

Heathrow Finance plc
Special purpose consolidated financial statements
for the six months ended 30 June 2023

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 2023 and for the six months then ended.

The financial information for the six-month period ended 30 June 2023 has been prepared in accordance with the accounting policies expected to be applicable for the year ending 31 December 2023. The financial statements for the six-month period ended 30 June 2023 have been prepared on a basis consistent with that applied in the preparation of the financial statements for the year ended 31 December 2022.

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 2022 were approved by the Board of directors on 22 February 2023 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

25 July 2023

Company registration number: 06458635

Heathrow Finance plc

Consolidated income statement for the six months ended 30 June 2023

	Unaudited Six months ended 30 June 2023 £m	Unaudited Six months ended 30 June 2022 £m	Audited Year ended 31 December 2022 £m
Revenue	1,742	1,280	2,913
Operating costs	(1,040)	(910)	(1,988)
Other operating items			
Fair value gain/(loss) on investment properties	140	218	(69)
Operating profit	842	588	856
Financing			
Finance income	68	26	82
Finance costs	(577)	(304)	(681)
Net finance costs	(509)	(278)	(599)
Profit before tax	333	310	257
Tax charge	(103)	(88)	(99)
Change in tax rate	-	-	26
Taxation charge	(103)	(88)	(73)
Profit for the period	230	222	184

Heathrow Finance plc

Consolidated statement of comprehensive income for the six months ended 30 June 2023

	Unaudited Six months ended 30 June 2023	Unaudited Six months ended 30 June 2022	Audited Year ended 31 December 2022
	£m	£m	£m
Profit for the period	230	222	184
Other comprehensive income:			
Items that will not be subsequently reclassified to the consolidated income statement			
Actuarial (loss)/gain on pensions net of tax:			
Loss on plan assets ¹	(111)	(1,029)	(1,582)
Decrease in scheme liabilities ¹	84	1,024	1,239
Items that may be subsequently reclassified to the consolidated income statement			
Cash flow hedges:			
Gain/(loss) taken to equity ¹	71	(55)	11
Transfer to finance costs ¹	9	9	59
Other comprehensive income/(expense) for the period net of tax	53	(51)	(273)
Total comprehensive income/(expense) for the period ²	283	171	(89)

¹ Items in the statement above are disclosed net of tax.

² Attributable to owners of the parent.

Heathrow Finance plc

Consolidated statement of financial position as at 30 June 2023

	Unaudited 30 June 2023 £m	Audited 31 December 2022 £m
Assets		
Non-current assets		
Property, plant and equipment	10,489	10,537
Right of use asset	301	279
Investment properties	2,372	2,230
Intangible assets	240	194
Retirement benefit surplus	-	-
Derivative financial instruments	1,181	1,145
Trade and other receivables	619	601
	15,202	14,986
Current assets		
Inventories	15	16
Trade and other receivables	511	476
Derivative financial instruments	66	1
Term deposits	2,010	2,513
Cash and cash equivalents	331	477
	2,933	3,483
Total assets	18,135	18,469
Liabilities		
Non-current liabilities		
Borrowings	(15,986)	(17,275)
Derivative financial instruments	(2,555)	(2,436)
Deferred income tax liabilities	(800)	(682)
Lease Liabilities	(365)	(341)
Retirement benefit obligations	(162)	(126)
Provisions	(1)	(1)
Trade and other payables	(22)	(22)
	(19,891)	(20,883)
Current liabilities		
Borrowings	(1,458)	(984)
Derivative financial instruments	(6)	(40)
Lease liabilities	(35)	(37)
Provisions	(2)	(2)
Current income tax liabilities	(18)	(15)
Trade and other payables	(419)	(485)
	(1,938)	(1,563)
Total liabilities	(21,829)	(22,446)
Net liabilities	(3,694)	(3,977)
Equity		
Capital and reserves		
Share capital	3,109	3,109
Merger reserve	(994)	(994)
Cash flow hedge reserve	45	(35)
Capital contribution reserve	732	732
Accumulated losses	(6,586)	(6,789)
Total equity	(3,694)	(3,977)

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 25 July 2023. They were signed on its behalf by:



Javier Echave
Director



Martin Bailey
Director

Heathrow Finance plc

Consolidated statement of changes in equity for the six months ended 30 June 2023

	Share capital £m	Merger reserve £m	Cash flow hedge reserve £m	Capital Contribution reserve £m	Accumulated losses £m	Total equity £m
1 January 2022	3,109	(994)	(105)	732	(6,527)	(3,785)
Comprehensive income:						
Profit for the year	-	-	-	-	184	184
Other comprehensive income/(expense):						
Fair value gain on:						
Cash flow hedges net of tax	-	-	70	-	-	70
Actuarial gain/(loss) on pensions net of tax:						
Loss on plan assets	-	-	-	-	(1,582)	(1,582)
Decrease in scheme liabilities	-	-	-	-	1,239	1,239
Total comprehensive income/(expense)	-	-	70	-	(159)	(89)
Transaction with owners:						
Dividends paid to Heathrow (DSH) Limited	-	-	-	-	(103)	(103)
Total transaction with owners	-	-	-	-	(103)	(103)
31 December 2022 (Audited)	3,109	(994)	(35)	732	(6,789)	(3,977)
Comprehensive income:						
Profit for the period	-	-	-	-	230	230
Other comprehensive income:						
Fair value gain on:						
Cash flow hedges net of tax	-	-	80	-	-	80
Actuarial (loss)/gain on pensions net of tax:						
Loss on plan assets	-	-	-	-	(111)	(111)
Decrease in scheme liabilities	-	-	-	-	84	84
Total comprehensive income	-	-	80	-	203	283
30 June 2023 (Unaudited)	3,109	(994)	45	732	(6,586)	(3,694)

Heathrow Finance plc

Consolidated statement of cash flows for the six months ended 30 June 2023

	Unaudited Six months ended 30 June 2023 £m	Unaudited Six months ended 30 June 2022 £m	Audited Year ended 31 December 2022 £m
Cash flows from operating activities			
Profit before tax	333	310	257
Exceptional items	-	-	(14)
Profit before tax and exceptional items	333	310	243
<i>Adjustments for:</i>			
Net finance costs	787	644	1,507
Fair value gain on financial instruments	(278)	(366)	(908)
Depreciation, amortisation and impairment	368	374	774
Fair value (gain)/loss on investment properties	(140)	(218)	69
Impairments and write offs	-	-	20
<i>Working capital changes:</i>			
Increase in inventories and trade and other receivables	(40)	(32)	(58)
Increase in inventories	-	-	(3)
(Decrease)/increase in trade and other payables	(80)	45	89
Decrease in provisions	-	(1)	-
Difference between pension charge and cash contributions	(2)	1	(12)
Cash generated from operations before exceptional items	948	757	1,721
Cash payments in respect of exceptional items	-	(1)	(2)
Cash generated from continuing operations	948	756	1,719
Corporation tax paid	(1)	(1)	(1)
Net cash generated from operating activities	947	755	1,718
Cash flows from investing activities			
Net capital expenditure	(279)	(215)	(442)
Decrease in term deposits	503	745	137
Interest received	51	6	26
Net cash generated from/(used in) investing activities	275	536	(279)
Cash flows from financing activities			
Dividends paid	-	-	(103)
Proceeds from issuance of bonds	-	136	196
Repayment of bonds	(750)	(730)	(732)
Issuance of term notes	-	200	350
Repayment of facilities and other items	-	-	(1)
Settlement of accretion on index-linked swaps	(84)	(17)	(44)
Early settlement of accretion on index-linked swaps	(159)	(250)	(490)
Interest paid ¹	(353)	(149)	(327)
Payment of lease liabilities	(22)	(18)	(43)
Net cash used in financing activities	(1,368)	(828)	(1,194)
Net (decrease)/increase in cash and cash equivalents	(146)	463	245
Cash and cash equivalents at beginning of period	477	232	232
Cash and cash equivalents at end of period	331	695	477
Represented by:			
Cash and cash equivalents	331	695	477
Cash and cash equivalents at end of period	331	695	477

¹ Included within interest paid is £9 million of lease interest paid (June 2022: £8 million and December 2022: £17 million).

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Notes to the consolidated financial information for the six months ended 30 June 2023

1 Segment information

Management has determined the reportable segments of the business based on those contained within the monthly reports reviewed and utilised by the relevant Board for allocating resources and assessing performance. These segments relate to the operations of Heathrow Airport and Heathrow Express.

The performance of the above segments is measured on a revenue and Adjusted EBITDA basis, before certain re-measurements and exceptional items. The reportable segments derive their revenues from a number of sources including aeronautical, retail, other regulated charges and other products and services (including rail income), and this information is also provided to the Board on a monthly basis.

Table (a)	Unaudited Six months ended 30 June 2023 £m	Unaudited Six months ended 30 June 2022 £m	Audited Year ended 31 December 2022 £m
Segment Revenue			
Aeronautical			
Movement charges	454	308	673
Parking charges	44	42	86
Departing charges	662	460	1,120
Total Aeronautical revenue	1,160	810	1,879
Other regulated charges	112	109	247
Retail services revenue	322	247	564
Property revenue	16	16	27
Property (lease-related income)	58	55	102
Rail Income			
Heathrow Express	49	41	92
Other	25	2	2
Total revenue	1,742	1,280	2,913
Heathrow Airport	1,693	1,239	2,821
Heathrow Express	49	41	92
Adjusted EBITDA			
Heathrow Airport	1,055	729	1,647
Heathrow Express	15	15	38
Total adjusted EBITDA	1,070	744	1,685
Reconciliation to statutory information:			
Depreciation and amortisation	(368)	(374)	(774)
Operating profit (before certain re-measurements and exceptional items)	702	370	911
Exceptional items	-	-	14
Fair value gain/(loss) on investments properties (certain re-measurements)	140	218	(69)
Operating profit	842	588	856
Finance income	68	26	82
Finance costs	(577)	(304)	(681)
Profit before tax	333	310	257
Taxation charge	(103)	(88)	(73)
Profit for the period	230	222	184

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Notes to the consolidated financial information for the six months ended 30 June 2023 *continued*

1 Segment information *continued*

Table (b)	Unaudited Six months ended 30 June 2023		Unaudited Six months ended 30 June 2022		Audited Year ended 31 December 2022	
	Depreciation & amortisation ¹	Fair value gain ²	Depreciation & amortisation ¹	Fair value gain ²	Depreciation & amortisation ¹	Fair value loss ²
	£m	£m	£m	£m	£m	£m
Heathrow Airport	(355)	140	(360)	218	(742)	(69)
Heathrow Express	(13)	-	(14)	-	(32)	-
Total	(368)	140	(374)	218	(774)	(69)

¹ Includes intangible amortisation charge of £20 million (December 2022: £41 million; June 2022: £17 million).

² Reflects fair value gain/(loss) on investment properties only.

Table (c)	Unaudited Six months ended 30 June 2023		Audited Year ended 31 December 2022	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Heathrow Airport	13,693	(436)	13,492	(487)
Heathrow Express	553	(8)	562	(23)
Total operations	14,246	(444)	14,054	(510)
Unallocated assets and liabilities:				
Cash, term deposits and external borrowings	2,341	(17,444)	2,990	(18,259)
Retirement benefit obligations	-	(162)	-	(126)
Derivative financial instruments	1,247	(2,561)	1,146	(2,476)
Deferred and current tax liabilities	-	(818)	-	(697)
Right of use assets and lease liabilities	301	(400)	279	(378)
Total	18,135	(21,829)	18,469	(22,446)

2 Operating costs

	Unaudited Six months ended 30 June 2023	Unaudited Six months ended 30 June 2022	Audited Year ended 31 December 2022
	£m	£m	£m
Employment	192	173	378
Operational	196	142	331
Maintenance	103	82	180
Rates	58	59	116
Utilities	71	46	105
Other	52	34	118
Total operating costs before depreciation and amortisation	672	536	1,228
Depreciation and amortisation			
Property, plant and equipment	326	337	692
Intangible assets	20	17	41
Right of Use (RoU) assets	22	20	41
	368	374	774
Operating costs before exceptional items	1,040	910	2,002
Exceptional items	-	-	(14)
Total operating costs	1,040	910	1,988

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Notes to the consolidated financial information for the six months ended 30 June 2023 *continued*

3 Net debt

	Accounting value 30 June 2023 £m	Accounting value 31 December 2022 £m
Current borrowings – <i>Issuer</i>	342	-
Current borrowings – <i>Security Parent and subsidiaries</i>	1,116	984
Current lease liabilities	35	37
Total current borrowings¹	1,493	1,021
Non-current borrowings – <i>Issuer</i>		
Bonds	823	1,122
Loans	1,236	1,235
Non-current lease liabilities	365	341
Total	2,424	2,698
Non-current borrowings – <i>Security Parent and subsidiaries</i>		
Bonds	12,350	13,341
Loans	1,577	1,577
Total	13,927	14,918
Total non-current borrowings	16,351	17,616
Total debt	17,844	18,637
Cash and cash equivalents and term deposits ²	(2,341)	(2,990)
Total net debt	15,503	15,647

¹ Current borrowings includes interest accrued on debt

² Cash and cash equivalents include £2,010 million (December 2022: £2,513 million) in term deposits.

4 Regulatory Asset Base and Nominal Net Debt

Heathrow's RAB was £19,945 million at 30 June 2023 (30 June 2022: £18,425 million; 31 December 2022: £19,182 million).

As at 30 June 2023, consolidated nominal debt was £18,301 million (30 June 2022: £18,161 million; 31 December 2022: £18,776 million), comprising nominal senior debt of £13,767 million (30 June 2022: £13,716 million; 31 December 2022: £14,280 million), nominal junior debt of £2,170 million (30 June 2022: £2,081 million; 31 December 2022: £2,132 million) and nominal issuer debt of £2,364 million (30 June 2022: £2,364 million; 31 December 2022: £2,364 million).

As at 30 June 2023, consolidated nominal net debt was £15,960 million (30 June 2022: £15,561 million; 31 December 2022: £15,786 million), comprising nominal senior and junior net debt of £14,774 million (30 June 2022: £14,507 million; 31 December 2022: £14,579 million) and nominal issuer net debt of £1,186 million (30 June 2022: £1,054 million; 31 December 2022: £1,207 million).