

**Heathrow Finance plc**  
**Special purpose consolidated financial statements**  
**for the six months ended 30 June 2016**

**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 2016 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 2015 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 2015 were approved by the Board of directors on 23 March 2016 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



**David Williamson**  
Director

20 July 2016

Company registration number: 06458635

# Heathrow Finance plc

## Consolidated income statement

	Unaudited Six months ended 30 June 2016 £m	Unaudited Six months ended 30 June 2015 £m	Audited Year ended 31 December 2015 £m
<b>Revenue</b>	<b>1,320</b>	<b>1,307</b>	<b>2,765</b>
Operating costs	(900)	(904)	(1,608)
Fair value (loss)/gain on investment properties	(12)	44	95
<b>Operating profit</b>	<b>408</b>	<b>447</b>	<b>1,252</b>
<i>Analysed as:</i>			
Operating profit before exceptional items	408	447	1,016
Exceptional items	-	-	236
<b>Financing</b>			
Finance income	114	118	247
Finance costs	(456)	(455)	(946)
Fair value (loss)/gain on financial instruments	(294)	8	150
<b>Net finance cost</b>	<b>(636)</b>	<b>(329)</b>	<b>(549)</b>
<b>(Loss)/profit before tax</b>	<b>(228)</b>	<b>118</b>	<b>703</b>
Taxation credit/(charge)	30	(35)	(41)
<b>(Loss)/profit for the period</b>	<b>(198)</b>	<b>83</b>	<b>662</b>

# Heathrow Finance plc

## Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June 2016 £m	Unaudited Six months ended 30 June 2015 £m	Audited Year ended 31 December 2015 £m
<b>(Loss)/profit for the period</b>	<b>(198)</b>	<b>83</b>	<b>662</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be subsequently reclassified to the consolidated income statement</b>			
Actuarial losses on retirement benefit schemes:			
Gain/(loss) on plan assets	340	(7)	(101)
(Increase)/decrease in scheme liabilities	(354)	(7)	98
Tax relating to retirement benefits <sup>1</sup>	-	-	(10)
Change in tax rate	-	-	7
<b>Items that may be subsequently reclassified to the consolidated income statement</b>			
Cash flow hedges:			
Gain/(loss) taken to equity	213	(133)	(129)
Transferred to income statement	(223)	152	175
Change in tax rate	-	-	(9)
<b>Other comprehensive (loss)/profit for the period net of tax</b>	<b>(24)</b>	<b>5</b>	<b>31</b>
<b>Total comprehensive (loss)/profit for the period<sup>2</sup></b>	<b>(222)</b>	<b>88</b>	<b>693</b>

Items in the statement above are disclosed net of tax.

<sup>1</sup> For 2015, the figure relates to a £50 million commutation payment for which the Group receives no tax relief.

<sup>2</sup> Attributable to equity holders of the parent.

# Heathrow Finance plc

## Consolidated statement of financial position

	Unaudited 30 June 2016 £m	Audited 31 December 2015 £m
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	11,394	11,430
Investment properties	2,144	2,156
Intangible assets	125	133
Retirement benefit surplus	111	104
Derivative financial instruments	613	175
Trade and other receivables	104	97
	<b>14,491</b>	<b>14,095</b>
<b>Current assets</b>		
Inventories	11	11
Trade and other receivables	342	394
Derivative financial instruments	42	-
Term deposits	355	550
Cash and cash equivalents	249	178
	<b>999</b>	<b>1,133</b>
<b>Total assets</b>	<b>15,490</b>	<b>15,228</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	(11,959)	(12,038)
Derivative financial instruments	(1,227)	(1,104)
Deferred income tax liabilities	(995)	(1,056)
Retirement benefit obligations	(28)	(28)
Provisions	(2)	(2)
Trade and other payables	(11)	(12)
	<b>(14,222)</b>	<b>(14,240)</b>
<b>Current liabilities</b>		
Borrowings	(1,849)	(985)
Derivative financial instruments	(4)	(90)
Current income tax liabilities	(37)	(29)
Provisions	(2)	(5)
Trade and other payables	(387)	(412)
	<b>(2,279)</b>	<b>(1,521)</b>
<b>Total liabilities</b>	<b>(16,501)</b>	<b>(15,761)</b>
<b>Net liabilities</b>	<b>(1,011)</b>	<b>(533)</b>
<b>Equity</b>		
<b>Capital and reserves</b>		
Share capital	3,109	3,109
Merger reserve	(994)	(994)
Cash flow hedge reserve	(294)	(284)
Retained earnings	(2,832)	(2,364)
<b>Total equity</b>	<b>(1,011)</b>	<b>(533)</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 20 July 2016. They were signed on its behalf by:

  
**Andrew Efiang**  
 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 2015	3,109	(994)	(321)	(2,811)	(1,017)
<b>Comprehensive income:</b>					
Profit for the period				662	662
<b>Other comprehensive income:</b>					
Fair value losses on cash flow hedges net of tax			37		37
<b>Actuarial losses on pensions:</b>					
Loss on plan assets				(101)	(101)
Decrease in scheme liabilities				98	98
Tax relating to retirement benefits				(10)	(10)
Change in tax rate				7	7
<b>Total comprehensive income</b>			37	656	693
<b>Transaction with owners:</b>					
Dividends paid				(209)	(209)
<b>Total transaction with owners</b>				(209)	(209)
31 December 2015	3,109	(994)	(284)	(2,364)	(533)
1 January 2016	3,109	(994)	(284)	(2,364)	(533)
<b>Comprehensive income:</b>					
Loss for the period				(198)	(198)
<b>Other comprehensive income:</b>					
Fair value losses on cash flow hedges net of tax			(10)		(10)
<b>Actuarial losses on pensions:</b>					
Gain on plan assets				340	340
Increase in scheme liabilities				(354)	(354)
<b>Total comprehensive loss</b>			(10)	(212)	(222)
<b>Transaction with owners:</b>					
Dividends paid				(256)	(256)
<b>Total transaction with owners</b>				(256)	(256)
30 June 2016	3,109	(994)	(294)	(2,832)	(1,011)

# Heathrow Finance plc

## Consolidated summary statement of cash flows

	Unaudited Six months ended 30 June 2016 £m	Unaudited Six months ended 30 June 2015 £m	Audited Year ended 31 December 2015 £m
<b>Operating activities</b>			
(Loss)/profit before tax	(228)	118	703
<i>Adjustments for:</i>			
Net finance costs	342	337	699
Fair value loss/(gain) on financial instruments	294	(8)	(150)
Depreciation, amortisation and impairment	362	345	684
Fair value loss/(gain) on investment properties	12	(44)	(95)
<i>Working capital changes:</i>			
(Increase)/decrease in inventories and trade and other receivables	(46)	13	24
Decrease in trade and other payables	(9)	(22)	(23)
(Decrease)/increase in provisions	(3)	-	5
Difference between pension charge and cash contributions	(24)	(10)	(22)
Exceptional pension credit: change to terms	-	-	(236)
<b>Cash generated from continuing operations</b>	<b>700</b>	<b>729</b>	<b>1,589</b>
Corporation tax paid	(18)	-	(24)
Taxation – group relief received	-	18	14
<b>Net cash from operating activities</b>	<b>682</b>	<b>747</b>	<b>1,579</b>
<b>Cash flows from investing activities</b>			
Net capital expenditure	(303)	(322)	(627)
Net decrease/(increase) in term deposits	195	120	(380)
Decrease/(increase) in group deposits	74	(38)	(171)
<b>Net cash used in investing activities</b>	<b>(34)</b>	<b>(240)</b>	<b>(1,178)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(256)	(133)	(209)
Proceeds from issuance of bonds	344	907	1,022
Repayment of bonds	(316)	(661)	(660)
Issuance of term notes	-	-	150
Net drawdown of subordinated facilities	50	75	47
Repayment of facilities and other items	(21)	(25)	(46)
Settlement of accretion on index-linked swaps	(86)	(144)	(213)
Swap restructuring	20	-	-
Net interest paid	(312)	(316)	(597)
<b>Net cash used in financing activities</b>	<b>(577)</b>	<b>(297)</b>	<b>(506)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>71</b>	<b>210</b>	<b>(105)</b>
Cash and cash equivalents at beginning of period	178	283	283
<b>Cash and cash equivalents at end of period</b>	<b>249</b>	<b>493</b>	<b>178</b>
<i>Represented by:</i>			
Cash and cash equivalents	249	493	178
<b>Cash and cash equivalents at end of period</b>	<b>249</b>	<b>493</b>	<b>178</b>