

Heathrow Finance plc
Special purpose consolidated financial statements
for the six months ended 30 June 2017

Unaudited

Heathrow Finance plc

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Heathrow Finance plc

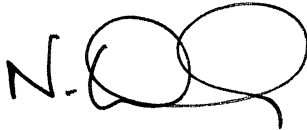
Basis of preparation

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 2017 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 2016 with the exception of tax accounting which is in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

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 2016 were approved by the Board of directors on 24 February 2017 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

A handwritten signature in black ink, appearing to read 'N. Golding', with a stylized flourish at the end.

Nicholas Golding
Director

July 2017

Company registration number: 06458635

Heathrow Finance plc

Consolidated income statement for the six months ended 30 June 2017

	Unaudited Six months ended 30 June 2017 £m	Unaudited Six months ended 30 June 2016 £m	Audited Year ended 31 December 2016 £m
Revenue	1,374	1,320	2,807
Operating costs	(872)	(900)	(1,798)
Fair value gain/(loss) on investment properties	74	(12)	44
Operating profit	576	408	1,053
Financing			
Finance income	101	114	221
Finance costs	(499)	(456)	(959)
Fair value gain/(loss) on financial instruments	136	(294)	(522)
Net finance cost	(262)	(636)	(1,260)
Profit/(loss) before tax	314	(228)	(207)
Taxation (charge)/credit	(65)	30	80
Profit/(loss) for the period	249	(198)	(127)

Heathrow Finance plc

Consolidated statement of comprehensive income for the six months ended 30 June 2017

	Unaudited Six months ended 30 June 2017 £m	Unaudited Six months ended 30 June 2016 £m	Audited Year ended 31 December 2016 £m
Profit/(loss) for the period	249	(198)	(127)
Other comprehensive income:			
Items that will not be subsequently reclassified to the consolidated income statement			
Actuarial loss on pensions net of tax:			
(Loss)/gain on plan assets	(36)	340	501
Increase in scheme liabilities	(43)	(354)	(688)
Tax relating to indexation of operational land	-	-	1
Change in deferred tax due to tax rate change	-	-	6
Items that may be subsequently reclassified to the consolidated income statement			
Cash flow hedges:			
(Loss)/gain taken to equity net of tax	(76)	213	264
Transferred from/(to) income statement net of tax	80	(223)	(241)
Change in deferred tax due to tax rate change	-	-	(7)
Other comprehensive loss for the period net of tax	(75)	(24)	(164)
Total comprehensive income/(loss) for the period¹	174	(222)	(291)

Items in the statement above are disclosed net of tax.

¹ Attributable to equity holders of the parent.

Heathrow Finance plc

Consolidated statement of financial position as at 30 June 2017

	Unaudited 30 June 2017 £m	Audited 31 December 2016 £m
Assets		
Non-current assets		
Property, plant and equipment	11,524	11,483
Investment properties	2,274	2,200
Intangible assets	119	122
Derivative financial instruments	480	676
Trade and other receivables	201	102
	14,598	14,583
Current assets		
Inventories	11	11
Trade and other receivables	334	322
Derivative financial instruments	147	78
Term deposits	12	380
Cash and cash equivalents	576	286
	1,080	1,077
Total assets	15,678	15,660
Liabilities		
Non-current liabilities		
Borrowings	(13,115)	(12,717)
Derivative financial instruments	(1,410)	(1,419)
Deferred income tax liabilities	(902)	(884)
Retirement benefit obligations	(199)	(114)
Provisions	(9)	(9)
Trade and other payables	(9)	(8)
	(15,644)	(15,151)
Current liabilities		
Borrowings	(891)	(1,501)
Derivative financial instruments	(1)	(3)
Current income tax liabilities	(39)	(25)
Provisions	(6)	(12)
Trade and other payables	(448)	(408)
	(1,385)	(1,949)
Total liabilities	(17,029)	(17,100)
Net liabilities	(1,351)	(1,440)
Equity		
Capital and reserves		
Share capital	3,109	3,109
Merger reserve	(994)	(994)
Cash flow hedge reserve	(264)	(268)
Retained earnings	(3,202)	(3,287)
Total equity	(1,351)	(1,440)

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 July 2017. They were signed on its behalf by:


Andrew Efiog
 Director


Nicholas Golding
 Director

Heathrow Finance plc

Consolidated statement of changes in equity for the six months ended 30 June 2017

	Attributable to owners of the Company (unaudited)				
	Share capital £m	Merger reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
1 January 2016	3,109	(994)	(284)	(2,364)	(533)
Comprehensive income:					
Loss for the period				(127)	(127)
Other comprehensive income:					
Fair value gains on cash flow hedges net of tax			23		23
Actuarial loss on pensions net of tax:					
Gain on plan assets				501	501
Increase in scheme liabilities				(688)	(688)
Tax relating to indexation of operational land				1	1
Change in tax rate			(7)	6	(1)
Total comprehensive loss			16	(307)	(291)
Transaction with owners:					
Dividends paid to Heathrow (DSH) Limited				(616)	(616)
Total transaction with owners				(616)	(616)
31 December 2016	3,109	(994)	(268)	(3,287)	(1,440)
1 January 2017	3,109	(994)	(268)	(3,287)	(1,440)
Comprehensive income:					
Profit for the period				249	249
Other comprehensive income:					
Fair value gains on cash flow hedges net of tax			4		4
Actuarial loss on pensions net of tax:					
Loss on plan assets				(36)	(36)
Increase in scheme liabilities				(43)	(43)
Total comprehensive income			4	170	174
Transaction with owners:					
Dividends paid to Heathrow (DSH) Limited				(85)	(85)
Total transaction with owners				(85)	(85)
30 June 2017	3,109	(994)	(264)	(3,202)	(1,351)

Heathrow Finance plc

Consolidated summary statement of cash flows for the six months ended 30 June 2017

	Unaudited Six months ended 30 June 2017 £m	Unaudited Six months ended 30 June 2016 £m	Audited Year ended 31 December 2016 £m
Operating activities			
Profit/(loss) before tax	314	(228)	(207)
<i>Adjustments for:</i>			
Net finance costs	398	342	738
Fair value (gain)/loss on financial instruments	(136)	294	522
Depreciation, amortisation and impairment	333	362	673
Fair value (gain)/loss on investment properties	(74)	12	(44)
<i>Working capital changes:</i>			
Increase in inventories and trade and other receivables	(11)	(46)	(18)
Increase/(decrease) in trade and other payables	11	(9)	14
(Decrease)/increase in provisions	(7)	(3)	7
Difference between pension charge and cash contributions	(10)	(24)	(31)
Cash generated from continuing operations	818	700	1,654
Corporation tax paid	(18)	(18)	(45)
Taxation – group relief paid	-	-	(12)
Net cash from operating activities	800	682	1,597
Cash flows from investing activities			
Net capital expenditure	(318)	(303)	(674)
Decrease in term deposits	368	195	170
Decrease in group deposits	-	74	65
Interest received	3	6	7
Net cash from/(used in) investing activities	53	(28)	(432)
Cash flows from financing activities			
Dividends paid to Heathrow (DSH) Limited	(85)	(256)	(616)
Increase in loan to Heathrow (DSH) Limited	(104)	-	-
Proceeds from issuance of bonds	275	344	829
Repayment of bonds	(1,121)	(316)	(761)
Proceeds from issuance of other term debt	518	-	90
Drawdown of revolving credit facilities	360	-	-
Net drawdown/(repayment) of subordinated facilities	(75)	50	200
Repayment of facilities and other items	(21)	(21)	(46)
Settlement of accretion on index-linked swaps	(10)	(86)	(188)
Swap restructuring	-	20	20
Interest paid	(300)	(318)	(585)
Net cash used in financing activities	(563)	(583)	(1,057)
Net increase in cash and cash equivalents	290	71	108
Cash and cash equivalents at beginning of period	286	178	178
Cash and cash equivalents at end of period	576	249	286
Represented by:			
Cash and cash equivalents	576	249	286
Cash and cash equivalents at end of period	576	249	286