

# **Heathrow Funding Limited**

## **Interim report and condensed financial statements for the six months ended 30 June 2022**

**Unaudited**

# Heathrow Funding Limited

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## Heathrow Funding Limited

### Interim management report

#### Principal activities

The Company's primary purpose is to raise funding from external sources and provide funding to Heathrow (SP) Limited and its subsidiaries (together the 'SP Group'). This is done through the issuance of external bonds and use of external derivatives. The proceeds raised are distributed to Heathrow Airport Limited ('Heathrow'), a fellow subsidiary of Heathrow (SP) Limited, under the terms of the Borrower Loan Agreements ('BLAs'). The advances under BLAs are secured and are issued on substantially the same terms as the bonds issued by the Company, taking into consideration any related hedging instruments.

The Company is a direct subsidiary of Heathrow (SP) Limited and forms part of the Heathrow Airport Holdings Limited group (the 'Group'). The Company is incorporated in Jersey but is resident in the United Kingdom for taxation purposes.

Cross-currency swaps, interest rate swaps and index-linked swaps are entered into by the Company to hedge the SP Group's and the wider Heathrow Airport Holdings Group's exposures. Interest rate and index-linked derivatives are mainly passed through to Heathrow as back-to-back derivatives, or otherwise incorporated into related BLAs. The Company's cross-currency swaps are packaged with their associated non-Sterling debt and passed through to Heathrow under the BLAs.

For the six months ended 30 June 2022, net finance cost was £4 million (six months ended 30 June 2021: £19 million; year ended 31 December 2021: £37 million).

In the six months ended 30 June 2022, net interest receivable from group undertakings was £584 million (six months ended 30 June 2021: £202 million; year ended 31 December 2021: £813 million); and interest payable on external borrowings was £588 million (six months ended 30 June 2021: £309 million; year ended 31 December 2021: £850 million).

Net interest payable on derivative financial instruments amounted to £204 million (six months ended 30 June 2021: £88 million receivable; year ended 31 December 2021: £208 million payable).

The fair value loss on financial instruments was £378 million (six months ended 30 June 2021: £81 million; year ended 31 December 2021: £140 million). This was due to the fair value movement on the cross-currency swaps and some inflation-linked swaps.

Heathrow Funding Limited continues to focus on maintaining a strong liquidity position and optimising its long-term cost of debt as well as ensuring duration, diversification and resilience in its debt financing.

In the first six months of 2022 £0.1 billion of new debt has been raised, comprising of a CHF165 million Class A bond in June 2022. This funding complements our robust liquidity position and provides additional duration and diversification to SP Group's £16 billion bond debt portfolio.

In addition, the Company repaid a £180 million Class A index-linked bond in April 2022 and a €600 million Class A bond in June 2022.

A review of the Company's principal business risks is reported below.

#### Results and dividends

The loss after taxation for the six months ended 30 June 2022 was £382 million (six months ended 30 June 2021: £100 million; year ended 31 December 2021: £177 million). No ordinary dividends were proposed or paid during the period (six months ended 30 June 2021: £nil; year ended 31 December 2021: £nil).

#### Directors

The directors who served during the period and to the date of this report were as follows:

Yuanyuan Ding  
Javier Echave  
Martin Bailey (appointed 1 April 2022)  
Nicholas Golding (resigned 31 March 2022)  
Lisa Aune (resigned 6 June 2022)

## Heathrow Funding Limited

### Interim management report *continued*

#### **Risk management**

The principal risks and uncertainties that could have a material impact on the Company's performance over the remaining six months of the financial year have not changed from those reported in the annual report and financial statements for the year ended 31 December 2021. The Company actively manages all identified risks following the risk management policies of Heathrow (SP) Limited and Heathrow Airport Holdings Limited. Details of the risk management policies have been disclosed in the Heathrow (SP) Limited and Heathrow Airport Holdings Limited consolidated annual financial statements. Of the five members of the Heathrow Airport Holdings Limited Audit Committee all, including the Chair, are non-executive directors.

On behalf of the Board



**Javier Echave**

Director

25 July 2022

Company registration number: 99529 (Jersey)

## Heathrow Funding Limited

### Statement of directors' responsibilities in respect of the financial statement

The directors are responsible for preparing the interim report and condensed financial statements in accordance with applicable law and regulations.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Heathrow website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm to the best of their knowledge:

- the condensed financial statements have been prepared in accordance with Financial Reporting Standard 104 'Interim Financial Reporting' ('FRS 104'); and
- the Interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R namely, an indication of important events that have occurred during the six months ended 30 June 2022 and their impact on the condensed financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

On behalf of the Board



**Javier Echave**  
Director

25 July 2022

## Heathrow Funding Limited

### Statement of comprehensive income

	<i>Note</i>	<b>Unaudited Six months ended 30 June 2022 £m</b>	Unaudited Six months ended 30 June 2021 £m	Audited Year ended 31 December 2021 £m
<b>Financing</b>				
Finance income	<i>1</i>	<b>584</b>	290	813
Finance costs	<i>1</i>	<b>(588)</b>	(309)	(850)
Fair value loss on financial instruments	<i>1</i>	<b>(378)</b>	(81)	(140)
<b>Loss before tax</b>		<b>(382)</b>	(100)	(177)
Taxation	<i>2</i>	-	-	-
<b>Loss for the period</b>	<i>8</i>	<b>(382)</b>	(100)	(177)
<b>Total comprehensive loss for the period</b>		<b>(382)</b>	(100)	(177)

# Heathrow Funding Limited

## Statement of financial position

	<i>Note</i>	<b>Unaudited 30 June 2022 £m</b>	Audited 31 December 2021 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Trade and other receivables	<i>3</i>	<b>13,011</b>	13,583
Derivative financial instruments	<i>6</i>	<b>2,649</b>	2,385
		<b>15,660</b>	15,968
<b>Current assets</b>			
Trade and other receivables	<i>3</i>	<b>1,020</b>	886
Derivative financial instruments	<i>6</i>	<b>23</b>	41
		<b>1,043</b>	927
<b>Total assets</b>		<b>16,703</b>	16,895
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>5</i>	<b>(13,397)</b>	(13,596)
Derivative financial instruments	<i>6</i>	<b>(2,716)</b>	(2,338)
		<b>(16,113)</b>	(15,934)
<b>Current liabilities</b>			
Borrowings	<i>5</i>	<b>(918)</b>	(933)
Derivative financial instruments	<i>6</i>	<b>(43)</b>	(17)
Trade and other payables	<i>4</i>	<b>(1)</b>	(1)
		<b>(962)</b>	(951)
<b>Total liabilities</b>		<b>(17,075)</b>	(16,885)
<b>Net assets<sup>1</sup></b>		<b>(372)</b>	10
<b>Capital and reserves</b>			
Share capital		-	-
(Accumulated losses)/retained earnings	<i>8</i>	<b>(372)</b>	10
<b>Total shareholder's funds</b>		<b>(372)</b>	10

<sup>1</sup> Net assets reflect the different measurement bases used for certain financial instruments: Borrower Loan Agreements and bonds are recorded at amortised cost but derivatives are re-measured to fair value at each balance sheet date.

The condensed financial statements of Heathrow Funding Limited (Company registration number: 99529 (Jersey)) were approved by the Board of Directors and authorised for issue on 25 July 2022. They were signed on its behalf by:



**Javier Echave**  
Director



**Martin Bailey**  
Director

## Heathrow Funding Limited

### Statement of cash flows

	<b>Unaudited Six months ended 30 June 2022 £m</b>	Unaudited Six months ended 30 June 2021 £m	Unaudited Year ended 31 December 2021 £m
Loss before tax	<b>(382)</b>	(100)	(177)
<i>Adjustments for:</i>			
Fair value loss on financial instruments	<b>378</b>	81	140
Movement in accrued interest on derivative financial instruments	<b>19</b>	(10)	18
Amortisation of cost, discount and premium on bonds	<b>18</b>	(8)	25
Amortisation of cost, discount and premium on BLA advances <sup>1</sup>	<b>(3)</b>	(5)	10
(Increase)/decrease in interest receivable	<b>(14)</b>	51	(11)
Decrease in interest payable on borrowings	<b>(16)</b>	(9)	(5)
Net decrease/(increase) in amounts owed by group undertakings – interest bearing	<b>861</b>	883	(394)
<b>Net cash generated from/(used in) operating activities</b>	<b>861</b>	883	(394)
<b>Financing</b>			
Net proceeds from issuance of bonds	<b>136</b>	1,379	1,582
Repayment of bonds	<b>(730)</b>	(496)	(1,119)
Net settlement of accretion on index-linked swaps	<b>(267)</b>	-	(69)
<b>Net cash (used in)/generated from financing activities</b>	<b>(861)</b>	(883)	394
<b>Net change in cash and cash equivalents</b>	<b>-</b>	-	-
<b>Cash and cash equivalents at beginning of period</b>	<b>-</b>	-	-
<b>Cash and cash equivalents at end of period</b>	<b>-</b>	-	-

<sup>1</sup> BLA represents the Borrower Loan Agreements between the Company and Heathrow Airport Limited.



## Heathrow Funding Limited

### Accounting policies

#### Basis of accounting

The condensed financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments in accordance with Companies (Jersey) Law 1991 and Financial Reporting Standard 104 – ‘Interim Financial Reporting’ (FRS 104).

The accounting policies adopted in the preparation of these condensed financial statements for the six months ended 30 June 2022 have been consistently applied to the comparative information for the six months ended 30 June 2021 and the year ended 31 December 2021.

The Company has chosen to apply the recognition and measurement provisions of International Accounting Standard (‘IAS’) 39 ‘Financial Instruments: Recognition and Measurement’, in compliance with FRS 102. As a result, the accounting requirements of IAS 39 have been applied to all financial instruments instead of those in FRS 102 (s.11 and s.12).

#### Basis of preparation

The condensed financial statements should be read in conjunction with the audited 2021 annual report and financial statements.

#### Going concern

The Directors have prepared the financial information presented within these interim financial statements on a going concern basis as they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

#### *Cash flow and liquidity*

The wider Heathrow Group can raise finance at both Heathrow SP Limited (‘Heathrow SP’) and Heathrow Finance plc (‘Heathrow Finance’). The Company’s primary purpose is to raise funding from external sources and provide funding to the SP Group, therefore the ability of the Company to continue as a going concern is underpinned by the performance of the wider Heathrow group of companies. As such, the Directors have considered the wider group when assessing going concern. In assessing the going concern position, the Directors have considered the uncertainty that regulation could provide as Heathrow enters the next regulatory period (H7), as well as the potential impact on speed of recovery of any further COVID-19 impacts on cash flow and liquidity over the next 12 months. The Directors have also considered the period beyond 12 months to December 2023.

Despite a challenging market backdrop, given the long recovery from the COVID-19 pandemic and the uncertainty surrounding tariffs for the H7 regulatory period, continued confidence and support for our credit enabled Heathrow to raise £0.3 billion of debt in the 6 months to 30 June 2022 with new £200 million and CHF165 million Class A transactions being successfully executed. Consequently, Heathrow SP held cash of £1.3 billion as at 30 June 2022. Total debt maturity within Heathrow SP for the next 12 months from 30 June 2022 is £0.8 billion. The wider Heathrow Group (which includes Heathrow Finance and the cash held at Heathrow SP) has cash of £2.6 billion available. No debt matures outside of Heathrow SP for the next 12 months from 30 June 2022. Taking this into account, the Group has sufficient liquidity to meet all forecast cash flow needs well into 2025 under the current regulatory business plan cash flow forecast or until at least June 2023 even under the most extreme scenario of no revenue. This includes forecast operational costs, capital investment, debt service costs, scheduled debt maturities and repayments.

#### *Heathrow’s Regulatory Business Plan*

The Directors have modelled future cash flows for the period beyond 12 months to December 2023 and have considered the following:

- Forecast revenue and operating cash flows from the underlying operations, based on a 2022 traffic forecast of 54.4 million passengers;
- Forecast level of capital expenditure; and
- The overall Group liquidity position including cash resources, the remaining committed and uncommitted facilities available to it, its scheduled debt maturities, its forecast financial ratios, projected covenant requirements, and its ability to access the debt markets.

## Heathrow Funding Limited

### Accounting policies continued

#### Going concern *continued*

In modelling the recovery from COVID-19, there remains a significant degree of uncertainty given the wide range of potential traffic forecasts being formed by various stakeholders in the global aviation industry, including the CAA. Therefore, there is inherent subjectivity in our forecasting. Passenger traffic continued to increase through H1, with 26.1 million having travelled through the airport in the 6 months to 30 June 2022 (6 months to 30 June 2021: 3.9m). Demand continues to be driven by outbound leisure as passengers take advantage of the removal of restrictions and travel vouchers from cancelled trips over the past two years, with inbound demand weaker due to COVID-19 restrictions in other countries. However, the degree of uncertainty is still significant due to steep inflation and the resultant increase in cost of living particularly for voucher-led outbound leisure, coupled with uncertainty of future travel restrictions caused by potential new COVID-19 variants of concern.

In addition to the inherent passenger forecast uncertainties described above, we do not yet have full certainty over passenger tariffs for the H7 regulatory period (the period from 1 January 2022 to 31 December 2026), which is set by the Civil Aviation Authority (the "CAA"). As described on page 5 of the SP Group interim consolidated financial statements, the CAA's Final Proposals provide an average H7 tariff of £24.14 in 2020 prices, with a final decision expected later in 2022. Until the H7 tariff is finalised, the CAA has put in place an interim tariff (the "interim tariff") from 1 January 2022.

The cash flows in Heathrow's current regulatory business plan RBP Update 2, updated for latest passenger forecasts and inflation, reflect the Directors' view of the expected CAA passenger tariff for the H7 regulatory period. RBP Update 2 assumes the interim tariff will remain in place for the entirety of 2022 and that the overall tariff for the H7 period will be £42.63 (in 2020 prices). This is above the CAA's tariff set out in the Final Proposals. It is the Directors' view that its own RBP Update 2 has been carefully crafted to deliver for our passengers and other stakeholders and is therefore a realistic tariff supported by a detailed assessment of each individual block which form part of the tariff calculation. Under RBP Update 2, the Group will meet all covenants associated with its financial arrangements. The Directors acknowledge that this is a critical judgement and has therefore considered two further sensitivity scenarios for financial reporting purposes, described below.

#### *Stress testing*

As explained above, even under the most extreme scenario of no revenue, the Group has sufficient liquidity to meet all forecast cash flow needs until at least June 2023.

The Directors have stress tested RBP Update 2, described above, with a number of downturn scenarios taking into account the CAA's H7 tariff from the Final Proposals and further decreases in passenger numbers and a resulting drop in EBITDA. In addition, the Directors have modelled out to December 2023 given the close proximity to the subsequent covenant testing period.

Under a severe but plausible downside scenario, the Directors have modelled the interim tariff for 2022 and an overall H7 tariff in line with the CAA's Final Proposals (£24.14 in 2020 prices). This scenario assumes no further RAB adjustment. Given the continued uncertainty over potential future travel restrictions in the UK and those markets which Heathrow services caused by any new COVID-19 variants, and a resultant impact on consumer confidence, the Directors have modelled downside passenger forecasts in 2022 and 2023. Whilst the Directors do not consider this scenario likely, a reduction in passenger numbers of under 15 million in 2022 or over 8 million in 2023 (27% and 12% reduction versus RBP Update 2, respectively) under the severe but plausible downside scenario is forecast to result in an ICR covenant breach at ADIF2 in December 2023. A reduction in passenger numbers of over 16 million in 2022 or over 12 million in 2023 (30% and 20% reduction versus RBP Update 2, respectively) is forecast to result in an ICR covenant breach at Heathrow Finance. The Directors consider these reductions to be severe but plausible due to the continued uncertainty over passenger demand for the reasons outlined above.

Should there be a covenant breach, the Directors would need to undertake additional actions including identifying additional cashflow mitigations as well as seeking a further covenant waiver or amendment from creditors. During Q3 2021, the Group successfully agreed a further ICR covenant waiver at Heathrow Finance for the period ended 31 December 2021 which follows the agreement of a waiver for the ICR covenant and an amendment to the RAR covenant from Heathrow Finance creditors which resulted in no breach occurring in relation to the financial year ended 31 December 2020. Whilst the Directors are confident it would continue to receive support from its creditors if required, there is no certainty a further covenant waiver would be agreed particularly since unfavourable passenger tariffs may impact access to liquidity due to weaker access to debt capital markets at affordable prices. These factors indicate the existence of a material uncertainty which could cast significant doubt upon the Group and the Company's ability to continue as a going concern.

## Heathrow Funding Limited

### Accounting policies continued

#### Going concern *continued*

##### *Conclusion*

Having had regard to both liquidity and debt covenants, and considering severe but plausible downsides, the Directors have concluded that there will be funds available to meet the Group and Company's funding requirements for at least 12 months from the date of signing these interim financial statements, and that it is accordingly appropriate to adopt a going concern basis for the preparation of these results.

The Directors consider that the underlying credit quality of the business means that it can secure, if necessary and in the event of a severe but plausible downside, the timely support of its debtholders as it successfully secured in 2020 and 2021.

Nevertheless, the impact of COVID-19 continues to create considerable uncertainty with regard to forecast passenger numbers and the corresponding uncertainty in the final decision from the CAA on passenger pricing for the H7 regulatory period. Specifically, if passenger pricing was such that the Group were unable to secure minimum cashflow generation to protect an investment grade credit rating, access to liquidity at affordable prices beyond 2023 may be compromised. These uncertainties may result in the Group needing to take further action, including seeking future further covenant waivers or amendments from creditors. This indicates the existence of a material uncertainty which could cast significant doubt upon the Group and therefore the Company's ability to continue as a going concern.

These interim financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

## **Heathrow Funding Limited**

### **Significant accounting judgements and estimates**

In applying the Company's accounting policies management have made judgements and estimates in a number of key areas. Actual results may, however, differ from the estimates calculated. The significant accounting judgements and estimates applied in the preparation of the condensed financial statements are consistent with those applied by the Company in its audited annual report and financial statements for the year ended 31 December 2021.

# Heathrow Funding Limited

## Notes to the condensed financial statements

### 1 Financing

	Unaudited Six months ended 30 June 2022 £m	Unaudited Six months ended 30 June 2021 £m	Audited Year ended 31 December 2021 £m
<b>Finance income</b>			
Net interest receivable from group undertakings	584	202	813
Net interest receivable on derivatives	-	88	-
<b>Total finance income</b>	<b>584</b>	290	813
<b>Finance costs</b>			
Interest payable on external borrowings	(384)	(309)	(642)
Net interest payable on derivatives	(204)	-	(208)
<b>Total finance costs</b>	<b>(588)</b>	(309)	(850)
<b>Net finance costs before certain re-measurements</b>	<b>(4)</b>	(19)	(37)
<b>Certain re-measurements</b>			
<b>Fair value gain/(loss) on financial instruments</b>			
Index-linked swaps with external counterparties <sup>1</sup>	249	(71)	(529)
Index-linked swaps as back-to-back derivatives with Heathrow Airport Limited <sup>1</sup>	(282)	119	527
Cross-currency swaps with external counterparties and retranslation of foreign currency debt <sup>2</sup>	(346)	(104)	(132)
Interest rate swaps with external counterparties <sup>3</sup>	107	(11)	(102)
Interest rate swaps as back-to-back derivatives with Heathrow Airport Limited <sup>3</sup>	(106)	(14)	96
<b>Fair value loss on financial instruments</b>	<b>(378)</b>	(81)	(140)
<b>Net finance cost</b>	<b>(382)</b>	(100)	(177)

<sup>1</sup> A proportion of index-linked swaps entered into by the Company are passed on to Heathrow Airport Limited as back-to-back derivatives. The remaining index-linked swaps are packaged with external bonds and passed on to Heathrow Airport Limited under the Borrower Loan Agreements ('BLA').

<sup>2</sup> All cross-currency swaps are packaged with external foreign currency bonds and passed on to Heathrow Airport Limited under sterling denominated BLAs.

<sup>3</sup> All interest rate swaps entered into by the Company are passed on to Heathrow Airport Limited as back-to-back derivatives.

### 2 Taxation

	Unaudited Six months ended 30 June 2022 £m	Unaudited Six months ended 30 June 2021 £m	Audited Year ended 31 December 2021 £m
<b>UK corporation tax</b>			
Current tax on profit on ordinary activities	-	-	-

Whilst the Company is incorporated outside the UK, it is treated as a UK resident company for tax purposes. As the Company qualifies as a 'securitisation company' within the scope of the Taxation of Securitisation Companies Regulations 2006, it is subject to UK corporation tax on a small margin rather than on the operating profit shown in the condensed statement of income and retained earnings.

## Heathrow Funding Limited

### Notes to the condensed financial statements *continued*

#### 3 Trade and other receivables

	Unaudited 30 June 2022 £m	Audited 31 December 2021 £m
<b>Current</b>		
Interest receivable from group undertakings <sup>1</sup>	177	163
Amounts owed by group undertakings – interest bearing <sup>2</sup>	843	723
	<b>1,020</b>	886
<b>Non-current</b>		
Amount owed by group undertakings – interest bearing <sup>2</sup>	13,011	13,583
	<b>13,011</b>	13,583
<b>Trade and other receivables</b>	<b>14,031</b>	14,469

<sup>1</sup> Interest receivable from group undertakings relates to interest accrued on the BLAs receivable from Heathrow Airport Limited.

<sup>2</sup> Amounts owed by group undertakings – interest bearing largely represent the BLAs receivable from Heathrow Airport Limited. The advances under the BLAs are secured and are issued on substantially the same terms as the bonds issued by the Company, taking into consideration the related hedging instruments. Heathrow (SP) Limited, Heathrow (AH) Limited, Heathrow Airport Limited and Heathrow Express Operating Company Limited are joint guarantors in respect of principal, indexation, interest, fees and hedging arrangements in relation to the borrowings of Heathrow Airport Limited under the BLAs.

#### 4 Trade and other payables

	Unaudited 30 June 2022 £m	Audited 31 December 2021 £m
<b>Current</b>		
Amounts owed to group undertakings – non-interest bearing	1	1
<b>Trade and other payables</b>	<b>1</b>	1

#### 5 Borrowings

	Unaudited 30 June 2022 £m	Audited 31 December 2021 £m
<b>Current</b>		
<b>Secured Bonds</b>		
1.650%+RPI £180 million due 2022	-	234
1.875% €600 million due 2022	-	504
5.225% £750 million due 2023	739	-
	<b>739</b>	738
Interest payable on borrowings	179	195
	<b>918</b>	933
<b>Non-current</b>		
<b>Secured Bonds</b>		
5.225% £750 million due 2023	-	732
7.125% £600 million due 2024	597	597
0.500% CHF400 million due 2024	345	325
3.250% C\$500 million due 2025	317	290
1.500% €750 million due 2025	641	625
4.221% £155 million due 2026	155	155
6.750% £700 million due 2026	695	695
0.450% CHF210 million due 2026	181	171
2.650% NOK1,000 million due 2027	83	84
2.694% C\$650 million due 2027	414	379
1.800% CHF165 million due 2027	141	-

## Heathrow Funding Limited

### Notes to the condensed financial statements *continued*

#### 5 Borrowings *continued*

	Unaudited 30 June 2022	Audited 31 December 2021
	£m	£m
2.625% £350 million due 2028	347	346
3.400% C\$400 million due 2028	254	233
7.075% £200 million due 2028	199	199
4.150% A\$175 million due 2028	100	93
2.500% NOK1,000 million due 2029	83	84
2.750% £450 million due 2029	446	445
3.782% C\$400 million due 2030	254	233
1.125% €500 million due 2030	425	415
1.500% €750 million due 2030	641	625
3.661% C\$500 million due 2031	318	291
6.450% £900 million due 2031	861	860
Zero-coupon €50 million due January 2032	66	63
1.366%+RPI £75 million due 2032	97	92
Zero-coupon €50 million due April 2032	65	62
0.101%+RPI £182 million due 2032	204	192
1.875% €500 million due 2032	428	418
4.171% £50 million due 2034	50	50
3.726% C\$625 million due 2033	404	371
Zero-coupon €50 million due 2034	54	52
1.875% €650 million due 2034	551	538
0.347%+RPI £75 million due 2035	85	80
0.337%+RPI £75 million due 2036	85	80
1.061%+RPI £180 million due 2036	229	216
0.419%+RPI £51 million due 2038	57	54
3.460% £105 million due 2038	105	105
1.382%+RPI £50 million due 2039	65	61
3.334%+RPI £460 million due 2039	717	679
Zero-coupon €86 million due 2039	81	78
0.800% JPY10,000 million due 2039	61	65
1.238%+RPI £100 million due 2040	128	121
0.362%+RPI £75 million due 2041	85	80
3.500% A\$125 million due 2041	71	67
5.875% £750 million due 2041	739	739
2.926% £55 million due 2043	54	54
4.625% £750 million due 2046	742	742
1.372%+RPI £75 million due 2049	97	92
2.750% £400 million due 2049	393	393
0.147%+RPI £160 million due 2058	187	175
<b>Total non-current</b>	<b>13,397</b>	<b>13,596</b>
<b>Total borrowings</b>	<b>14,315</b>	<b>14,529</b>
<b>Total borrowings (excluding interest payable)</b>	<b>14,136</b>	<b>14,334</b>

The maturity dates of the bonds listed above reflect their scheduled redemption dates that correspond to the maturity dates of the loans between Heathrow Airport Limited and the Company. The bonds are not callable in nature and are expected to be repaid on their scheduled redemption dates. However, to meet rating agency requirements the bonds have a legal maturity that is two years later, except for the 7.125% £600 million due 2024, 4.221% £155 million due 2026, 2.625% £350 million due 2028, 0.101%+RPI £182 million due 2032, 0.347%+RPI £75 million due 2035, 0.337%+RPI £75 million due 2036, 1.061%+RPI £180 million due 2036, 0.419%+RPI £51 million due 2038, 3.460% £105 million due 2038 and 0.362%+RPI £75 million due 2041, wherein the redemption dates coincide with their legal maturity dates.

## Heathrow Funding Limited

### Notes to the condensed financial statements *continued*

#### 6 Derivative financial instruments

	Notional £m	Assets £m	Liabilities £m	Total £m
<b>30 June 2022</b>				
<b>Current</b>				
<i>Index-linked swaps:</i>				
with counter parties external to the SP Group	160	-	(43)	(43)
with fellow subsidiary Heathrow Airport Limited	100	23	-	23
<b>Total current</b>	<b>260</b>	<b>23</b>	<b>(43)</b>	<b>(20)</b>
<b>Non-current</b>				
Cross-currency swaps	5,533	283	(195)	88
<i>Interest rate swaps:</i>				
with counter parties external to the SP Group	7,921	383	(843)	(460)
with fellow subsidiary Heathrow Airport Limited	7,921	843	(383)	460
<i>Index-linked swaps:</i>				
with counter parties external to the SP Group	5,647	44	(1,295)	(1,251)
with fellow subsidiary Heathrow Airport Limited	5,501	1,096	-	1,096
<b>Total non-current</b>	<b>32,523</b>	<b>2,649</b>	<b>(2,716)</b>	<b>(67)</b>
<b>Total</b>	<b>32,783</b>	<b>2,672</b>	<b>(2,759)</b>	<b>(87)</b>

	Notional £m	Assets £m	Liabilities £m	Total £m
<b>31 December 2021</b>				
<b>Current</b>				
Cross-currency swaps	490	24	-	24
<i>Index-linked swaps:</i>				
with counterparties external to the SP Group	100	-	(17)	(17)
with fellow subsidiary Heathrow Airport Limited	100	17	-	17
<b>Total current</b>	<b>690</b>	<b>41</b>	<b>(17)</b>	<b>24</b>
<b>Non-current</b>				
Cross currency swaps	5,398	255	(98)	157
<i>Interest rate swaps:</i>				
with counterparties external to the SP Group	7,500	113	(665)	(552)
with fellow subsidiary Heathrow Airport Limited	7,500	665	(113)	552
<i>Index-linked swaps:</i>				
with counterparties external to the SP Group	5,707	53	(1,462)	(1,409)
with fellow subsidiary Heathrow Airport Limited	5,501	1,299	-	1,299
<b>Total non-current</b>	<b>31,606</b>	<b>2,385</b>	<b>(2,338)</b>	<b>47</b>
<b>Total</b>	<b>32,296</b>	<b>2,426</b>	<b>(2,355)</b>	<b>71</b>

The Company does not apply hedge accounting to any of its derivative financial instruments.

#### *Cross-currency swaps*

Cross-currency swaps have been entered into by the Company to hedge currency risk on interest and principal payments of foreign currency-denominated bonds.

#### *Interest rate swaps*

Interest rate swaps have been entered into to hedge against variability in interest cash flows on existing and future borrowings, or fair value movements in fixed rate borrowings, within the SP Group.



## Heathrow Funding Limited

### Notes to the condensed financial statements *continued*

#### 6 Derivative financial instruments *continued*

##### *Index-linked swaps*

Index-linked swaps have been entered into to mitigate the risk of mismatch between Heathrow Airport Limited's aeronautical income and regulatory asset base, which are directly linked to changes in the Retail Prices Index, and nominal debt and interest payments.

##### *Back-to-back derivatives*

All interest rate swaps and a large proportion of the index-linked swap portfolio are passed on to Heathrow Airport Limited as back-to-back derivatives.

#### 7 Reconciliation in net debt

Net debt comprises the Company's borrowings excluding interest accruals, net of cash and cash equivalents.

	1 January 2022 £m	Issuance/re- payment of bonds £m	Transfers to within one year £m	Other non-cash changes <sup>1</sup> £m	30 June 2022 £m
Debt due within one year	738	(730)	749	(18)	739
Debt due after more than one year	13,596	136	(749)	414	13,397
<b>Net debt</b>	<b>14,334</b>	<b>(594)</b>	<b>-</b>	<b>396</b>	<b>14,136</b>

<sup>1</sup> Relates to the amortisation of issue costs, premiums and discounts, foreign exchange translations of foreign currency debt and accretion accruals.

#### 8 (Accumulated losses)/retained earnings

	£m
1 January 2022	10
Loss for the period	(382)
<b>30 June 2022</b>	<b>(372)</b>

#### 9 Subsequent events

There were no subsequent events after the reporting date.

#### Registered office

IFC5, St Helier, Jersey, JE1 1ST Channel Islands  
Company registration number: 99529 (Jersey)