

**Heathrow Finance plc**  
**Special purpose consolidated financial statements**  
**for the six months ended 30 June 2022**

**Unaudited**

# Heathrow Finance plc

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## Heathrow Finance plc

### Basis of preparation

The unaudited Special purpose consolidated financial statements of Heathrow Finance plc (the 'Group'), comprising the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity and Consolidated summary statement of cash flows have been prepared in order to comply with the requirements contained within the Heathrow Airport Holdings Limited group's (the 'HAH Group') various borrowing facilities' undertakings for half year reporting. They are considered to fairly present the financial condition and operations of the Group as at 30 June 2022 and for the six months then ended.

The financial information for the six-month period ended 30 June 2022 has been prepared in accordance with the accounting policies expected to be applicable for the year ending 31 December 2022. The financial statements for the six-month period ended 30 June 2022 have been prepared on a basis consistent with that applied in the preparation of the financial statements for the year ended 31 December 2021.

The financial information set out herein does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 were approved by the Board of directors on 22 February 2022 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statements under section 498(2) or (3) of the Companies Act 2006.

On behalf of the Board



**Javier Echave**  
Director

25 July 2022

Company registration number: 06458635

## Heathrow Finance plc

**Consolidated income statement** for the six months ended 30 June 2022

	<b>Unaudited Six months ended 30 June 2022 £m</b>	Unaudited Six months ended 30 June 2021 £m	Audited Year ended 31 December 2021 £m
<b>Revenue</b>	<b>1,280</b>	348	1,214
Operating costs	<b>(910)</b>	(792)	(1,662)
Other operating items			
Fair value gain on investment properties	<b>218</b>	25	174
<b>Operating profit/(loss)</b>	<b>588</b>	(419)	(274)
<b>Financing</b>			
Finance income	<b>26</b>	18	37
Finance costs	<b>(304)</b>	(426)	(1,469)
<b>Net finance costs</b>	<b>(278)</b>	(408)	(1,432)
<b>Profit/(loss) before tax</b>	<b>310</b>	(827)	(1,706)
Tax (charge)/credit	<b>(88)</b>	156	377
Change in tax rate	<b>-</b>	(215)	(217)
Taxation (charge)/credit	<b>(88)</b>	(59)	160
<b>Profit/(loss) for the period</b>	<b>222</b>	(886)	(1,546)

## Heathrow Finance plc

### Consolidated statement of comprehensive income for the six months ended 30 June 2022

	<b>Unaudited Six months ended 30 June 2022</b>	Unaudited Six months ended 30 June 2021	Audited Year ended 31 December 2021
	<b>£m</b>	£m	£m
Profit/(loss) for the period	<b>222</b>	(886)	(1,546)
<b>Other comprehensive income:</b>			
<b>Items that will not be subsequently reclassified to the consolidated income statement</b>			
Actuarial (loss)/gain on pensions net of tax:			
(Loss)/gain on plan assets <sup>1</sup>	<b>(1,029)</b>	(119)	141
Decrease in scheme liabilities <sup>1</sup>	<b>1,024</b>	206	125
Change in tax rate	-	(1)	(1)
<b>Items that may be subsequently reclassified to the consolidated income statement</b>			
<b>Cash flow hedges:</b>			
(Loss)/gain taken to equity <sup>1</sup>	<b>(55)</b>	4	18
Transfer to finance costs <sup>1</sup>	<b>9</b>	21	38
Change in tax rate	-	(12)	12
Change in tax rate on other opening balances	-	(5)	(4)
Other comprehensive (expense)/income for the period net of tax	<b>(51)</b>	94	329
<b>Total comprehensive income/(expense) for the period<sup>2</sup></b>	<b>171</b>	(792)	(1,217)

<sup>1</sup> Items in the statement above are disclosed net of tax.

<sup>2</sup> Attributable to owners of the parent.

## Heathrow Finance plc

## Consolidated statement of financial position as at 30 June 2022

	Unaudited 30 June 2022 £m	Audited 31 December 2021 £m
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	10,738	10,815
Right of use asset	286	270
Investment properties	2,515	2,297
Intangible assets	144	156
Retirement benefit surplus	337	343
Derivative financial instruments	711	421
Trade and other receivables	598	595
	<b>15,329</b>	<b>14,897</b>
<b>Current assets</b>		
Inventories	14	13
Trade and other receivables	416	370
Derivative financial instruments	3	25
Term deposits	1,905	2,650
Cash and cash equivalents	695	232
	<b>3,033</b>	<b>3,290</b>
<b>Total assets</b>	<b>18,362</b>	<b>18,187</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	(16,949)	(17,225)
Derivative financial instruments	(2,333)	(2,225)
Lease liabilities	(344)	(331)
Deferred income tax liabilities	(771)	(717)
Retirement benefit obligations	(29)	(30)
Provisions	-	(1)
Trade and other payables	(4)	(3)
	<b>(20,430)</b>	<b>(20,532)</b>
<b>Current liabilities</b>		
Borrowings	(963)	(981)
Derivative financial instruments	(45)	(19)
Lease liabilities	(42)	(40)
Provisions	(3)	(4)
Current income tax liabilities	(33)	(16)
Trade and other payables	(460)	(380)
	<b>(1,546)</b>	<b>(1,440)</b>
<b>Total liabilities</b>	<b>(21,976)</b>	<b>(21,972)</b>
<b>Net liabilities</b>	<b>(3,614)</b>	<b>(3,785)</b>
<b>Equity</b>		
<b>Capital and reserves</b>		
Share capital	3,109	3,109
Merger reserve	(994)	(994)
Cash flow hedge reserve	(151)	(105)
Capital contribution reserve	732	732
Retained earnings	(6,310)	(6,527)
<b>Total equity</b>	<b>(3,614)</b>	<b>(3,785)</b>

The Special purpose consolidated financial statements of Heathrow Finance plc (Company registration number: 06458635) were approved by the Board of Directors and authorised for issue on 25 July 2022. They were signed on its behalf by:



**Javier Echave**  
Director



**Martin Bailey**  
Director

## Heathrow Finance plc

## Consolidated statement of changes in equity for the six months ended 30 June 2022

	Share capital £m	Merger reserve £m	Cash flow hedge reserve £m	Capital Contribution reserve £m	Accumulated losses £m	Total equity £m
31 December 2020 as previously reported	3,841	(994)	(173)	-	(5,242)	(2,568)
Adjustments in respect of:						
Correction of capital injection Accounting treatment	(732)	-	-	732	-	-
31 December 2020 (restated) <sup>1</sup>	3,109	(994)	(173)	732	(5,242)	(2,568)
Comprehensive income:						
Loss for the year	-	-	-	-	(1,546)	(1,546)
Other comprehensive income/(expense):						
Cash flow hedges net of tax	-	-	56	-	-	56
Change in tax rate	-	-	12	-	-	12
Actuarial gain/(loss) on pensions net of tax:						
Gain / (Loss) on plan assets	-	-	-	-	141	141
Decrease / (Increase) in scheme liabilities	-	-	-	-	125	125
Change in tax rate	-	-	-	-	(1)	(1)
Change in tax rate on other opening balances	-	-	-	-	(4)	(4)
Total comprehensive income/(expense)	-	-	68	-	(1,285)	(1,217)
<b>31 December 2021 (Audited)</b>	<b>3,109</b>	<b>(994)</b>	<b>(105)</b>	<b>732</b>	<b>(6,527)</b>	<b>(3,785)</b>
Comprehensive income:						
Profit for the period	-	-	-	-	222	222
Other comprehensive income:						
Fair value losses on:						
Cash flow hedges net of tax	-	-	(46)	-	-	(46)
Actuarial (loss)/gain on pensions net of tax:						
Loss on plan assets	-	-	-	-	(1,029)	(1,029)
Decrease in scheme liabilities	-	-	-	-	1,024	1,024
<b>Total comprehensive (expense)/income</b>	<b>-</b>	<b>-</b>	<b>(46)</b>	<b>-</b>	<b>217</b>	<b>171</b>
<b>30 June 2022 (Unaudited)</b>	<b>3,109</b>	<b>(994)</b>	<b>(151)</b>	<b>732</b>	<b>(6,310)</b>	<b>(3,614)</b>

<sup>1</sup> In the year-ended 31 December 2020, a capital injection received was incorrectly recorded as an increase to share capital. Consequently, share capital and the Capital Contribution Reserve for the year-ended 31 December 2020 have been restated. Further details can be found in the Basis of Accounting included within the Annual Report and Accounts for the year-ended 31 December 2021.

## Heathrow Finance plc

## Consolidated statement of cash flows for the six months ended 30 June 2022

	Unaudited Six months ended 30 June 2022 £m	Unaudited Six months ended 30 June 2021 £m	Audited Year ended 31 December 2021 £m
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax	310	(827)	(1,706)
Exceptional items	-	-	31
Profit/(loss) before tax and exceptional items	310	(827)	(1,675)
<i>Adjustments for:</i>			
Net finance costs	644	302	767
Fair value (gain)/loss on financial instruments	(366)	106	665
Depreciation, amortisation and impairment	374	411	800
Fair value gain on investment properties	(218)	(25)	(174)
<i>Working capital changes:</i>			
(Increase)/decrease in inventories and trade and other receivables	(32)	256	285
Increase/(decrease) in trade and other payables	45	(51)	(65)
Decrease in provisions	(1)	(1)	-
Difference between pension charge and cash contributions	1	11	22
Cash generated from operations before exceptional items	757	182	625
Cash payments in respect of exceptional items	(1)	(8)	(11)
<b>Cash generated from continuing operations</b>	<b>756</b>	<b>174</b>	<b>614</b>
Corporation tax paid	(1)	-	(1)
<b>Net cash generated from operating activities</b>	<b>755</b>	<b>174</b>	<b>(613)</b>
<b>Cash flows from investing activities</b>			
Net capital expenditure	(215)	(82)	(252)
Proceeds on disposal of PPE	-	-	14
Decrease/(increase) in term deposits	745	(870)	936
Interest received	6	4	7
<b>Net cash generated from/(used in) investing activities</b>	<b>536</b>	<b>(948)</b>	<b>705</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of bonds	136	1,386	1,582
Repayment of bonds	(730)	(498)	(1,119)
Issuance of term notes	200	-	50
Repayment of facilities and other items	-	(6)	(1,590)
Settlement of accretion on index-linked swaps	(17)	(31)	(69)
Early settlement of accretion on index-linked swaps	(250)	-	-
Interest paid <sup>1</sup>	(149)	(63)	(212)
Payment of lease liabilities	(18)	(16)	(33)
<b>Net cash (used in)/generated from financing activities</b>	<b>(828)</b>	<b>772</b>	<b>(1,391)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>463</b>	<b>(2)</b>	<b>(73)</b>
Cash and cash equivalents at beginning of period	232	305	305
<b>Cash and cash equivalents at end of period</b>	<b>695</b>	<b>303</b>	<b>232</b>
Represented by:			
Cash and cash equivalents	695	303	232
<b>Cash and cash equivalents at end of period</b>	<b>695</b>	<b>303</b>	<b>232</b>

<sup>1</sup> Included within interest paid is £8 million of lease interest paid (June 2021: £8 million and December 2021: £16 million).



# Heathrow Finance plc

## Notes to the consolidated financial information for the six months ended 30 June 2022

### 1 Segment information

Management has determined the reportable segments of the business based on those contained within the monthly reports reviewed and utilised by the relevant Board for allocating resources and assessing performance. These segments relate to the operations of Heathrow and Heathrow Express.

The performance of the above segments is measured on a revenue and Adjusted EBITDA basis, before certain re-measurements and exceptional items. The reportable segments derive their revenues from a number of sources including aeronautical, retail, other regulated charges and other products and services (including rail income), and this information is also provided to the Board on a monthly basis.

The comparative financial information for retail and property revenue has been re-presented. The prior year revenue for retail concession fee was classified within *Property (lease-related income)*, this has been reclassified to retail revenue.

Table (a)	Unaudited Six months ended 30 June 2022 £m	Unaudited Six months ended 30 June 2021 £m	Audited Year ended 31 December 2021 £m
<b>Segment Revenue</b>			
<b>Under IFRS 15</b>			
Aeronautical			
Movement charges	308	84	367
Parking charges	42	24	57
Departing charges	460	61	130
Total Aeronautical revenue	810	169	554
Other regulated charges	109	57	297
Retail services revenue	247	59	217
Property revenue	16	5	13
Rail Income			
Heathrow Express	41	4	26
Other	2	2	4
<i>Revenue reported under IFRS 15</i>	<b>1,225</b>	296	1,111
<b>Under IFRS 16</b>			
Property (lease-related income)	55	52	103
<b>Total revenue</b>	<b>1,280</b>	348	1,214
Heathrow Airport	1,239	344	1,188
Heathrow Express	41	4	26
<b>Adjusted EBITDA</b>			
Heathrow Airport	729	(21)	394
Heathrow Express	15	(12)	(11)
Total adjusted EBITDA	744	(33)	383
<b>Reconciliation to statutory information:</b>			
Depreciation and amortisation	(374)	(411)	(800)
<b>Operating profit/(loss) (before certain re-measurements)</b>	<b>370</b>	(444)	(417)
Exceptional items	-	-	(31)
Fair value gain/(loss) on investments properties (certain re-measurements)	218	25	(174)
<b>Operating profit/(loss)</b>	<b>588</b>	(419)	(274)
Finance income	26	18	37
Finance costs	(304)	(426)	(1,469)
<b>Profit/(loss) before tax</b>	<b>310</b>	(827)	(1,706)
<b>Taxation (charge)/credit</b>	<b>(88)</b>	59	160
<b>Profit/(loss) for the period</b>	<b>222</b>	(886)	(1,546)

# Heathrow Finance plc

## Notes to the consolidated financial information for the six months ended 30 June 2022 *continued*

### 1 Segment information *continued*

Table (b)	Unaudited Six months ended 30 June 2022		Unaudited Six months ended 30 June 2021		Audited Year ended 31 December 2021	
	Depreciation & amortisation <sup>1</sup>	Fair value gain <sup>2</sup>	Depreciation & amortisation <sup>1</sup>	Fair value gain <sup>2</sup>	Depreciation & amortisation <sup>1</sup>	Fair value gain <sup>2</sup>
	£m	£m	£m	£m	£m	£m
Heathrow Airport	(360)	218	(394)	25	(767)	174
Heathrow Express	(14)	-	(17)	-	(33)	-
<b>Total</b>	<b>(374)</b>	<b>218</b>	<b>(411)</b>	<b>25</b>	<b>(800)</b>	<b>174</b>

<sup>1</sup> Includes intangible amortisation charge of £17 million (December 2021: £37 million; June 2021: £17 million).

<sup>2</sup> Reflects fair value (loss)/gain on investment properties only.

Table (c)	Unaudited Six months ended 30 June 2022		Audited Year ended 31 December 2021	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Heathrow Airport	13,141	(447)	13,652	(409)
Heathrow Express	575	(20)	594	(13)
<b>Total operations</b>	<b>13,716</b>	<b>(467)</b>	<b>14,246</b>	<b>(388)</b>
Unallocated assets and liabilities:				
Cash, term deposits and external borrowings	2,600	(17,912)	2,882	(18,206)
Retirement benefit obligations	337	(29)	343	(30)
Derivative financial instruments	714	(2,378)	446	(2,244)
Deferred and current tax assets and (liabilities)	-	(804)	-	(733)
Amounts owed from group undertakings	709	-	-	-
Right of use assets and lease liabilities	286	(386)	270	(371)
<b>Total</b>	<b>18,362</b>	<b>(21,976)</b>	<b>18,187</b>	<b>(21,972)</b>

### 2 Operating costs

	Unaudited Six months ended 30 June 2022	Unaudited Six months ended 30 June 2021	Audited Year ended 31 December 2021
	£m	£m	£m
Employment	173	121	256
Operational	142	89	197
Maintenance	82	60	133
Rates	59	60	119
Utilities	46	28	59
Other	34	23	67
<b>Total operating costs before depreciation and amortisation</b>	<b>536</b>	<b>381</b>	<b>831</b>
Depreciation and amortisation			
Property, plant and equipment	337	374	723
Intangible assets	17	17	37
Right of Use (RoU) assets	20	20	40
<b>Total operating costs before exceptional items</b>	<b>374</b>	<b>411</b>	<b>800</b>
Exceptional items	-	-	31
<b>Total operating costs</b>	<b>910</b>	<b>792</b>	<b>1,662</b>

## Heathrow Finance plc

### Notes to the consolidated financial information for the six months ended 30 June 2022 *continued*

#### 3 Net debt

	Accounting value 30 June 2022	Accounting value 31 December 2021
	£m	£m
Current borrowings – Security Parent and subsidiaries	963	981
Current lease liabilities	42	40
<b>Total current borrowings<sup>1</sup></b>	<b>1,005</b>	<b>1,021</b>
Non-current borrowings – Issuer		
Bonds	1,121	1,121
Loans	1,235	1,235
Non-current lease liabilities	344	331
<b>Total</b>	<b>2,700</b>	<b>2,687</b>
Non-current borrowings – Security Parent and subsidiaries		
Bonds 981	13,164	13,641
Loans	1,428	1,228
<b>Total</b>	<b>14,592</b>	<b>14,869</b>
<b>Total non-current borrowings</b>	<b>17,292</b>	<b>17,556</b>
<b>Total debt</b>	<b>18,297</b>	<b>18,577</b>
Cash and cash equivalents and term deposits <sup>2</sup>	(2,600)	(2,882)
<b>Total net debt</b>	<b>15,697</b>	<b>15,695</b>

<sup>1</sup> Current borrowings includes interest accrued on debt

<sup>2</sup> Cash and cash equivalents include £1,905 million (December 2021: £2,650 million) in term deposits.

#### 4 Regulatory Asset Base and Nominal Net Debt

Heathrow's RAB was £18,425 million at 30 June 2022 (30 June 2021: £16,946 million; 31 December 2021: £17,474 million).

As at 30 June 2022, nominal Group debt (excluding accrued interest) was £17,688 million (30 June 2021: £19,981 million; 31 December 2021: £18,206 million), comprising nominal senior debt of £13,243 million (30 June 2021: £15,405 million; 31 December 2021: £14,796 million), nominal junior debt of £2,081 million (30 June 2021: £2,212 million; 31 December 2021: £2,038 million) and nominal Issuer debt of £2,364 million (30 June 2021: £2,364 million; 31 December 2021: £2,364 million).

As at 30 June 2022, nominal Group net debt was £15,561 million (30 June 2021: £15,222 million; 31 December 2021: £15,440 million), comprising nominal senior and junior net debt of £14,507 million (30 June 2021: £13,176 million; 31 December 2021: £13,332 million) and nominal issuer net debt of £1,054 million (30 June 2021: £2,046 million; 31 December 2021: £2,108 million).