

**Heathrow Finance plc**  
**Special purpose consolidated financial statements**  
**for the six months ended 30 June 2015**

**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 2015 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 2014 with the exception of tax accounting which is in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

From 1 January 2015, the Group has changed the method of accounting for retirement benefit schemes. Before 31 December 2014, the Group recorded its share of the liability on the HAH Group's defined benefit schemes ('the schemes'). This was recognised as a provision payable to the legal sponsor of the schemes, being LHR Airports Limited. Additionally, the Group recorded its share of the actuarial gains and losses on the schemes and presented this within exceptional items in the income statement.

Following the disposal of Aberdeen, Glasgow and Southampton airports by the HAH Group in December 2014, the directors have reassessed the Group's relationship with the legal sponsor of the schemes given that the HAH Group's sole operating business is now Heathrow. The directors have determined, after taking into account the Shared Service Agreement, employment relationships and the funding risk associated with the schemes, that the Group now acts as principal in relation to these schemes. As a result, the Group now recognises an external liability, in relation to the schemes, on its statement of financial position as non-current under the caption of Retirement benefit obligations and no longer records an intercompany payable to LHR Airports Limited. Additionally, it is now considered appropriate for the Group to record actuarial gains and losses on the external scheme within other comprehensive income. This differs from the prior periods where the Group recorded a share of the actuarial gains and losses, treated as an intercompany recharge, as an exceptional item in the Group's income statement. There is no impact on cash or net assets as a result of this change.

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 2014 were approved by the Board of directors on 18 March 2015 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



**Michael Uzielli**  
Director

23 July 2015

Company registration number: 06458635

# Heathrow Finance plc

## Consolidated income statement

	Unaudited Six months ended 30 June 2015 £m	Unaudited Six months ended 30 June 2014 £m	Audited Year ended 31 December 2014 £m
<b>Continuing operations</b>			
Revenue	1,307	1,234	2,692
Operating costs	(904)	(852)	(1,902)
Fair value gain/(loss) on investment properties	44	(26)	46
<b>Operating profit</b>	<b>447</b>	<b>356</b>	<b>836</b>
<i>Analysed as:</i>			
Operating profit before exceptional items	447	435	1,038
Exceptional items	-	(79)	(202)
<b>Financing</b>			
Finance income	118	117	234
Finance costs	(455)	(457)	(1,035)
Fair value gain/(loss) on financial instruments	8	5	(154)
<b>Net finance cost</b>	<b>(329)</b>	<b>(335)</b>	<b>(955)</b>
<b>Profit/(loss) before tax</b>	<b>118</b>	<b>21</b>	<b>(119)</b>
Taxation (charge)/credit	(35)	(9)	35
<b>Profit/(loss) for the period from continuing operations</b>	<b>83</b>	<b>12</b>	<b>(84)</b>
Net profit from discontinued operations	-	-	3
<b>Consolidated profit/(loss) for the period</b>	<b>83</b>	<b>12</b>	<b>(81)</b>

# Heathrow Finance plc

## Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June 2015 £m	Unaudited Six months ended 30 June 2014 £m	Audited Year ended 31 December 2014 £m
<b>Profit/(loss) for the period</b>	<b>83</b>	<b>12</b>	<b>(81)</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be subsequently reclassified to the consolidated income statement</b>			
Net actuarial losses on retirement benefit schemes	(14)	-	-
Tax relating to retirement benefits	-	-	(4)
Tax relating to indexation of operating land	-	-	1
<b>Items that may be subsequently reclassified to the consolidated income statement</b>			
Cash flow hedges:			
Loss taken to equity	(133)	(93)	(174)
Transferred to income statement	152	115	163
<b>Other comprehensive profit/(loss) for the period net of tax</b>	<b>5</b>	<b>22</b>	<b>(14)</b>
<b>Total comprehensive profit/(loss) for the period<sup>1</sup></b>	<b>88</b>	<b>34</b>	<b>(95)</b>

Items in the statement above are disclosed net of tax.

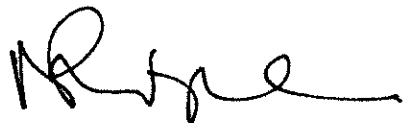
<sup>1</sup> Attributable to equity holders of the parent.

# Heathrow Finance plc

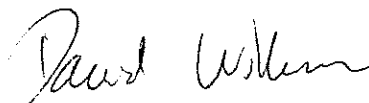
## Consolidated statement of financial position

	Unaudited 30 June 2015 £m	Audited 31 December 2014 £m
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	11,474	11,533
Investment properties	2,106	2,054
Intangible assets	110	114
Derivative financial instruments	66	172
Trade and other receivables	98	97
	<b>13,854</b>	<b>13,970</b>
<b>Current assets</b>		
Inventories	10	10
Trade and other receivables	318	460
Current income tax assets	-	28
Derivative financial instruments	1	2
Cash and cash equivalents	493	285
	<b>822</b>	<b>785</b>
<b>Total assets</b>	<b>14,676</b>	<b>14,755</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	(12,026)	(11,740)
Derivative financial instruments	(1,417)	(1,334)
Deferred income tax liabilities	(1,073)	(1,067)
Retirement benefit obligations	(241)	-
Provisions	(2)	(11)
Trade and other payables	(12)	(2)
	<b>(14,771)</b>	<b>(14,154)</b>
<b>Current liabilities</b>		
Borrowings	(573)	(929)
Derivative financial instruments	(28)	(1)
Current income tax liabilities	(21)	-
Provisions	-	(230)
Trade and other payables	(345)	(458)
	<b>(967)</b>	<b>(1,618)</b>
<b>Total liabilities</b>	<b>(15,738)</b>	<b>(15,772)</b>
<b>Net liabilities</b>	<b>(1,062)</b>	<b>(1,017)</b>
<b>Equity</b>		
<b>Capital and reserves</b>		
Share capital	3,109	3,109
Merger reserve	(994)	(994)
Fair value reserve	(302)	(321)
Retained earnings	(2,875)	(2,811)
<b>Total equity</b>	<b>(1,062)</b>	<b>(1,017)</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 23 July 2015. They were signed on its behalf by:



Michael Uzielli  
Director



David Williamson  
Director

# Heathrow Finance plc

## Consolidated statement of changes in equity

	Attributable to owners of the Parent (unaudited)				
	Share capital £m	Merger reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
1 January 2014	3,109	(994)	(310)	(2,290)	(485)
<b>Comprehensive income:</b>					
Profit for the period				12	12
<b>Other comprehensive income:</b>					
Fair value gains on cash flow hedges net of tax			22		22
<b>Total comprehensive income</b>			22	12	34
<b>Transaction with owners:</b>					
Dividends paid				(146)	(146)
<b>Total transaction with owners</b>				(146)	(146)
30 June 2014	3,109	(994)	(288)	(2,424)	(597)
1 January 2015	3,109	(994)	(321)	(2,811)	(1,017)
<b>Comprehensive income:</b>					
Profit for the period				83	83
<b>Other comprehensive income:</b>					
Fair value gains on cash flow hedges net of tax			19		19
Net actuarial losses on pensions				(14)	(14)
<b>Total comprehensive income/(loss)</b>			19	69	88
<b>Transaction with owners:</b>					
Dividends paid				(133)	(133)
<b>Total transaction with owners</b>				(133)	(133)
30 June 2015	3,109	(994)	(302)	(2,875)	(1,062)

# Heathrow Finance plc

## Consolidated summary statement of cash flows

	Unaudited Six months ended 30 June 2015 £m	Unaudited Six months ended 30 June 2014 £m	Audited Year ended 31 December 2014 £m
<b>Operating activities</b>			
Profit/(loss) before tax	118	21	(119)
<i>Adjustments for:</i>			
Net finance costs	329	335	955
Depreciation, amortisation and impairment	345	244	576
Fair value (gain)/loss on investment properties	(44)	26	(46)
<i>Working capital changes:</i>			
Decrease in inventories and trade and other receivables	13	14	13
Decrease in trade and other payables	(22)	(28)	(3)
Release and utilisation of provisions	-	(1)	(3)
Difference between pension charge and cash contributions	(10)	(10)	(22)
Exceptional pension charge	-	61	176
<b>Cash generated from continuing operations</b>	<b>729</b>	<b>662</b>	<b>1,527</b>
Taxation – group relief received/(paid)	18	(8)	(19)
<b>Net cash from operating activities</b>	<b>747</b>	<b>654</b>	<b>1,508</b>
<b>Cash flows from investing activities</b>			
Net capital expenditure	(322)	(498)	(855)
Net decrease/(increase) in term deposits	120	(320)	(170)
Increase in group deposits	(38)	-	-
Disposal of Stansted Airport Limited	-	(2)	(2)
<b>Net cash used in investing activities</b>	<b>(240)</b>	<b>(820)</b>	<b>(1,027)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(133)	(146)	(437)
Proceeds from issuance of bonds	907	980	1,525
Repayment of bonds	(661)	-	(516)
Issuance of term notes	-	-	100
Repayment of revolving credit facilities	-	(30)	(80)
Net drawdown/(repayment) of subordinated facilities	75	-	(85)
Payment of facilities and other items	(25)	(25)	(56)
Swaps novated from Airport Holdings (NDH1) Limited	-	-	7
Settlement of accretion on index-linked swaps	(144)	-	(185)
Net interest paid	(316)	(302)	(567)
<b>Net cash (used in)/from financing activities</b>	<b>(297)</b>	<b>477</b>	<b>(294)</b>
<b>Net increase in cash and cash equivalents</b>	<b>210</b>	<b>311</b>	<b>187</b>
Cash and cash equivalents at beginning of period	283	96	96
<b>Cash and cash equivalents at end of period</b>	<b>493</b>	<b>407</b>	<b>283</b>
Represented by:			
Cash and cash equivalents	493	407	285
Overdrafts	-	-	(2)
<b>Cash and cash equivalents at end of period</b>	<b>493</b>	<b>407</b>	<b>283</b>