

Heathrow (SP) Limited
Special purpose consolidated financial statements
for the six months ended 30 June 2017

Unaudited

Heathrow (SP) Limited

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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 2017 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. The retirement benefit scheme's plan assets are measured at fair value and the scheme's obligations are measured in accordance with IAS 19 on the projected unit cost method. 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. 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 2016.

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 23 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



Javier Echave
Director

July 2017

Company registration number: 06458621

Heathrow (SP) Limited

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	(871)	(899)	(1,794)
Fair value gain/(loss) on investment properties	74	(12)	44
Operating profit	577	409	1,057
<i>Analysed as:</i>			
Operating profit before exceptional items	577	409	1,057
Financing			
Finance income	101	110	218
Finance costs	(502)	(456)	(964)
Fair value gain/(loss) on financial instruments	135	(295)	(524)
Net finance costs	(266)	(641)	(1,270)
Profit/(loss) before tax	311	(232)	(213)
Taxation (charge)/credit	(65)	31	69
Profit/(loss) for the period	246	(201)	(144)

Heathrow (SP) Limited

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	246	(201)	(144)
Other comprehensive income:			
Items that will not be subsequently reclassified to the consolidated income statement			
Actuarial losses 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 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 profit/(loss) for the period^a	171	(225)	(308)

^a Attributable to owners of the parent.

Heathrow (SP) Limited

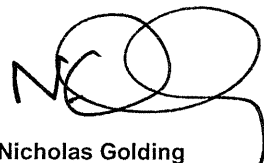
Consolidated statement of financial position as at 30 June 2017

	Unaudited 30 June 2017 £m	Audited 31 December 2016 £m
Assets		
Non-current assets		
Property, plant and equipment	11,349	11,306
Investment properties	2,273	2,200
Intangible assets	119	122
Derivative financial instruments	480	676
Trade and other receivables	23	27
	14,244	14,331
Current assets		
Inventories	11	11
Trade and other receivables	282	271
Derivative financial instruments	147	78
Term deposits	12	380
Cash and cash equivalents	216	280
	668	1,020
Total assets	14,912	15,351
Liabilities		
Non-current liabilities		
Borrowings	(13,298)	(13,240)
Derivative financial instruments	(1,410)	(1,419)
Deferred income tax liabilities	(867)	(849)
Retirement benefit obligations	(199)	(114)
Provisions	(9)	(9)
Trade and other payables	(9)	(8)
	(15,792)	(15,639)
Current liabilities		
Borrowings	(897)	(1,241)
Provisions	(6)	(12)
Current income tax liabilities	(44)	(30)
Trade and other payables	(447)	(408)
	(1,394)	(1,691)
Total liabilities	(17,185)	(17,330)
Net liabilities	(2,274)	(1,979)
Equity		
Capital and reserves		
Share capital	11	11
Share premium	499	499
Merger reserve	(3,758)	(3,758)
Cash flow hedge reserve	(264)	(268)
Retained earnings	1,238	1,537
Total shareholder's deficit	(2,274)	(1,979)

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 July 2017. They were signed on its behalf by:



Javier Echave
Director



Nicholas Golding
Director

Heathrow (SP) Limited

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

	Attributable to owners of the Company (unaudited)					Total equity £m
	Share capital £m	Share premium £m	Merger reserve £m	Cash flow hedge reserve £m	Retained earnings £m	
1 January 2016	11	499	(3,758)	(284)	2,457	(1,075)
Comprehensive income:						
Loss for the period					(144)	(144)
Other comprehensive income:						
Fair value gains on cash flow hedges net of tax				23		23
Actuarial losses 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	(324)	(308)
Transaction with owners:						
Dividends paid to Heathrow Finance plc					(596)	(596)
Total transaction with owners					(596)	(596)
31 December 2016	11	499	(3,758)	(268)	1,537	(1,979)
1 January 2017	11	499	(3,758)	(268)	1,537	(1,979)
Comprehensive income:						
Profit for the period					246	246
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	167	171
Transaction with owners:						
Dividends paid to Heathrow Finance plc					(466)	(466)
Total transaction with owners					(466)	(466)
30 June 2017	11	499	(3,758)	(264)	1,238	2,274

Heathrow (SP) Limited

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	311	(232)	(213)
<i>Adjustments for:</i>			
Finance income	(101)	(110)	(218)
Finance costs	502	456	964
Fair value (gain)/loss on financial instruments	(135)	295	524
Depreciation, amortisation and impairment	332	360	669
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)	(19)
Increase/(decrease) in trade and other payables	13	(8)	13
(Decrease)/increase in provisions	(7)	(3)	7
Difference between pension charge and cash contributions	(10)	(24)	(31)
Cash generated from continuing operations	820	700	1,652
Taxation			
Corporation tax paid	(18)	(18)	(45)
Group relief paid	-	-	(15)
Net cash from operating activities	802	682	1,592
Cash flows from investing activities			
Net capital expenditure	(318)	(303)	(674)
Decrease in term deposits	368	195	170
Increase in group deposits	-	(19)	(26)
Interest received	3	3	4
Net cash from/(used in) investing activities	53	(124)	(526)
Cash flows from financing activities			
Dividends paid	(466)	(227)	(596)
Proceeds from issuance of bonds	-	344	829
Repayment of bonds	(856)	(300)	(734)
Issuance of term notes	518	-	90
Drawdown of revolving credit facilities	360	-	-
Repayment of facilities and other financing items	(20)	(20)	(44)
(Decrease)/increase in amount owed to Heathrow Finance plc	(140)	95	260
Settlement of accretion on index-linked swaps	(10)	(86)	(188)
Swap restructuring	-	20	20
Interest paid	(305)	(324)	(595)
Net cash used in financing activities	(919)	(498)	(958)
Net (decrease)/increase in cash and cash equivalents	(64)	60	108
Cash and cash equivalents at beginning of period	280	172	280
Cash and cash equivalents at end of period	216	232	280
Represented by:			
Cash and cash equivalents	216	232	280
Cash and cash equivalents at end of period	216	232	280