profit for the financial period	16	**88.5**	21.9
Unrealised revaluation surplus	16	**32.3**	23.5
Total recognised gains and losses relating to the period		**120.8**	45.4

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31 December 2007

	Note	**Year ended 31 December 2007 £m**	9 months ended 31 December 2006 £m
Profit for the financial period	16	**88.5**	21.9
Dividends paid	8/16	**(14.2)**	-
Retained profit for the financial period		**74.3**	21.9
Other net recognised gains and losses relating to the period	16	**32.3**	23.5
Net addition to shareholders' funds		**106.6**	45.4
Opening shareholders' funds		**1,044.8**	999.4
Closing shareholders' funds		**1,151.4**	1,044.8

BALANCE SHEET
As at 31 December 2007

	Note	**31 December 2007 £m**	31 December 2006 £m
FIXED ASSETS			
Tangible assets	9	**1,450.7**	1,338.2
CURRENT ASSETS			
Stocks	10	**1.8**	1.8
Debtors : due within one year	11	**43.7**	26.4
: due after more than one year	11	**124.9**	116.5
TOTAL CURRENT ASSETS		**170.4**	144.7
CREDITORS:			
amounts falling due within one year	12	**(412.3)**	(339.6)
NET CURRENT LIABILITIES		**(241.9)**	(194.9)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,208.8**	1,143.3
CREDITORS:			
amounts falling due after more than one year	13	**(7.7)**	(8.3)
Provisions for liabilities and charges	14	**(49.7)**	(90.2)
NET ASSETS		**1,151.4**	1,044.8
CAPITAL AND RESERVES			
Called up share capital	15	**503.9**	503.9
Revaluation reserve	16	**548.0**	515.7
Profit and loss reserve	16	**99.5**	25.2
TOTAL SHAREHOLDERS' FUNDS		**1,151.4**	1,044.8

These financial statements were approved by the Board of Directors on 17 April 2008 and were signed on its behalf by:

S Wingate
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

1. ACCOUNTING POLICIES

Basis of accounting

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 applicable accounting standards.

The validity of the going concern assumption depends on the continued support of the Company's 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.

Revenue

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

- Airport and other traffic charges
  - Passenger charges levied on departing 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 2007

1. ACCOUNTING POLICIES (continued)

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, and 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.

(ii) Investment properties

Investment property, which is property held to earn rentals and/or 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

Fixed assets (continued)

(iii) Depreciation

Depreciation is provided on operational assets, other than land and assets in the course of construction, to write off the cost of the assets less estimated residual value 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
• 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

(iv) Assets in the Course of Construction

The Company has acquired a number of properties and land for the development of a second runway (G2) and associated works. Any rental income from these assets is credited against the cost of the asset. Any profit or loss on a subsequent sale is adjusted against the cost of the G2 project.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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.

Capitalisation of interest

Interest payable is charged as incurred except where the borrowing finances tangible fixed assets in the course of construction. Such interest is capitalised once planning permission has been obtained and a firm decision to proceed has been taken until the asset is complete and ready for use. It is then charged to the profit and loss account as depreciation over the life of the relevant asset.

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 2007

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.

Pensions

All employees are employed directly by BAA Limited and are entitled to join its defined benefits pension scheme, the BAA Pension Scheme ('the scheme'). The Company is unable to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis and, as such, has not recognised an asset or liability in the balance sheet of the respective scheme. In accordance with the exemption allowed by paragraph 9(b) of FRS 17, the Company is recharged its appropriate allocation of the pension service costs by BAA Limited. This cost is charged to the profit and loss account in the period it is incurred.

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.

Cash flow statement and related party disclosures

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 2007. The results are also included in the audited consolidated financial statements of BAA Limited for the year ended 31 December 2007. 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)'. A summary cash flow statement has been included at Note 21.

The Company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the FGP Topco Limited group.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

2. SEGMENTAL ANALYSIS

The directors consider the business has only one segment. All of the Company's revenue arises in the United Kingdom and additional details of the revenue generated by each of the Company's key activities are given below.

Revenue	**Year ended 31 December 2007 £m**	9 months ended 31 December 2006 £m
Airport and other traffic charges	**127.7**	64.3
Retail	**91.0**	67.7
Property and operational facilities	**20.3**	14.3
Other	**2.8**	3.4
	241.8	149.7

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

3. OPERATING COSTS - ORDINARY

	Year ended 31 December 2007 £m	9 months ended 31 December 2006 £m
Wages and salaries	**39.9**	26.6
Social security costs	**3.1**	2.1
Pension costs	**8.1**	6.7
Other staff related costs	**2.1**	1.7
Share-based payments	**0.2**	0.2
Staff costs	**53.4**	37.3
Retail expenditure	**1.9**	1.3
Depreciation – owned assets	**29.1**	21.9
Maintenance expenditure	**12.0**	8.2
Rent and rates	**10.0**	6.9
Utility costs	**8.6**	6.3
Police costs	**6.8**	5.0
General expenses	**6.1**	7.7
Distribution fee	**3.1**	2.1
Other intra-group charges	**25.2**	11.1
	156.2	107.8
Profit on disposals of tangible fixed assets	**(0.1)**	(0.2)
	156.1	107.6

Operating costs include:	**Year ended 31 December 2007 £'000**	9 months ended 31 December 2006 £'000
Training expenditure	**792**	814
Rentals under operating leases		
- Plant and machinery	**3,130**	2,146
- Other operating leases	**460**	460
Services provided by the Company's auditor		
- Fees payable for the audit	**29**	29

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

3. OPERATING COSTS - ORDINARY (continued)

Employee information

The Company has no employees. All staff costs are borne by BAA Limited which levies a management charge inclusive of staff costs.

The average number of employees of BAA Limited engaged in the operation of Stansted Airport during the year was 1,373 (nine months ended 31 December 2006: 1,180).

4. OPERATING COSTS - EXCEPTIONAL

	Year ended 31 December 2007 £m	9 months ended 31 December 2006 £m
Reorganisation costs	**9.1**	3.5

Costs associated with the wider BAA Group's change programmes amounting to £9.1 million were charged in the year (nine months ended 31 December 2006: £3.5 million). The charge for the year ended 31 December 2007 is in relation to severance and pension payments associated with the 'Simplifying the Organisation' programme which will be carried out during 2008-09. The closing provision (Note 14) at 31 December 2007 is £5.5 million.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

5. DIRECTORS' EMOLUMENTS

	Year ended 31 December 2007 £'000	9 months ended 31 December 2006 £'000
Directors' emoluments		
Aggregate emoluments	**179**	216

Number of directors who:	**31 December 2007 No.**	31 December 2006 No.
- are members of a defined benefit pension scheme	**4**	5
- exercised share options	**-**	5

J Leo was also a director of BAA Limited during the year and his remuneration was paid by BAA Limited and is disclosed in its financial statements. The directors do not believe it is possible to apportion his remuneration to individual companies within the BAA Group based on services provided.

Three directors (nine months ended 31 December 2006: three directors) did not receive any emoluments in their capacity as directors of the Company.

	Year ended 31 December 2007 £'000	9 months ended 31 December 2006 £'000
Highest paid director's remuneration		
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	**179**	216
Highest paid director's pension		
Accrued pension at end of period	**11**	90

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

6. NET INTEREST PAYABLE

	Year ended 31 December 2007 £m	9 months ended 31 December 2006 £m
Interest payable		
Payable on intra-group loans	**22.1**	12.4
Interest capitalised	**(2.0)**	(1.6)
	20.1	10.8
Interest receivable		
Receivable on intra-group loans	**(8.5)**	(5.3)
Net interest payable	**11.6**	5.5

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

		Year ended 31 December 2007 £m	9 months ended 31 December 2006 £m
Current tax			
Group relief payable		**20.8**	8.1
Adjustments in respect of prior periods		**(0.4)**	1.0
Total current tax		**20.4**	9.1
Deferred tax			
Origination and reversal of timing differences		**(0.3)**	2.1
Abolition of industrial building balancing adjustments – impact on deferred tax liabilities		**(38.0)**	-
Change in tax rate – impact on deferred tax liabilities		**(5.6)**	-
Total deferred tax	14	**(43.9)**	2.1
Tax (credit)/charge on profit on ordinary activities		**(23.5)**	11.2

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Reconciliation of tax charge

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 30% (31 December 2006: 30%). The actual tax charge for the current and prior period differs from 30% for the reasons set out in the following reconciliation:

	Year ended 31 December 2007 £m	9 months ended 31 December 2006 £m
Profit on ordinary activities before tax	**65.0**	33.1
Tax on profit on ordinary activities at 30%	**19.5**	9.9
Effect of:		
Permanent differences	**0.5**	0.4
Depreciation for the year in excess of / (less than) capital allowances	**1.6**	(1.7)
Capitalised interest	**(0.6)**	(0.5)
Other short term timing differences	**(0.2)**	-
Adjustments to tax charge in respect of prior periods	**(0.4)**	1.0
Current tax charge for the period	**20.4**	9.1

The standard rate of corporation tax in the UK changed to 28% with effect from 1 April 2008.

Other than this change and the unprovided deferred tax discussed in the paragraphs below and Note 14, 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 properties to their 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 for is £145.7 million (31 December 2006: £147.4 million). 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 2007

8. DIVIDENDS

	Year ended 31 December 2007 £m	9 months ended 31 December 2006 £m
Equity- Ordinary		
Interim for the year ended 31 December 2007 - 2.81p per share declared and paid on 31 March 2007 (9 months ended 31 December 2006: £ nil).	**14.2**	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

9. TANGIBLE ASSETS

	Investment properties £m	Land held for development £m	Terminal Complexes £m	Airfields £m	Group occupied properties £m	Plant, equipment & other assets £m	Assets in the course of construction £m	**Total £m**
Cost or valuation								
1 January 2007	524.5	82.9	644.4	157.2	2.9	46.0	174.6	**1,632.5**
Additions at cost	-	-	-	-	-	0.1	107.2	**107.3**
Transfers to completed assets	0.4	-	16.7	31.4	0.8	2.6	(51.9)	**-**
Interest capitalised	-	-	-	-	-	-	2.0	**2.0**
Disposals	-	-	-	-	-	(0.1)	-	**(0.1)**
Reclassifications	-	-	0.1	-	-	(0.1)	-	**-**
Revaluation	33.2	(0.9)	-	-	-	-	-	**32.3**
31 December 2007	**558.1**	**82.0**	**661.2**	**188.6**	**3.7**	**48.5**	**231.9**	**1,774.0**
Depreciation								
1 January 2007	-	-	226.1	41.6	1.1	25.5	-	**294.3**
Charge for the period	-	-	21.2	5.9	-	2.0	-	**29.1**
Disposals	-	-	-	-	-	(0.1)	-	**(0.1)**
31 December 2007	**-**	**-**	**247.3**	**47.5**	**1.1**	**27.4**	**-**	**323.3**
Net book value								
31 December 2007	**558.1**	**82.0**	**413.9**	**141.1**	**2.6**	**21.1**	**231.9**	**1,450.7**
31 December 2006	524.5	82.9	418.3	115.6	1.8	20.5	174.6	1,338.2

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

9. TANGIBLE ASSETS (continued)

Valuation

Investment properties and land held for development were valued at open market value at 31 December 2007 by Drivers Jonas, Chartered Surveyors at £475.7 million and by Strutt & Parker, Chartered Surveyors at £12.7 million. The remaining investment properties and land held for development were valued at open market value by Mr John Arbuckle BLE (Hons), Head of BAA Professional Services, at £151.7 million, resulting in a total valuation of £640.1m. These valuations were prepared in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors taking account, inter alia, of planning constraints and reflecting the demand for airport related uses. As a result of the valuations, a surplus of £32.3 million has been transferred to 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 £62.1 million (31 December 2006: £61.9 million). £2.0 million (31 December 2006: £1.6 million) has been capitalised in the year at a capitalisation rate of 5.95% (31 December 2006: 5.16%) based on a weighted average cost of BAA Group borrowings.

A tax deduction of £2.0 million 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 2007 was £92.1 million (31 December 2006: £91.8 million).

Assets in the course of construction

Assets in the course of construction also include £129.3 million (31 December 2006: £100.6 million) in respect of the development of a second runway and related infrastructure. The costs consist of £63.5 million (31 December 2006: £45.6 million) incurred in respect of the initial planning application preparation and £65.8 million (31 December 2006: £55.0 million) in respect of the purchase of domestic properties that fall within the expanded airport boundary. This includes a provision of £4.1 million (31 December 2006: £3.7 million) for the additional 10% payable under the Home Value Guarantee Scheme (HVGS) once planning permission has been obtained. Further details are provided in notes 14 and 17.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

9. TANGIBLE ASSETS (continued)

Leased assets

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

	31 December 2007 £m	31 December 2006 £m
Cost or valuation	**607.6**	573.6
Accumulated depreciation	**(16.3)**	(14.8)
Net book amount	**591.3**	558.8

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

Security

BAA Limited has granted security over the Company's assets as disclosed in the BAA Group's report and accounts.

10. STOCKS

	31 December 2007 £m	31 December 2006 £m
Raw materials and consumables	**1.8**	1.8

The replacement cost of raw materials and consumables at 31 December 2007 and 31 December 2006 was not materially different than the amount at which they are included in the accounts.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

11. DEBTORS

	31 December 2007 £m	31 December 2006 £m
Due within one year:		
Trade debtors	**25.5**	22.3
Amounts owed by group undertakings	**1.0**	1.0
Other debtors	**17.2**	3.1
	43.7	26.4
Due after more than one year:		
Loan to group undertaking	**124.9**	116.5
	168.6	142.9

Amounts due from group undertakings are repayable on demand. Both the trading debt and loan accrue interest at Bank of England base rate + 1.5%.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2007 £m	31 December 2006 £m
Trade creditors	**15.4**	16.2
Capital creditors	**31.2**	13.6
Amounts owed to group undertakings	**340.0**	296.9
Corporation tax payable	**1.4**	0.6
Group relief payable	**20.8**	8.1
Other creditors	**0.9**	1.4
Deferred income	**2.6**	2.8
	412.3	339.6

Amounts due to group undertakings are repayable on demand and accrue interest at Bank of England base rate + 1.5%.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2007 £m	31 December 2006 £m
Deferred income	**7.7**	8.3

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Note	**Deferred tax (a) £m**	**Other (b) £m**	**Reorganisation Costs (c) £m**	**Total £m**
1 January 2007		84.0	3.7	2.5	**90.2**
(Credited)/ charged to profit and loss account	7/4	(43.9)	-	9.1	**(34.8)**
Utilised in the year		-	-	(6.1)	**(6.1)**
Capitalised in tangible assets		-	0.4	-	**0.4**
31 December 2007		**40.1**	**4.1**	**5.5**	**49.7**

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

	31 December 2007 £m	31 December 2006 £m
Excess of capital allowances over depreciation	**41.7**	86.7
Other timing differences	**(1.6)**	(2.7)
	40.1	84.0

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

14. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

	Unprovided	
	31 December 2007 £m	31 December 2006 £m
Tax on chargeable gains if investment properties were sold at their current valuations	**141.4**	142.8
Tax on rolled-over gains if replacement assets were sold at their current valuations	**4.3**	4.6
	145.7	147.4

A number of changes to UK Corporation tax were announced in the March 2007 Budget statement; some of which were enacted in the Finance Act 2007 and some are expected to be enacted in the Finance Act 2008.

The effect of the changes enacted in the 2007 Finance Act has been to reduce the deferred tax provided at 31 December 2007 by £43.6 million with a corresponding increase in the profit for the year of £43.6 million. This decrease in the deferred tax liability is due to the reduction in the UK Corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008 (£5.6 million) and the abolition of balancing adjustments for Industrial Buildings Allowances (£38.0 million).

The other changes to be enacted, which are expected in the Finance Act 2008, would have no further effects on the deferred tax provided at 31 December 2007.

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

(b) A provision of £4.1 million for the additional 10% due under the HVGS scheme (once planning permission has been obtained) for the second runway and related infrastructure, has been included. Further details can be found in notes 9 and 17.

(c) The Company commenced its change programme, 'Simplifying the Organisation', in late 2007. Costs associated with this programme are for severance and pension payments only. Certain costs associated with the 'Delivering Excellence' programme were also incurred in the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

15. CALLED UP SHARE CAPITAL

	31 December 2007 £m	31 December 2006 £m
Authorised		
520,000,000 ordinary shares of £1 each	**520.0**	520.0
Called up, allotted and fully paid		
503,900,002 ordinary shares of £1 each	**503.9**	503.9

16. RESERVES

	Profit and loss reserve £m	Revaluation reserve £m	Total £m
1 January 2007	25.2	515.7	**540.9**
Profit for the financial year	88.5	-	**88.5**
Dividends paid	(14.2)	-	**(14.2)**
Revaluation surplus	-	32.3	**32.3**
31 December 2007	**99.5**	**548.0**	**647.5**

17. COMMITMENTS

Capital

Capital expenditure contracted commitments amount to £14.9 million (31 December 2006: £5.7 million).

The Government's White Paper on aviation was published on 16 December 2003 and sets out the Government's policy for runway development in the UK. The Government has chosen a second runway at Stansted as its preferred location for the first new runway in the south-east of England. As the development of Stansted will be the subject of a planning inquiry the Company has now submitted the necessary planning application and environmental impact assessment. The anticipated costs of preparing for and undertaking the planning application are approximately £66 million to 31 March 2008. These costs are being capitalised as part of the runway development costs. £63.5 million has been capitalised as at 31 December 2007 (31 December 2006: £45.6 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

17. COMMITMENTS (continued)

As part of its commitment to the Stansted development, the Company is operating three schemes (the Home Value Guarantee Scheme, the Home Owners Support Scheme and the Special Cases Scheme) for those people living near the airport whose homes will be affected by the airport expansion. The current estimate of the net cost of the compensation schemes is up to £100 million (with approximately £81 million being incurred in this regulatory period. These costs are being capitalised as part of the runway development costs. £65.8 million has been capitalised as at 31 December 2007 (31 December 2006: £55.0 million), including a £4.1 million provision for the additional 10% payment which will become due under the HVGS blight scheme once planning permission has been obtained for the second runway at Stansted.

Commitments under operating leases

At 31 December 2007, the Company was committed to making the following payments during the next year in respect of operating leases.

Other Leases	**31 December 2007 £m**	31 December 2006 £m
Leases which expire:		
- within two to five years	**0.2**	0.2
- over five years	**3.9**	3.9
	4.1	4.1

Other commitments

In June 2006, the Government announced its conclusions for 2006-2012 night flights regime at BAA London airports. The regime commits BAA to introducing a new domestic noise insulation scheme at Heathrow, Gatwick and Stansted to address the impact of night flights on local communities. Based on the Group's evaluation, payments under this scheme are estimated to be in the range of £0.2 - £0.3 million (2007/08 prices) for Stansted airport, spread over the five year period commencing 2008.

18. CONTINGENT LIABILITIES

The Company is a joint guarantor of the £400 million 5.75% bond due 2013, the two £150 million 11.75% bonds due 2016, the £250 million 8.5% bond due 2021, the £750 million 5.125% bond due 2023, the £200 million 6.375% bond due 2028, the £900 million 5.75% bond due 2031, the €1,000 million 3.875% bond due 2012, the €750 million 4.5% bond due 2014 and the €750 million 4.5% bond due 2018, all issued by BAA Limited.

The Company is also a joint guarantor of four loan facilities, all fully drawn, provided by the European Investment Bank to its parent company BAA Limited, to the extent of £410.3 million.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

18. CONTINGENT LIABILITIES (continued)

In addition, the Company is a joint guarantor in respect of the terms of the ADIL Senior Finance Documents and the ADIL Junior Finance Documents. The Company, as an obligor, jointly and severally guarantees the Senior and Subordinated facilities with all other obligors up to a maximum value that shall be no greater than the aggregate amount such as would not cause the financial and other covenants contained in the Existing Bonds to be breached.

The other obligors are BAA Limited, BAA Partnership Limited, Gatwick Airport Limited, Heathrow Airport Limited, London Airports Limited, London Airports 1992 Limited, London Airports 1993 Limited, Scottish Airports Limited, World Duty Free Limited and World Duty Free (Europe) Limited.

19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

The immediate parent undertaking as at 31 December 2007 is London Airports Limited, a company registered in England and Wales. Subsequent to the year end the immediate parent of the Company is BAA (AH) Limited (Note 20).

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 Limited for the year ended 31 December 2007, 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 Airport Development and Investment Limited (intermediate parent entity) and FGP Topco Limited for the year ended 31 December 2007.

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

20. POST BALANCE SHEET EVENTS

On 31 January 2008, ownership of this Company was transferred from London Airports Limited to BAA Limited at open market value. BAA Limited subsequently has sold its interest in the Company to another subsidiary company, BAA (AH) Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

21. SUMMARY CASH FLOW STATEMENT

	Year ended 31 December 2007 £m	9 months ended 31 December 2006 £m
Net cash inflow from operating activities	**123.7**	99.2
Dividends paid	**(14.2)**	-
Net interest paid	**(13.6)**	(7.1)
Tax paid	**(6.9)**	(5.6)
Net capital expenditure	**(89.0)**	(86.5)
Increase / (decrease) in cash in the period	**-**	-

Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 2007 £m	9 months to 31 December 2006 £m
Operating profit	**76.6**	38.6
Depreciation	**29.1**	21.9
(Increase) in stock and debtors	**(17.3)**	(6.2)
Increase in amounts owed to BAA Limited	**34.7**	42.5
(Decrease)/increase in creditors	**(2.3)**	2.4
Profit on tangible fixed asset disposals	**(0.1)**	(0.2)
Increase in provisions	**3.0**	0.2
Net cash inflow from operating activities	**123.7**	99.2

Note
Items settled through BAA Limited current account relating to taxation, interest and fixed asset transfers, are treated as paid for the purposes of this summary cash flow statement.