

**Heathrow (SP) Limited**  
**Special purpose consolidated financial statements**  
**for the six months ended 30 June 2016**

**Unaudited**

# Heathrow (SP) Limited

## Contents

<b>Basis of preparation</b>	1
<b>Special purpose consolidated financial statements</b>	
Consolidated income statement	2
Consolidated statement of comprehensive income	3
Consolidated statement of financial position	4
Consolidated statement of changes in equity	5
Consolidated summary statement of cash flows	6

## 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 2016 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 2015.

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



Javier Echave  
Director

28 July 2016

Company registration number: 06458621

## Heathrow (SP) Limited

Consolidated income statement for the six months ended 30 June 2016

	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>	1,307	2,765
Operating costs	(899)	(903)	(1,606)
Fair value gain on investment properties	(12)	44	95
<b>Operating profit</b>	<b>409</b>	448	1,254
<i>Analysed as:</i>			
Operating profit before exceptional items	409	448	1,018
Exceptional items	-	-	236
<b>Financing</b>			
Finance income	110	118	252
Finance costs	(456)	(453)	(952)
Fair value (loss)/gain on financial instruments	(295)	7	148
<b>Net finance cost</b>	<b>(641)</b>	(328)	(552)
<b>(Loss)/profit before tax</b>	<b>(232)</b>	120	702
Taxation credit/(charge)	31	(32)	(38)
<b>Consolidated (loss)/profit for the period</b>	<b>(201)</b>	88	664

## Heathrow (SP) Limited

### Consolidated statement of comprehensive income for the six months ended 30 June 2016

	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>(201)</b>	<b>88</b>	<b>664</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	-	-	(10) <sup>a</sup>
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 profit/(loss) for the period net of tax</b>	<b>(24)</b>	<b>5</b>	<b>31</b>
<b>Total comprehensive profit/(loss) for the period<sup>b</sup></b>	<b>(225)</b>	<b>93</b>	<b>695</b>

<sup>a</sup> For the year ended 31 December 2015, related to a £50 million commutation payment for which the group receives no tax relief.

<sup>b</sup> Attributable to owners of the parent.

# Heathrow (SP) Limited

## Consolidated statement of financial position as at 30 June 2016

	Unaudited 30 June 2016 £m	Audited 31 December 2015 £m
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	11,214	11,248
Investment properties	2,144	2,156
Intangible assets	125	133
Retirement benefit surplus	111	104
Derivative financial instruments	613	175
Trade and other receivables	30	23
	<b>14,237</b>	<b>13,839</b>
<b>Current assets</b>		
Inventories	11	11
Trade and other receivables	292	253
Current income tax assets	-	-
Derivative financial instruments	42	-
Term deposits	355	550
Cash and cash equivalents	232	172
	<b>932</b>	<b>986</b>
<b>Total assets</b>	<b>15,169</b>	<b>14,825</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	(12,468)	(12,212)
Derivative financial instruments	(1,223)	(1,100)
Deferred income tax liabilities	(956)	(1,016)
Retirement benefit obligations	(28)	(28)
Provisions	(2)	(2)
Trade and other payables	(11)	(11)
	<b>(14,688)</b>	<b>(14,369)</b>
<b>Current liabilities</b>		
Borrowings	(1,578)	(993)
Derivative financial instruments	(4)	(90)
Provisions	(2)	(5)
Current income tax liabilities	(37)	(31)
Trade and other payables	(387)	(412)
	<b>(2,008)</b>	<b>(1,531)</b>
<b>Total liabilities</b>	<b>(16,696)</b>	<b>(15,900)</b>
<b>Net liabilities</b>	<b>(1,527)</b>	<b>(1,075)</b>
<b>Equity</b>		
<b>Capital and reserves</b>		
Share capital	11	11
Share premium	499	499
Merger reserve	(3,758)	(3,758)
Cash flow hedge reserve	(294)	(284)
Retained earnings	2,015	2,457
<b>Total shareholder's deficit</b>	<b>(1,527)</b>	<b>(1,075)</b>

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 20 July 2016. They were signed on its behalf by:

  
**Javier Echave**  
 Director

  
**David Williamson**  
 Director

# Heathrow (SP) Limited

Consolidated statement of changes in equity for the six months ended 30 June 2016

	Attributable to owners of the Company (unaudited)					
	Share capital £m	Share premium £m	Merger reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
1 January 2015	11	499	(3,758)	(321)	2,179	(1,390)
<b>Comprehensive income:</b>						
Profit for the period					664	664
<b>Other comprehensive income:</b>						
Fair value gains on cash flow hedges net of tax				37	-	37
Tax relating to retirement benefit schemes:				-	(10)	(10)
Actuarial losses on retirement benefit schemes:						
Loss on plan assets					(101)	(101)
Decrease in scheme liabilities					98	98
Change in tax rate					7	7
<b>Total comprehensive income</b>				<b>37</b>	<b>658</b>	<b>695</b>
<b>Transaction with owners:</b>						
Dividends paid					(380)	(380)
<b>Total transaction with owners</b>					<b>(380)</b>	<b>(380)</b>
31 December 2015	11	499	(3,758)	(284)	2,457	(1,075)
1 January 2016	11	499	(3,758)	(284)	2,457	(1,075)
<b>Comprehensive income:</b>						
Loss for the period					(201)	(201)
<b>Other comprehensive income:</b>						
Fair value gains on cash flow hedges net of tax				(10)		(10)
Actuarial loss on retirement benefit schemes:						
Gain on plan assets					340	340
Increase in scheme liabilities					(354)	(354)
<b>Total comprehensive income</b>				<b>(10)</b>	<b>(215)</b>	<b>(225)</b>
<b>Transaction with owners:</b>						
Dividends paid					(227)	(227)
<b>Total transaction with owners</b>					<b>(227)</b>	<b>(227)</b>
30 June 2016	11	499	(3,758)	(294)	2,015	(1,527)

# Heathrow (SP) Limited

## Consolidated summary statement of cash flows for the six months ended 30 June 2016

	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	(232)	120	702
<i>Adjustments for:</i>			
Net finance costs	346	335	552
Fair value loss/(gain) on investment instruments	295	(7)	(148)
Depreciation, amortisation and impairment	360	344	682
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	(8)	(22)	(20)
(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>705</b>	<b>729</b>	<b>1,592</b>
Taxation			
Corporation tax paid	(18)	-	(24)
Group relief received	-	18	14
<b>Net cash from operating activities</b>	<b>687</b>	<b>747</b>	<b>1,582</b>
<b>Cash flows from investing activities</b>			
Net capital expenditure	(303)	(322)	(627)
Decrease/(increase) in term deposits	195	120	(380)
Increase in group deposits	(24)	(38)	(29)
Interest received	3	3	5
<b>Net cash used in investing activities</b>	<b>(129)</b>	<b>(237)</b>	<b>(1,031)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(227)	(214)	(380)
Proceeds from issuance of bonds	344	907	1,022
Repayment of bonds	(300)	(619)	(619)
Issuance of term notes	-	-	150
Repayment of facilities and other financing items	(20)	(20)	(44)
Increase in amount owed to Heathrow Finance plc	95	75	48
Settlement of accretion on index-linked swaps	(86)	(144)	(213)
Swap restructuring	20	-	-
Interest paid	(324)	(322)	(609)
<b>Net cash (used in)/from financing activities</b>	<b>(498)</b>	<b>(337)</b>	<b>(645)</b>
<b>Net increase in cash and cash equivalents</b>	<b>60</b>	<b>173</b>	<b>(94)</b>
Cash and cash equivalents at beginning of period	172	266	266
<b>Cash and cash equivalents at end of period</b>	<b>232</b>	<b>439</b>	<b>172</b>
Represented by:			
Cash and cash equivalents	232	439	172
<b>Cash and cash equivalents at end of period</b>	<b>232</b>	<b>439</b>	<b>172</b>