

Heathrow (SP) Limited
Special purpose consolidated financial statements
for the six months ended 30 June 2015

Unaudited

Heathrow (SP) Limited

Contents

Basis of preparation	1
Special purpose consolidated financial statements	
Consolidated income statement	2
Consolidated statement of comprehensive income	3
Consolidated statement of financial position	4
Consolidated statement of changes in equity	5
Consolidated summary statement of cash flows	6

Heathrow (SP) Limited

Basis of preparation

The unaudited Special purpose consolidated financial statements of Heathrow (SP) Limited (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 consolidated financial statements of Heathrow (SP) Limited have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union ('EU') and prepared under the historical cost convention, except for investment properties, derivative financial instruments and financial liabilities that qualify as hedged items under a fair value hedge accounting system. These exceptions to the historical cost convention have been measured at fair value in accordance with IFRS and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.


These interim financial reports have been prepared and approved by the directors in accordance with International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34') as issued by the IASB and as adopted by the EU. These are the second interim financial reports in compliance with IAS 34 and therefore do not include a reconciliation of equity and reconciliation of total comprehensive income at, and for the period ending, 30 June 2014 from UK GAAP, the previous accounting regime under which the Heathrow (SP) Limited group used to report. Reconciliations from previous GAAP to IFRS for comparative periods and as at transition are available in the consolidated financial statements of Heathrow (SP) Limited for the year ended 31 December 2014 and in the first interim financial reports in compliance with IAS 34 for the period ended 31 March 2015. The accounting policies adopted in the preparation of this consolidated financial information are consistent with those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2014.

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 20 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: 06458621

Heathrow (SP) Limited

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
Continuing operations			
Revenue	1,307	1,234	2,692
Operating costs	(903)	(849)	(1,899)
Fair value gain/(loss) on investment properties	44	(26)	46
Operating profit	448	359	839
<i>Analysed as:</i>			
Operating profit before exceptional items	448	438	1,041
Exceptional items	-	(79)	(202)
Financing			
Finance income	118	117	234
Finance costs	(453)	(458)	(1,038)
Fair value gain/(loss) on financial instruments	7	5	(154)
Net finance cost	(328)	(336)	(958)
Profit/(loss) before tax	120	23	(119)
Taxation (charge)/credit	(32)	(7)	21
Profit/(loss) for the period from continuing operations	88	16	(98)
Net profit from discontinued operations	-	-	3
Consolidated profit/(loss) for the period	88	16	(95)

Heathrow (SP) Limited

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
Profit/(loss) for the period	88	16	(95)
Other comprehensive income:			
Items that will not be subsequently reclassified to the consolidated income statement			
Net actuarial losses on retirement benefit schemes	(14)	-	-
Tax relating to retirement benefits	-	-	(4)
Tax relating to indexation of operating land	-	-	1
Items that may be subsequently reclassified to the consolidated income statement			
Cash flow hedges:			
Loss taken to equity	(133)	(93)	(174)
Transferred to income statement	152	115	163
Other comprehensive profit/(loss) for the period net of tax	5	22	(14)
Total comprehensive profit/(loss) for the period¹	93	38	(109)

Items in the statement above are disclosed net of tax.

¹ Attributable to equity holders of the parent.

Heathrow (SP) Limited

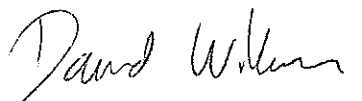
Consolidated statement of financial position

	Unaudited 30 June 2015 £m	Audited 31 December 2014 £m
Assets		
Non-current assets		
Property, plant and equipment	11,292	11,349
Investment properties	2,106	2,054
Intangible assets	110	114
Derivative financial instruments	66	172
Trade and other receivables	21	23
	13,595	13,712
Current assets		
Inventories	10	10
Trade and other receivables	317	460
Current income tax assets	-	18
Derivative financial instruments	1	2
Cash and cash equivalents	439	268
	767	758
Total assets	14,362	14,470
Liabilities		
Non-current liabilities		
Borrowings	(12,201)	(11,877)
Derivative financial instruments	(1,412)	(1,328)
Deferred income tax liabilities	(1,034)	(1,023)
Retirement benefit obligations	(241)	-
Provisions	(2)	(10)
Trade and other payables	(12)	(2)
	(14,902)	(14,240)
Current liabilities		
Borrowings	(576)	(933)
Derivative financial instruments	(28)	(1)
Current income tax liabilities	(22)	-
Provisions	-	(232)
Trade and other payables	(345)	(454)
	(971)	(1,620)
Total liabilities	(15,873)	(15,860)
Net liabilities	(1,511)	(1,390)
Equity		
Capital and reserves		
Share capital	11	11
Share premium	499	499
Merger reserve	(3,758)	(3,758)
Fair value reserve	(302)	(321)
Retained earnings	2,039	2,179
Total equity	(1,511)	(1,390)

The Special purpose consolidated financial statements of Heathrow (SP) Limited (Company registration number: 06458621) 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 (SP) Limited

Consolidated statement of changes in equity

	Attributable to owners of the Company (unaudited)					
	Share capital £m	Share premium £m	Merger reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
1 January 2014	11	499	(3,758)	(310)	2,722	(836)
Comprehensive income:						
Profit for the period					16	16
Other comprehensive income:						
Fair value gains on cash flow hedges net of tax				22		22
Total comprehensive income				22	16	38
Transaction with owners:						
Dividends paid					(144)	(144)
Total transaction with owners					(144)	(144)
30 June 2014	11	499	(3,758)	(288)	2,594	(942)
1 January 2015	11	499	(3,758)	(321)	2,179	(1,390)
Comprehensive income:						
Profit for the period					88	88
Other comprehensive income:						
Fair value gains on cash flow hedges net of tax				19		19
Net actuarial losses on retirement benefit schemes					(14)	(14)
Total comprehensive income				19	74	93
Transaction with owners:						
Dividends paid					(214)	(214)
Total transaction with owners					(214)	(214)
30 June 2015	11	499	(3,758)	(302)	2,039	(1,511)

Heathrow (SP) Limited

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
Operating activities			
Profit/(loss) before tax	120	23	(119)
<i>Adjustments for:</i>			
Net finance costs	328	336	958
Depreciation, amortisation and impairment	344	240	572
Fair value (gain)/loss on investment properties	(44)	26	(46)
<i>Working capital changes:</i>			
Decrease in inventories and trade and other receivables	13	11	13
Decrease in trade and other payables	(22)	(28)	(4)
Release and utilisation of provisions	-	(1)	(3)
Difference between pension charge and cash contributions	(10)	(9)	(22)
Exceptional pension charge	-	61	176
Cash generated from continuing operations	729	659	1,525
Taxation – group relief received/(paid)	18	(8)	(19)
Net cash from operating activities	747	651	1,506
Cash flows from investing activities			
Net capital expenditure	(322)	(496)	(853)
Net decrease/(increase) in term deposits	120	(450)	(170)
Increase in group deposits	(38)	-	-
Disposal of Stansted Airport Limited	-	(2)	(2)
Net cash used in investing activities	(240)	(948)	(1,025)
Cash flows from financing activities			
Dividends paid	(214)	(144)	(445)
Proceeds from issuance of bonds	907	980	1,276
Repayment of bonds	(619)	-	(513)
Issuance of term notes	-	-	100
Net repayment of revolving credit facilities	-	(30)	(80)
Payment of facilities and other items	(20)	(25)	(54)
Increase in amount owed to Heathrow Finance plc	75	-	165
Settlement of accretion on index-linked swaps	(144)	-	(185)
Net interest paid	(319)	(305)	(573)
Net cash (used in)/from financing activities	(334)	476	(309)
Net increase in cash and cash equivalents	173	179	172
Cash and cash equivalents at beginning of period	266	94	94
Cash and cash equivalents at end of period	439	273	266
Represented by:			
Cash and cash equivalents	439	273	268
Overdrafts	-	-	(2)
Cash and cash equivalents at end of period	439	273	266