

**Heathrow Finance plc**  
**Special purpose consolidated financial statements**  
**for the six months ended 30 June 2018**

**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 2018 and for the six months then ended.

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 2017 were approved by the Board of directors on 21 February 2018 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.

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 2017, with the exception of new financial reporting standards which have been applied from 1 January 2018 as follows:

#### *IFRS 15 Revenue from Contracts with Customers*

The Group adopted IFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption is recognised in retained earnings as of 1 January 2018 and that comparatives are not restated. The adoption of IFRS 15 resulted in an amount of £1 million charged to retained earnings at 1 January 2018.

#### *IFRS 9 Financial instruments*

The Group adopted IFRS 9 on 1 January 2018, and has reviewed its financial assets and liabilities and there is no change in relation to its financial liabilities which is the same under IAS 39. The financial assets under the new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39.

The adoption of IFRS 9 has resulted in an ECL impairment provision of £2 million in relation to the Group's trade receivables, as at 1 January 2018, which was charged to retained earnings at that date.

On behalf of the Board



**Nicholas Golding**

Director

23 July 2018

Company registration number: 06458635

**Heathrow Finance plc****Consolidated income statement** for the six months ended 30 June 2018

	<b>Unaudited Six months ended 30 June 2018</b>	Unaudited Six months ended 30 June 2017	Audited Year ended 31 December 2017
	£m	£m	£m
<b>Revenue</b>	<b>1,405</b>	1,374	2,884
Operating costs	<b>(914)</b>	(872)	(1,818)
Fair value gain on investment properties	<b>39</b>	74	149
<b>Operating profit</b>	<b>530</b>	576	1,215
<b>Financing</b>			
Finance income	<b>98</b>	101	213
Finance costs	<b>(456)</b>	(499)	(1,038)
Fair value gain on financial instruments	<b>155</b>	136	215
<b>Net finance cost</b>	<b>(203)</b>	(262)	(610)
<b>Profit before tax</b>	<b>327</b>	314	605
Taxation charge	<b>(65)</b>	(65)	(102)
<b>Profit for the period</b>	<b>262</b>	249	503

## Heathrow Finance plc

### Consolidated statement of comprehensive income for the six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018 £m	Unaudited Six months ended 30 June 2017 £m	Audited Year ended 31 December 2017 £m
Profit for the period	262	249	503
<b>Other comprehensive income:</b>			
<b>Items that will not be subsequently reclassified to the consolidated income statement</b>			
Actuarial loss on pensions net of tax:			
(Loss)/gain on plan assets	(87)	(36)	62
Decrease/(increase) in scheme liabilities	269	(43)	(116)
Tax relating to indexation of operational land	-	-	2
<b>Items that may be subsequently reclassified to the consolidated income statement</b>			
Cash flow hedges:			
Losses taken to equity net of tax	(151)	(76)	(105)
Transferred from income statement net of tax	172	80	121
Other comprehensive loss for the period net of tax	203	(75)	(36)
<b>Total comprehensive income for the period<sup>1</sup></b>	<b>465</b>	<b>174</b>	<b>467</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 as at 30 June 2018

	Unaudited 30 June 2018 £m	Audited 31 December 2017 £m
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	11,544	11,481
Investment properties	2,390	2,350
Intangible assets	159	175
Retirement benefit surplus	103	-
Derivative financial instruments	422	444
Trade and other receivables	600	601
	<b>15,218</b>	<b>15,051</b>
<b>Current assets</b>		
Inventories	11	11
Trade and other receivables	327	320
Derivative financial instruments	-	170
Term deposits	-	12
Cash and cash equivalents	60	523
	<b>398</b>	<b>1,036</b>
<b>Total assets</b>	<b>15,616</b>	<b>16,087</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	(13,206)	(13,035)
Derivative financial instruments	(1,302)	(1,459)
Deferred income tax liabilities	(975)	(905)
Retirement benefit obligations	(34)	(158)
Provisions	(8)	(8)
Trade and other payables	(8)	(7)
	<b>(15,533)</b>	<b>(15,572)</b>
<b>Current liabilities</b>		
Borrowings	(643)	(1,355)
Derivative financial instruments	(9)	(7)
Current income tax liabilities	(50)	(37)
Provisions	(1)	(6)
Trade and other payables	(450)	(418)
	<b>(1,153)</b>	<b>(1,823)</b>
<b>Total liabilities</b>	<b>(16,686)</b>	<b>(17,395)</b>
<b>Net liabilities</b>	<b>(1,070)</b>	<b>(1,308)</b>
<b>Equity</b>		
<b>Capital and reserves</b>		
Share capital	3,109	3,109
Merger reserve	(994)	(994)
Cash flow hedge reserve	(231)	(252)
Retained earnings	(2,954)	(3,171)
<b>Total equity</b>	<b>(1,070)</b>	<b>(1,308)</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 2018. They were signed on its behalf by:



Yuanyuan Ding  
Director



Nicholas Golding  
Director

## Heathrow Finance plc

## Consolidated statement of changes in equity for the six months ended 30 June 2018

	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 2017	3,109	(994)	(268)	(3,827)	(1,440)
Comprehensive income:					
Profit for the period				503	503
Other comprehensive income:					
Fair value gains on cash flow hedges net of tax			16		16
Actuarial loss on pensions net of tax:					
Gain on plan assets				62	62
Increase in scheme liabilities				(116)	(116)
Tax relating to indexation of operational land				2	2
<b>Total comprehensive profit</b>			16	451	467
Transaction with owners:					
Dividends paid to Heathrow (DSH) Limited				(335)	(335)
<b>Total transaction with owners</b>				(335)	(335)
31 December 2017	3,109	(994)	(252)	(3,171)	(1,308)
<b>1 January 2018 (previously reported)</b>	<b>3,109</b>	<b>(994)</b>	<b>(252)</b>	<b>(3,171)</b>	<b>(1,308)</b>
<b>Adjustments in respect of:</b>					
Transition to IFRS 15				(1)	(1)
Transition to IFRS 9				(2)	(2)
<b>1 January 2018 (re-stated)</b>	<b>3,109</b>	<b>(994)</b>	<b>(252)</b>	<b>(3,174)</b>	<b>(1,311)</b>
<b>Comprehensive income:</b>					
Profit for the period				262	262
<b>Other comprehensive income:</b>					
Fair value gains on cash flow hedges net of tax			21		21
Actuarial gain on pensions net of tax:					
Loss on plan assets				(87)	(87)
Decrease in scheme liabilities				269	269
<b>Total comprehensive income</b>			21	444	465
<b>Transaction with owners:</b>					
Dividends paid to Heathrow (DSH) Limited				(224)	(224)
<b>Total transaction with owners</b>				(224)	(224)
<b>30 June 2018</b>	<b>3,109</b>	<b>(994)</b>	<b>(231)</b>	<b>(2,954)</b>	<b>(1,070)</b>

## Heathrow Finance plc

## Consolidated summary statement of cash flows for the six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018 £m	Unaudited Six months ended 30 June 2017 £m	Audited Year ended 31 December 2017 £m
<b>Operating activities</b>			
Profit before tax	327	314	605
<i>Adjustments for:</i>			
Net finance costs	358	398	825
Fair value gain on financial instruments	(155)	(136)	(215)
Depreciation, amortisation and impairment	357	333	694
Fair value gain on investment properties	(39)	(74)	(149)
<i>Working capital changes:</i>			
Decrease/(increase) in inventories and trade and other receivables	7	(11)	(7)
Increase in trade and other payables	4	11	8
Decrease in provisions	(5)	(7)	(7)
Difference between pension charge and cash contributions	(9)	(10)	(22)
<b>Cash generated from continuing operations</b>	<b>845</b>	<b>818</b>	<b>1,732</b>
Corporation tax paid	(24)	(18)	(53)
Taxation – group relief paid	-	-	(7)
<b>Net cash from operating activities</b>	<b>821</b>	<b>800</b>	<b>1,672</b>
<b>Cash flows from investing activities</b>			
Net capital expenditure	(354)	(318)	(687)
Decrease in term deposits	-	368	368
Increase in group deposits	13	-	(495)
Interest received	1	3	3
<b>Net cash from/(used in) investing activities</b>	<b>(340)</b>	<b>53</b>	<b>(811)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to Heathrow (DSH) Limited	(224)	(85)	(335)
Increase/(decrease) in loan to Heathrow (DSH) Limited	75	(104)	-
Proceeds from issuance of bonds	385	275	718
Repayment of bonds	(510)	(1,121)	(1,122)
Proceeds from issuance of other term debt	145	518	518
Drawdown of revolving credit facilities	-	360	-
Net drawdown/(repayment) of subordinated facilities	(435)	(75)	200
Repayment of facilities and other items	-	(21)	(41)
Settlement of accretion on index-linked swaps	(98)	(10)	(10)
Interest paid	(282)	(300)	(552)
<b>Net cash used in financing activities</b>	<b>(944)</b>	<b>(563)</b>	<b>(624)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(463)</b>	<b>290</b>	<b>237</b>
Cash and cash equivalents at beginning of period	523	286	286
<b>Cash and cash equivalents at end of period</b>	<b>60</b>	<b>576</b>	<b>523</b>
Represented by:			
Cash and cash equivalents	60	576	523
<b>Cash and cash equivalents at end of period</b>	<b>60</b>	<b>576</b>	<b>523</b>